

LYNX THERAPEUTICS INC

Form S-4/A

January 21, 2005

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As filed with the Securities and Exchange Commission on January 21, 2005

Registration No. 333-120101

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Amendment No. 3 to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Lynx Therapeutics, Inc.

(Exact name of Registrant as specified in its certificate of incorporation)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

2833
*(Primary Standard Industrial
Classification Code Number)*

94-3161073
*(I.R.S. Employer
Identification No.)*

**25861 Industrial Blvd.
Hayward, CA 94545
(510) 670-9300**
*(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)*

**Mary L. Schramke
Chief Executive Officer
Lynx Therapeutics, Inc.
25861 Industrial Blvd.
Hayward, CA 94545
(510) 670-9300**
*(Name, address, including zip code, and telephone number,
including area code, of agent for service)*

Copies to:

**James C. Kitch
Cooley Godward LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306-2155
(650) 843-5000**

**Steven J. Tonsfeldt
Heller Ehrman White & McAuliffe LLP
275 Middlefield Road
Menlo Park, CA 94025
(650) 324-7000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions under the acquisition agreement described therein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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

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

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

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The information in the accompanying proxy statement/ prospectus is not complete and may be changed. Lynx may not complete the offer and sell its securities until the registration statement filed with the United States Securities and Exchange Commission is effective. The accompanying proxy statement/ prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 21, 2005

PROXY STATEMENT/PROSPECTUS

To the stockholders of Lynx Therapeutics, Inc. and the shareholders of Solexa Limited:

Lynx Therapeutics, Inc. and Solexa Limited have agreed to combine under the terms of an acquisition agreement. In the transaction, Lynx will make an offer to acquire all of the outstanding shares in the share capital of Solexa and an option offer for each outstanding Solexa option, the terms of which are described in the section entitled *Option Offer* on page 65 of the accompanying proxy statement/ prospectus, in exchange for 29.5 million shares of Lynx common stock. If the offer is accepted and the other conditions to the offer are completed or waived, each holder of Solexa B preferred shares will be entitled to receive 2.61560 shares of Lynx common stock for each Solexa B preferred share held; each holder of Solexa A ordinary shares will be entitled to receive 2.75326 shares of Lynx common stock for each Solexa A ordinary share held; and each holder of Solexa ordinary shares will be entitled to receive 0.88637 of a share of Lynx common stock for each Solexa ordinary share held. Lynx stockholders will continue to own their existing Lynx shares.

Lynx common stock is traded on the NASDAQ SmallCap Market under the ticker symbol LYNX. Solexa is a private company registered in England and Wales with approximately 86% of the holders of its share capital located outside of the U.S.

The transaction cannot be completed unless Lynx's stockholders approve the issuance of shares of Lynx common stock in the transaction and the resulting change of control of Lynx. In addition, the transaction cannot be completed unless Solexa shareholders holding at least 90% in nominal value of each class of the outstanding Solexa B preferred shares, the outstanding Solexa A ordinary shares and the outstanding Solexa ordinary shares to which the offer relates accept the offer. Solexa shareholders collectively owning 100% of the outstanding Solexa B preferred shares, 100% of the outstanding Solexa A ordinary shares, and approximately 82.5% of the outstanding Solexa ordinary shares have agreed to accept the offer.

Before voting, if you are a Lynx stockholder, or accepting the offer, if you are a Solexa shareholder, you should carefully review all the information contained in the attached proxy statement/ prospectus. **IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DISCUSSED UNDER *RISK FACTORS* BEGINNING ON PAGE 23 AND THE RISK FACTORS LISTED BEGINNING ON PAGE 18 OF THE QUARTERLY REPORT OF LYNX FOR THE QUARTER ENDED SEPTEMBER 30, 2004 ON FORM 10-Q, WHICH IS INCORPORATED HEREIN BY REFERENCE.** Ernst & Young LLP, independent registered public accounting firm for Lynx, has noted in its report on Lynx's consolidated financial statements included in Lynx's annual report on Form 10-K for the year ended December 31, 2003, as amended, that Lynx's financial condition raises substantial doubt about Lynx's ability to continue as a going concern.

If you are a Lynx stockholder, your vote is very important. Whether or not you expect to attend the Lynx annual meeting, the details of which are described on the following page, please complete, date, sign and promptly return the accompanying proxy in the enclosed envelope.

If you are a Solexa shareholder, your acceptance of Lynx's offer is very important. To accept the offer, you must complete the appropriate acceptance procedure by no later than 5:00 p.m., London time, on March 1, 2005. The procedure for acceptance of the offer is described in the section entitled *Procedure for Acceptance* beginning on page 165 of the proxy statement/ prospectus and in the form of acceptance accompanying the offer.

We strongly support the combination of Lynx and Solexa and join our respective boards of directors in recommending that Lynx's stockholders vote FOR the proposals presented for their approval at the Lynx annual meeting and that Solexa's shareholders accept Lynx's offer.

LYNX THERAPEUTICS, INC.

Mary L. Schramke
Chief Executive Officer

SOLEXA LIMITED

John West
Chief Executive Officer

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the shares of Lynx common stock to be issued in connection with the transaction described in this proxy statement/ prospectus or determined whether this proxy statement/ prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This proxy statement/ prospectus is dated January , 2005 and is first being mailed to stockholders of Lynx and shareholders of Solexa on or about January , 2005.

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LYNX THERAPEUTICS, INC.

**25861 Industrial Blvd.
Hayward, California 94545**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on March 1, 2005

To the stockholders of Lynx Therapeutics, Inc.:

You are cordially invited to attend the Annual Meeting of Stockholders of Lynx Therapeutics, Inc., a Delaware corporation (Lynx). The meeting will be held on March 1, 2005 at 11:00 a.m., local time, at Lynx 's principal executive offices, located at 25861 Industrial Blvd., Hayward, California 94545, for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of Lynx common stock pursuant to the Acquisition Agreement, dated September 28, 2004, by and between Lynx and Solexa Limited, a company registered in England and Wales, and the resulting change of control of Lynx.
2. To approve (i) the sale, issuance or potential issuance of shares of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for shares of Lynx common stock) for an aggregate consideration of not more than \$10,000,000 (excluding amounts receivable by Lynx upon the exercise of any warrants) at a price that may be less than the greater of book or market value of the Lynx common stock, to investors who will likely include affiliates of certain individuals who will be appointed to Lynx 's board of directors on the first closing date, and (ii) the change of control, if any, of Lynx which may occur as a result of such sale, issuance or potential issuance, in all cases to comply with NASDAQ Marketplace Rule 4350.
3. To elect six directors to serve for the ensuing year and until their successors are duly elected or appointed.
4. To approve an amendment to Lynx 's Amended and Restated Certificate of Incorporation, as amended, to effect a reverse stock split of Lynx 's common stock pursuant to which any whole number of outstanding shares between and including two and four would be combined into one share of Lynx common stock and to authorize Lynx 's board of directors to select such number and file such amendment.
5. To approve an amendment to Lynx 's 1992 Stock Option Plan, as amended, to increase the aggregate number of shares of Lynx common stock authorized for issuance under such plan by 2,000,000 shares if the transaction under the Acquisition Agreement is completed or 300,000 shares if the transaction is not completed.
6. To ratify the selection by the Audit Committee of Lynx 's Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of Lynx for its fiscal year ending December 31, 2004.
7. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the proxy statement/ prospectus accompanying this notice. Lynx encourages you to read the proxy statement/ prospectus in its entirety before voting.

Under the terms of the Acquisition Agreement, approval by Lynx stockholders of proposal 5 is a condition to closing the proposed transaction, which condition is waivable by Solexa. Accordingly, in the event that proposal 5 does not receive the requisite Lynx stockholder vote, the transaction cannot close unless this condition is waived by Solexa.

The record date for the Lynx Annual Meeting is January 3, 2005. Only Lynx stockholders of record at the close of business on that date may vote at the Lynx annual meeting or any adjournments thereof.

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Your vote is important regardless of the number of shares you own. Lynx and Solexa cannot complete the transaction unless holders of a majority of the shares of Lynx common stock entitled to vote as of the record date for the Lynx annual meeting are present, either in person or by proxy, proposal 1 is approved by the majority of the total votes cast at the Lynx annual meeting, and proposal 5, if not waived by Solexa, is approved by the majority of shares of Lynx common stock present at the Lynx annual meeting, either in person or by proxy.

By Order of the Board of Directors,

Mary L. Schramke
Chief Executive Officer

Hayward, California
January , 2005

All Lynx stockholders are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy card as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

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REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/ prospectus incorporates by reference important business and financial information about Lynx Therapeutics, Inc. from documents that are not included in or delivered with this proxy statement/ prospectus. This proxy statement/ prospectus incorporates by reference the annual report on Form 10-K, as amended, of Lynx. A copy of the Lynx annual report for the fiscal year ended December 31, 2003 is delivered with this proxy statement/ prospectus. You may obtain documents incorporated by reference in this proxy statement/ prospectus without charge by requesting them in writing or by telephone from Lynx at the following address and telephone number:

Lynx Therapeutics, Inc.
25861 Industrial Blvd.
Hayward, CA 94545
Attention: Investor Relations
Telephone: (510) 670-9300

If you would like to request any documents related to Lynx, please do so by February 22, 2005 in order to receive them before the Lynx annual meeting.

For a more detailed description of the information incorporated by reference into this proxy statement/ prospectus and how you may obtain it, see the section entitled *Where You Can Find More Information* on page 181.

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CHAPTER ONE OVERVIEW

QUESTIONS AND ANSWERS ABOUT THE TRANSACTION

Throughout this proxy statement/ prospectus, when we use the term Lynx, we are referring to Lynx Therapeutics, Inc.; when we use the term Solexa, we are referring to Solexa Limited; when we use the term acquisition agreement, we are referring to the Acquisition Agreement, dated September 28, 2004, by and between Solexa and Lynx, which is attached to this proxy statement/ prospectus as Annex A and incorporated by reference into this proxy statement/ prospectus. Unless expressly specified otherwise, all of the numbers of shares of Lynx common stock referred to in this proxy statement/ prospectus are calculated without giving effect to any adjustments that will result from the reverse stock split if it is approved by Lynx's stockholders. For details of the reverse stock split proposal, see the section entitled *Proposal 4 for the Annual Meeting of Lynx Stockholders Approval of Amendment to Lynx's Certificate of Incorporation to Effect a Reverse Stock Split of Lynx Common Stock* on page 136. In addition, unless expressly specified otherwise, all of the numbers of Lynx common stock and share ownership numbers of Lynx common stock referred to in this proxy statement/ prospectus are calculated without giving effect to any issuance of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants) in connection with the proposed financing if such proposed financing is approved by Lynx's stockholders or upon the exercise and conversion of any outstanding options and warrants. For details of the proposed financing, see the section entitled *Chapter Three Proposal 2 for the Annual Meeting of Stockholders Approval of Issuance of Lynx Common Stock in Connection with the Proposed Financing* on page 125.

Additionally, when we use the terms transaction or the transactions contemplated by the acquisition agreement, we are referring to:

the offer to acquire all of the outstanding shares in the share capital of Solexa in exchange for shares of Lynx common stock, which we refer to as the offer;

the offer for each outstanding option to acquire Solexa ordinary shares under the Solexa Share Option Plan for Consultants, the Solexa Unapproved Share Option Plan and the Solexa Limited Enterprise Management Incentive Plan, pursuant to the terms described in the section entitled *Option Offer* on page 65, which we refer to as the option offer. We refer to such options to acquire Solexa ordinary shares as the Solexa options and these Solexa share option plans as the Solexa plans; and

the subsequent compulsory acquisition of all the remaining outstanding ordinary shares in the share capital of Solexa pursuant to the Companies Act 1985 of England and Wales, as amended, which we refer to as the Companies Act.

Q: Why am I receiving this proxy statement/ prospectus?

A: Lynx and Solexa have agreed to a combination of Solexa with Lynx under the terms of the acquisition agreement. In connection with the transaction, Lynx has agreed to make an offer to acquire all of the outstanding shares in the share capital of Solexa and an option offer for all of the outstanding Solexa options on the conditions and terms set forth in the acquisition agreement, which conditions and terms are described in this proxy statement/ prospectus and in the accompanying form of acceptance.

Lynx and Solexa each has incurred losses since inception and such losses may continue for the next several years as the combined group proceeds with the development and commercialization of its technologies. Additionally, the combined group anticipates requiring additional financial resources to fund its operations at least through December 31, 2005. Ernst & Young LLP, independent registered public accounting firm for Lynx, has noted in its report on Lynx's consolidated financial statements included in Lynx's Annual Report on Form 10-K for the year ended December 31, 2003, as amended, that Lynx's financial condition raises substantial doubt about Lynx's ability to continue as a going concern.

In order to complete the transaction, Lynx stockholders must vote to approve the issuance of shares of Lynx common stock in the transaction and the resulting change of control of Lynx. Lynx is sending this proxy statement/ prospectus and the enclosed proxy card to its stockholders because Lynx's board of directors is

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soliciting their proxy to vote on this matter and various other matters set forth in this proxy statement/ prospectus at the 2004 annual meeting of Lynx's stockholders, which we refer to as the Lynx annual meeting.

In order to complete the transaction, Solexa shareholders holding at least 90% in nominal value of each class of the outstanding Solexa B preferred shares, the outstanding Solexa A ordinary shares and the outstanding Solexa ordinary shares to which the offer relates, which we refer to collectively as the Solexa shares, must accept the offer in accordance with the instructions set forth in this proxy statement/ prospectus and the accompanying form of acceptance. For details of acceptance instructions, Solexa shareholders should read the section entitled *Procedure for Acceptance* beginning on page 165. Solexa shareholders collectively owning 100% of the outstanding B preferred shares, 100% of the outstanding Solexa A ordinary shares and approximately 82.5% of the outstanding Solexa ordinary shares have agreed to accept the offer.

In addition to the proposed combination of Solexa and Lynx, Lynx proposes to raise additional capital in an aggregate amount of not more than \$10,000,000 (excluding amounts receivable by Lynx upon the exercise of any warrants issued pursuant to any such capital raising transaction) in order to satisfy its projected capital needs through the issuance of up to 10,000,000 shares of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock). Although Lynx has not entered into any agreement and is not party to any binding commitment to finance Lynx, Lynx expects that, because of its cash needs, it may need to consummate a financing on substantially the terms described in this proxy statement/ prospectus on or prior to the second business day following the satisfaction or waiver of the conditions to the offer, which we refer to as the first closing date, but no later than 3 months after Lynx's stockholders approve the proposed financing. Throughout this proxy statement/ prospectus when we use the term proposed financing or capital raising transaction, we are referring to this proposed issuance of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock). There can be no assurance that Lynx will complete the proposed financing. Whether or not Lynx does complete the proposed financing, Lynx may raise additional capital in a transaction or series of transactions following the first closing date. Any such additional transaction or series of transactions may require the further approval of Lynx's stockholders.

This proxy statement/ prospectus contains important information about the transaction and the other proposals to be presented at the Lynx annual meeting, including the proposed financing, a reverse stock split and a share increase under Lynx's 1992 Stock Option Plan, as amended, which we refer to as the Lynx 1992 plan. You should read it carefully.

Q: Why are Lynx and Solexa proposing the transaction?

A: Lynx and Solexa believe that the proposed transaction will provide substantial strategic and financial benefits to both companies. For the past five years, both Lynx and Solexa have been focusing on the development and commercialization of technology to reduce the costs and time for organizations to conduct DNA sequencing. Lynx brings to the combined group an experienced commercial instrument development team, an instrument design in its third generation and a service capability to enable in-house testing of instruments. Solexa has developed leading-edge nucleic acid chemistry, engineered enzymes and surface chemistry. By combining the complementary strengths of these two companies, management of both companies expects to significantly accelerate the development and commercialization of their technology. In addition, Lynx and Solexa believe their prospects of raising additional capital in the future will improve as a combined group. For details of the reasons for the transaction, see the sections entitled *Lynx's Reasons for the Transaction* and *Solexa's Reasons for the Transaction* on pages 43 and 45, respectively.

Q: What will happen in the transaction?

A: Lynx will issue, or otherwise allocate for issuance under options to acquire Lynx common stock, a total of 29.5 million shares of Lynx common stock pursuant to the terms of the offer and the option offer. Following the completion of the transaction, Solexa shareholders will become holders of Lynx common stock, and

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Solexa will become a wholly-owned subsidiary of Lynx. Based on the number of shares of Lynx common stock outstanding as of January 19, 2005 and the shares of Lynx common stock to be issued or otherwise allocated for issuance, following the completion of the transaction, the current shareholders and optionholders of Solexa will, upon such issuance, own approximately 80% of the outstanding Lynx common stock in the aggregate and the current Lynx stockholders will own approximately 20% of the outstanding Lynx common stock in the aggregate.

Q: What will Solexa shareholders receive in the transaction?

A: If the transaction is completed, each holder of Solexa B preferred shares will receive 2.61560 shares of Lynx common stock for each Solexa B preferred share held; each holder of Solexa A ordinary shares will receive 2.75326 shares of Lynx common stock for each Solexa A ordinary share held; and each holder of Solexa ordinary shares will receive 0.88637 of a share of Lynx common stock for each Solexa ordinary share held. Lynx will make a cash payment to Solexa shareholders for any fractional shares of Lynx common stock they would otherwise be entitled to receive instead of issuing fractional shares. The number of shares of Lynx common stock to be issued for each share in Solexa's share capital is fixed and will not be adjusted for changes in the values of Lynx or Solexa shares. As a result, before the completion of the transaction, the value of Lynx common stock that Solexa shareholders will receive in the transaction will vary as the market price of Lynx common stock changes. Lynx stockholders and Solexa shareholders are encouraged to obtain current market quotations for Lynx common stock.

In the event that the total number of shares of Lynx common stock issued or allocated for issuance pursuant to the offer and the option offer shall be less than 29.5 million, then an additional number of shares of Lynx common stock shall be issued or allocated on a pro rata basis to the holders of Solexa shares and Solexa options so that the total number of shares issued or allocated for issuance shall be equal to 29.5 million.

Q: How will Solexa share options be affected by the transaction?

A: Lynx will commence an option offer for each outstanding Solexa option either concurrently with the commencement of the offer or as soon as reasonably practicable after, but in no event later than four weeks following the commencement of the offer. In connection with the transaction, all outstanding Solexa options will, in the event of a compulsory acquisition, become fully vested and exercisable pursuant to the terms of the applicable Solexa plans. Under the option offer, a Solexa optionholder may elect: (x) to exercise his or her Solexa options and exchange the Solexa ordinary shares received upon such exercise for shares of Lynx common stock; or (y) to exchange his or her Solexa options for options to acquire shares of Lynx common stock, which options will remain subject to the original vesting schedule and other applicable terms and conditions. In the event that a Solexa optionholder does not elect either to exercise or exchange his or her options, and following the implementation of the compulsory acquisition procedure by Lynx to acquire any remaining Solexa ordinary shares, the options will terminate and cease to be outstanding within one month following notification to Solexa optionholders of such compulsory acquisition procedure. For details of the compulsory acquisition, see the section entitled *Compulsory Acquisition* on page 176.

Q: Will the offer be followed by a compulsory acquisition?

A: Yes, if all the conditions to the offer are either satisfied, fulfilled or, where permitted, waived and Lynx receives valid acceptances of the offer in respect of not less than 90% in nominal value of each class of the outstanding Solexa shares, Lynx will be entitled to and intends to acquire all the remaining Solexa ordinary shares through a compulsory acquisition pursuant to the Companies Act. Holders of Solexa ordinary shares subject to the compulsory acquisition would receive the same consideration for their Solexa ordinary shares as those Solexa ordinary shareholders who accept the offer. Lynx has received irrevocable undertakings to accept the offer from certain Solexa shareholders collectively holding 100% of Solexa B preferred shares and 100% of Solexa A ordinary shares. Therefore, the compulsory acquisition procedure will not be relevant to such Solexa shares. See the section entitled *Compulsory Acquisition* on page 176.

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Q: Does Lynx's board of directors recommend voting in favor of the issuance of Lynx common stock in the transaction and the resulting change of control of Lynx?

A: Yes. After careful consideration, Lynx's board of directors determined that the transaction is fair to, and in the best interests of, Lynx and its stockholders. Lynx's board of directors recommends that Lynx stockholders vote **FOR** the issuance of Lynx common stock in the transaction and the resulting change of control of Lynx.

For a description of the factors considered by Lynx's board of directors in making its determination, Lynx stockholders should read the section entitled *Lynx's Reasons for the Transaction* on page 43.

Q: Does Solexa's board of directors recommend the acceptance of the offer?

A: Yes. After careful consideration, Solexa's board of directors determined that the acquisition agreement and the transactions contemplated by the acquisition agreement are in the best interests of Solexa. Solexa's board of directors recommends that Solexa's shareholders accept the offer.

For a description of the factors considered by Solexa's board of directors in making its determination, see the section entitled *Solexa's Reasons for the Transaction* on page 45.

Q: Have any Solexa shareholders committed to accept the offer?

A: Lynx has received irrevocable undertakings from certain Solexa directors and shareholders collectively holding 100% of Solexa B preferred shares, 100% of Solexa A ordinary shares and approximately 82.5% of Solexa ordinary shares agreeing to accept the offer within ten business days of the offer being made by Lynx.

Q: Have any Lynx stockholders committed to vote in favor of the issuance of Lynx common stock in the transaction and the resulting change of control of Lynx?

A: Yes. Several executive officers, directors and stockholders of Lynx have entered into agreements with Solexa agreeing to vote the Lynx shares of common stock they hold in favor of the approval of the issuance of common stock in connection with the transaction and the resulting change of control of Lynx. As of January 19, 2005, these Lynx executive officers, directors and stockholders beneficially owned approximately 3% of the outstanding shares of Lynx common stock.

Q: When do you expect to complete the transaction?

A: Lynx and Solexa are working to complete the transaction as quickly as possible. Lynx and Solexa hope to complete the transaction shortly after obtaining the requisite stockholder approval at the Lynx annual meeting and receiving valid acceptance of the offer by Solexa shareholders holding not less than 90% in nominal value of each class of the outstanding Solexa shares. However, Lynx and Solexa cannot predict the exact timing of the completion of the transaction because the transaction is subject to several conditions. There may be a substantial period of time between the Lynx stockholder approval and/or the acceptance by Solexa shareholders and the completion of the transaction. For a description of the conditions to the offer, see the section entitled *Conditions to the Offer* on page 71.

Q: Why is Lynx proposing the issuance of shares of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock) in the proposed financing?

A: Lynx believes that the proposed issuance of shares of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock) in the proposed financing will provide additional capital of up to \$10 million to satisfy its near-term capital needs for the first quarter of 2005. On December 28, 2004, Lynx entered into a loan and security agreement with Silicon Valley Bank, pursuant to which Silicon Valley Bank has agreed to advance to Lynx a loan in the aggregate principal amount of up to \$3,000,000. Lynx intends to pursue financing in the future to meet its capital needs, which are currently estimated to be up to a total of \$35 million over the next twenty-four months, inclusive of the proposed financing and the \$3 million loan advance from Silicon Valley Bank.

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Q: What do I need to do now?

A: You should carefully read and consider the information contained in this proxy statement/ prospectus, including the annexes, and consider how the transaction will affect you as a stockholder of Lynx or as a shareholder of Solexa. You also may want to review the documents referenced under the section entitled *Where You Can Find More Information* on page 181.

If you are Lynx stockholder, you should complete and return the enclosed proxy card as soon as possible in accordance with the instructions provided in this proxy statement/ prospectus and on the enclosed proxy card.

If you are a Solexa shareholder, you should complete and return the enclosed form of acceptance as soon as possible and before the offer expires, in accordance with the instructions in the letter from the Chairman of Lynx on page 165 and the accompanying form of acceptance.

Q: As a Lynx stockholder, how do I vote?

A: If you are a Lynx stockholder of record, you may vote in person at the Lynx annual meeting or by submitting a proxy for the meeting. You can submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage paid envelope. If you are a Lynx stockholder and you hold your shares in street name, which means your shares are held of record by a broker, bank or nominee, you must provide the record holder of your shares with instructions on how to vote your shares.

Q: As a Lynx stockholder, what happens if I do not vote on the issuance of Lynx common stock and the resulting change of control of Lynx?

A: If you are a Lynx stockholder and you do not submit a proxy card or vote at the Lynx annual meeting, it will make it difficult for Lynx to establish a quorum necessary to transact business at the Lynx annual meeting. If a quorum is established, but you do not vote in person or by proxy, it will have no effect on the approval of the issuance of Lynx common stock in the transaction and the resulting change of control of Lynx.

Broker non-votes will have no effect on the approval of the issuance of Lynx common stock in the transaction and the resulting change of control of Lynx. If you are a Lynx stockholder and you submit a proxy card and affirmatively elect to abstain from voting, your proxy will be counted as present for the purpose of determining the presence of a quorum but will not be voted on the issuance of Lynx common stock in the transaction and the resulting change of control of Lynx.

Q: As a Lynx stockholder, if my shares are held in street name, will my broker, bank, or nominee vote my shares on the issuance of Lynx common stock and the resulting change of control of Lynx?

A: No. With regard to the issuance of Lynx common stock and the resulting change of control of Lynx, your broker, bank, or nominee cannot vote your shares unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker, bank, or nominee. For a more complete description of voting shares held in street name, see the sections entitled *Annual Meeting of Lynx Stockholders* on page 34.

Q: As a Lynx stockholder, am I being asked to vote on any matter other than the issuance of Lynx common stock and the resulting change of control of Lynx?

A: Yes. Lynx stockholders are also being asked to vote on additional matters, including the issuance of shares of Lynx common stock in connection with the proposed financing, a reverse stock split of Lynx common stock, a 2 million share increase in the number of shares of Lynx common stock authorized for issuance under the Lynx 1992 plan if the transaction is completed or a 300,000 share increase if the transaction is not completed, the election of directors and the ratification of the selection of Lynx's independent registered public accounting firm for the fiscal year ended December 31, 2004. For details of the proposals to be acted on at the Lynx annual meeting and the recommendations of Lynx's board of directors on these proposals, see the section entitled *Annual Meeting of Lynx Stockholders* on page 34.

Q: As a Solexa shareholder, how do I accept the offer?

A: To accept the offer, Solexa shareholders must deliver a completed form of acceptance for the Solexa shares held by them to Leigh Palmer at Solexa Limited, Chesterford Research Park, Little Chesterford, Nr Saffron

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Walden, Essex CB10 1XL, Great Britain, not later than the time the offer expires. See the section entitled *Procedure for Acceptance* beginning on page 165.

Q: As a Solexa shareholder, how long do I have to decide whether to accept the offer?

A: Solexa shareholders have until 5:00 p.m., London time, on March 1, 2005, to accept the offer, unless the offer is extended. See the section entitled *Procedure for Acceptance* beginning on page 165.

Q: As a Solexa shareholder, shall I send in my Solexa share certificates now?

A: Share certificate(s) and/or other documents of title should accompany the form(s) of acceptance sent by Solexa shareholders to Leigh Palmer at Solexa Limited as described in the letter from the Chairman of Lynx on page 164. If a Solexa shareholder's share certificate(s) and/or other documents(s) of title are not readily available or are lost, a completed form of acceptance for the Solexa shares held by the Solexa shareholder should nevertheless be completed and delivered as described above, together with any share certificates or other documents of title that are available, accompanied by a letter stating that the remaining share certificates and/or documents of title will follow, or that the Solexa shareholder has lost one or more share certificates and/or documents of title. The Solexa shareholder should then arrange for the relevant share certificates and/or documents of title to be forwarded to Leigh Palmer at Solexa Limited as soon as they become available. In the case of lost certificates and/or other documents of title, the Solexa shareholder should write as soon as possible to Leigh Palmer, Solexa Limited, Chesterford Research Park, Little Chesterford, Nr. Saffron Walden, Essex CB10 1XL, Great Britain, requesting a letter of indemnity for lost share certificate(s) and/or other document(s) of title, which, when completed in accordance with the instructions accompanying such letter of indemnity, should be returned to Leigh Palmer at Solexa Limited. If the conditions to the offer are not fulfilled and the first closing does not take place, the completed form of acceptance and share certificates and other documents of title (if any) will be returned to each accepting Solexa shareholder by first class post.

Q: Whom should I call with questions?

A: If you have any questions about the transaction or if you need additional copies of this proxy statement/ prospectus, the enclosed proxy card or the enclosed form of acceptance, you should contact:

Lynx stockholders:
Lynx Therapeutics, Inc.
25861 Industrial Blvd.
Hayward, CA 94545
(510) 670-9300
Attention: Investor Relations

Solexa shareholders:
Solexa Limited
Chesterford Research Park
Little Chesterford
Nr Saffron Walden
Essex CB10 1XL
Great Britain
44 (0) 1799 532300
Attention: Leigh Palmer

You may also obtain additional information about Lynx from documents filed with the United States Securities and Exchange Commission, which we refer to as the SEC, by following the instructions in the section entitled *Where You Can Find More Information* on page 181.

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SUMMARY OF THE PROXY STATEMENT/ PROSPECTUS

Lynx is sending this proxy statement/ prospectus to Lynx stockholders and Solexa shareholders. This summary highlights selected information from this proxy statement/ prospectus and does not contain all of the information that is important to you. To better understand the transaction, you should read this entire document carefully, including the acquisition agreement attached as Annex A and incorporated by reference into this proxy statement/ prospectus, the opinion of Seven Hills Partners LLC attached as Annex B and the other documents to which Lynx refers. In addition, Lynx incorporates by reference into this proxy statement/ prospectus important business and financial information about Lynx. You may obtain the information incorporated by reference into this proxy statement/ prospectus without charge by following the instructions in the section entitled *Where You Can Find More Information* on page 181. Lynx has included page references parenthetically to direct you to a more complete description of the topics presented in this summary.

The Companies

Lynx Therapeutics, Inc.
25861 Industrial Blvd.
Hayward, CA 94545
(510) 670-9300

Lynx believes that it is a leader in the development and application of novel genomic analysis solutions. By novel, Lynx means next generation technology that will take the engagement of thought leaders before broader commercial acceptance can occur. Companies with established technologies do compete with Lynx for applications suited to their technologies and may compete with Lynx in the development of new technologies similar to those of Lynx in the future. Lynx's Massively Parallel Sequencing System (MPSS) consists of proprietary instrumentation and software that are used to analyze millions of DNA molecules in parallel, enabling genome structure characterization at an unprecedented level of resolution. As applied to gene expression analysis, MPSS provides comprehensive and quantitative digital information important to modern systems biology research in the pharmaceutical, biotechnology and agricultural industries. Lynx's business primarily focuses on providing genomics discovery services to its customers using proprietary MPSS™, and supplying customers with DNA sequences and other information that result from experiments. Lynx has sold a small number of MPSS instruments to selected customers to date and may increase instrument sales if and when improved versions that are more fully automated are developed. Lynx currently has approximately 75 employees. For more information, visit Lynx's website at www.lynxgen.com; however, information on Lynx's website is not a part of this proxy statement/ prospectus.

Solexa Limited
Chesterford Research Park
Little Chesterford
Nr. Saffron Walden
Essex CB10 1XL
Great Britain
44 (0) 1799 532300

Solexa Limited, a private company registered in England and Wales, with its registered office outside Cambridge, U.K., is developing systems for the comprehensive and economical analysis of individual genomes that consist of instruments, consumable items such as reagents, and software. Solexa anticipates that these systems will be used by its future customers in a wide range of applications from basic research through development and implementation and across various industries including, among others, personalized medicine, agriculture, food manufacturing, fermentation and biodefense. Solexa currently has approximately 52 employees. For more information, visit Solexa's website at www.solexa.com; however, information on Solexa's website is not a part of this proxy statement/ prospectus.

Lynx's MPSS™ biochemistry determines four DNA bases per cycle utilizing a series of enzymatic reactions with proprietary oligonucleotides, whereas Solexa's biochemistry determines one DNA base per cycle utilizing DNA polymerase and proprietary nucleotides. Lynx's MPSS™ uses one fluorescence dye, while

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Solexa's approach uses four fluorescence dyes. Both systems require specialized imaging and reagent delivery systems. Solexa's system does not currently compete with Lynx's MPSS^M, but once fully developed, it may have the potential to compete with Lynx's MPSS^M.

Summary of the Transaction (see Page 39)

Lynx has agreed to make an offer to each Solexa shareholder to acquire all of their shares in the share capital of Solexa. Each Solexa shareholder who accepts the offer will receive Lynx common stock in exchange for their Solexa shares based on an exchange ratio described in more detail in the section entitled *The Transaction Consideration and Exchange of Securities* on page 66. Further terms and conditions of the offer are described in the section entitled *The Transaction* on page 39. If Lynx receives valid acceptances of the offer in respect of not less than 90% in nominal value of the outstanding Solexa ordinary shares, Lynx is entitled to and intends to invoke a compulsory acquisition process under the Companies Act in order to acquire 100% of the Solexa ordinary shares. Lynx has received irrevocable undertakings to accept the offer from certain Solexa directors and shareholders collectively holding 100% of Solexa B preferred shares and 100% of Solexa A ordinary shares. Therefore, the compulsory acquisition procedure will not be relevant to such Solexa shares. See the section entitled *Compulsory Acquisition* on page 166.

Lynx has also agreed to make an option offer for each outstanding Solexa option either concurrently with the commencement of the offer or as soon as reasonably practicable after, but in no event later than four weeks following the commencement of the offer. In connection with the transaction, all outstanding Solexa options will in the event of a compulsory acquisition procedure become fully vested and exercisable pursuant to the terms of the applicable Solexa plans. For details of the compulsory acquisition, see the section entitled *Compulsory Acquisition* on page 166. Under the option offer, a Solexa optionholder may elect: (x) to exercise his or her Solexa options and exchange the Solexa ordinary shares received upon exercise for shares of Lynx common stock; or (y) to exchange his or her Solexa options for options to acquire shares of Lynx common stock, which options will remain subject to the original vesting schedule and other applicable terms and conditions. In the event that a Solexa optionholder does not elect either to exercise or exchange his or her options, and following the implementation of the compulsory acquisition procedure by Lynx to acquire any remaining Solexa ordinary shares, the options will terminate and cease to be outstanding within one month following notification to Solexa optionholders of such compulsory acquisition procedure. See the section entitled *Option Offer* on page 65.

If the transaction is completed, Lynx will issue, or otherwise allocate for issuance under options to acquire Lynx common stock, a total of 29.5 million shares of Lynx common stock pursuant to the terms of the offer and the option offer. Following the completion of the transaction, Solexa shareholders will become holders of Lynx common stock, and Solexa will become a wholly-owned subsidiary of Lynx.

Overview of the Acquisition Agreement (see Page 65)

Conditions to the Offer (see page 71)

Lynx's obligations to first issue shares of Lynx common stock pursuant to the offer, which we refer to as the first closing, will not take place until the holders of at least 90% in nominal value of each class of the outstanding Solexa shares shall have accepted the offer.

The first closing is also subject to the fulfillment, or waiver by Lynx, of several customary closing conditions, including, but not limited to, the following:

Lynx's registration statement, of which this proxy statement/ prospectus is a part, shall have become effective under the Securities Act and shall not be the subject of any stop order or proceeding seeking a stop order;

the shares of Lynx common stock to be issued in the offer shall have been approved for listing on the NASDAQ SmallCap Market, subject to official notice of issuance;

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Lynx shall have obtained the approval of Lynx's stockholders of (1) the issuance of shares of Lynx common stock in connection with the transaction, (2) the change-of-control of Lynx in connection with the transactions contemplated by the acquisition agreement, and (3) an amendment to Lynx's 1992 plan to increase the number of shares reserved for issuance thereunder by 2 million shares;

Solexa's board of directors shall not have and shall not have resolved to change its recommendation to Solexa's shareholders to accept the offer;

Solexa shall have had cash and cash equivalent balances of at least £5,000,000 on December 1, 2004, which include specified advances and payments made by Solexa to Lynx and fees and expenses incurred and paid by Solexa in connection with the transaction; and

there shall not have occurred an event having a material adverse effect with respect to Solexa.

In addition, the first closing is subject to the fulfillment or waiver by Solexa of several customary closing conditions, including, but not limited to, the following:

Seven Hills shall not have withdrawn or modified its fairness opinion delivered to Lynx's board of directors in a manner adverse to Lynx or Solexa;

Lynx shall have obtained the approval of Lynx's stockholders of (1) the issuance of shares of Lynx common stock in connection with the transaction, (2) the change-of-control of Lynx in connection with the transactions contemplated by acquisition agreement, and (3) an amendment to Lynx's 1992 plan to increase the number of shares reserved for issuance thereunder by 2 million shares;

Lynx's board of directors shall not have and shall not have resolved to change its recommendation to Lynx's stockholders to approve the matters set forth in the immediately preceding bullet point and each of the other proposals that Lynx and Solexa shall deem reasonably necessary for the purpose of effecting the transaction;

Solexa shall have received confirmation from the U.K. Inland Revenue that the sale of the Solexa shares in exchange for shares of Lynx common stock will qualify for roll-over relief from capital gains tax under applicable English law;

Lynx shall be eligible to register the shares of Lynx common stock for resale using Form S-3;

there shall not have occurred a dissolution, liquidation or termination of existence of Lynx or the failure of Lynx to pay its debts as they mature on a reasonably timely basis or any similar occurrence;

there shall not have occurred an event having a material adverse effect with respect to Lynx; and

Solexa shall have received an opinion of Solexa's corporate counsel and Lynx shall have received an opinion of Lynx's corporate counsel, each to the effect that the offer will qualify as a reorganization for United States federal income tax purposes.

Termination of the Acquisition Agreement (see page 74)

The acquisition agreement may be terminated and the offer may be abandoned at any time before the first closing date under several circumstances, including:

by mutual written consent of Lynx and Solexa;

by either Lynx or Solexa if the offer shall have expired, terminated or been withdrawn in accordance with the terms of the acquisition agreement without Lynx having exchanged any Solexa shares pursuant to the offer, unless a principal cause of such expiration, termination or withdrawal is a breach by the party seeking to terminate the acquisition agreement;

by either Lynx or Solexa if the first closing has not taken place on or before March 31, 2005, unless a principal cause of the first closing not having taken place is a breach by the party seeking to terminate the acquisition agreement;

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by either Lynx or Solexa if there shall be any law or regulation that makes completion of the transaction illegal or otherwise prohibited or if any judgment, injunction, order or decree enjoining Lynx or Solexa from completing the offer is entered and such judgment, injunction, order or decree shall become final and non-appealable;

by Lynx if Solexa's board of directors shall have changed, or shall have resolved to change, its recommendation to Solexa's shareholders that they accept the offer;

by Solexa if Lynx's board of directors shall have changed, or shall have resolved to change, its recommendation to Lynx's stockholders that they approve (i) the issuance of shares of Lynx common stock in connection with the transaction, (ii) the change-of-control of Lynx in connection with the transactions contemplated by acquisition agreement, (iii) an amendment to the Lynx 1992 plan to increase the number of shares authorized for issuance by 2 million shares, and (iv) each of the other proposals that Lynx and Solexa shall deem reasonably necessary for the purposes of effecting the transaction;

by either Lynx or Solexa if the Lynx annual meeting shall have been duly convened and the Lynx stockholder approval of the matters set forth in (i)-(iii) of the preceding bullet point shall not have been obtained;

by Solexa if an event or circumstance shall have occurred that makes it impossible for Lynx's representations and warranties to be true and correct in all material respects, or for Lynx to perform its obligations and comply with its agreements and covenants in all material respects under the acquisition agreement, or if there shall have been a breach by Lynx causing the above and such breach is not cured within 30 days following receipt of written notice from Solexa;

by Lynx if an event or circumstance shall have occurred that makes it impossible for Solexa's representations and warranties to be true and correct in all material respects, for Solexa to perform its obligations and comply with its agreements and covenants in all material respects under the acquisition agreement, or for Lynx to obtain the requisite stockholder approval, or if there shall have been a breach by Solexa causing the above and such breach is not cured within 30 days following receipt of written notice from Lynx;

by either Lynx or Solexa if a material adverse effect with respect to the other party shall have occurred and such material adverse effect is not cured within 45 days following receipt of notice of such material adverse effect;

by Solexa upon the withdrawal or modification of the fairness opinion of Lynx's financial advisor in a manner adverse to Lynx or Solexa; and

by Solexa upon the dissolution, liquidation or termination of existence of Lynx, the failure of Lynx to pay its debts as they mature on a reasonably timely basis, the appointment of a custodian or receiver of any material part of Lynx's property, the institution by or against Lynx or any indorser or guarantor of any note of any proceedings under the United States Bankruptcy Code or any other federal or state bankruptcy, reorganization, receivership, insolvency or other similar law affecting the rights of creditors generally or the making by Lynx or any indorser or guarantor of any note of an assignment or trust mortgage for the benefit of creditors, or a declaration of intent by Lynx to effect any of the foregoing, unless the above is the direct result of Solexa's failure to perform its obligations under certain agreements with Lynx.

No Solicitation (see page 70)

The acquisition agreement contains detailed provisions prohibiting Lynx and Solexa, as well as their respective officers, directors, employees, agents and representatives from taking any action to solicit a competing acquisition proposal. Notwithstanding these restrictions, the acquisition agreement provides that under limited circumstances prior to the first closing date, Lynx or Solexa, upon receipt of an acquisition proposal from a third party, may furnish nonpublic information to that third party and/or enter into

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discussions or negotiations with that third party. The circumstances under which Lynx or Solexa may furnish information to or negotiate with a third party is limited to acquisition proposals that the applicable party's board of directors, after consultation with its outside legal counsel and financial advisor, if any, taking into account, among other things, all legal, financial, regulatory and other aspects of the proposal, the third party making the proposal and the strategic and other benefits of the current transaction, determines is reasonably capable of being completed on its terms and if completed on such terms would result in a transaction financially more favorable to that party's stockholders.

If either Lynx or Solexa receives an acquisition proposal from a third party that the board of directors or a committee of the board of the receiving party believes in good faith is reasonably capable of being completed and that would result in a more favorable transaction from a financial point of view to such party's stockholders than the currently proposed transaction, then the board of directors of the receiving party may change its recommendation relating to the transaction. In order for the board of directors of the party receiving the superior acquisition proposal to change its recommendation, (i) such party shall have provided four days' written notice that it intends to change its recommendation, (ii) such party's board shall determine in good faith that failure to take such action would result in a breach of the board of directors' fiduciary obligations to its stockholders, and (iii) such party shall not have breached its no solicitation obligations.

A change in Lynx's board of directors' recommendation shall not affect Lynx's obligation to continue the offer and to convene the Lynx annual meeting. Lynx shall not submit to a vote of its stockholders any transaction contemplated by a competing acquisition proposal, or propose to do so, prior to or at the Lynx annual meeting.

Vote of Stockholders Required (see page 37)

In order to transact business at the Lynx annual meeting, holders of a majority of the shares of Lynx common stock entitled to vote as of the record date for the Lynx annual meeting must be present, either in person or by proxy. The approval of the issuance of Lynx common stock in the transaction and the resulting change of control of Lynx require the majority of the total votes cast at the Lynx annual meeting, either in person or by proxy. As of the close of business on the record date, directors and executive officers and their affiliates beneficially owned and were entitled to vote 105,770 shares of Lynx common stock, which represented less than 1% of the 7,527,538 shares of Lynx common stock outstanding and entitled to vote on that date.

The transaction is not subject to a vote by the Solexa shareholders.

Directors and Management of Lynx Following the Transaction (see Page 63)

The acquisition agreement provides that, on the first closing date, Lynx's board of directors shall consist of Craig C. Taylor, Genghis Lloyd-Harris, Tom Daniel, Hermann Hauser, Mark Carthy and John West. In addition, one or more other directors who shall be mutually acceptable to Lynx's board of directors and Solexa's board of directors shall be appointed to Lynx's board of directors on the first closing date. The acquisition agreement further provides that Lynx and Solexa will ensure that the composition of Lynx's board of directors upon such appointment comply with the rules and regulation of the NASDAQ and the SEC. Lynx and Solexa have agreed to appoint Steve Allen to Lynx's board of directors on the first closing date.

Effective as of the first closing date, John West will serve as the chief executive officer of Lynx.

Restrictions on Ability to Sell Lynx Common Stock (see Page 59)

Several Lynx stockholders entered into parent support agreements under which they have agreed not to, directly or indirectly, for a period ending on the earlier to occur of 180 days following the first closing date and the termination of the acquisition agreement, sell or transfer any shares of Lynx common stock held and to be acquired by them during that period. Several Solexa shareholders and optionholders entered into company support agreements under which they have agreed not to, directly or indirectly, for a period ending on the earlier to occur of 180 days following the first closing date and the termination of the acquisition agreement,

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sell or transfer any Solexa shares held by them or any shares of Lynx common stock or Solexa shares acquired by them during that time. For a description of the Lynx stockholders and the Solexa shareholders and optionholders that entered into the support agreements, see the section entitled *Reciprocal Support Agreements* on page 76. In addition, by accepting the offer and/or the option offer, Solexa shareholders and optionholders will be deemed to have agreed not to, for a period ending 180 days following the first closing date, sell or transfer any Lynx common stock acquired by them in the offer and/or the option offer.

In addition, shares of Lynx common stock received by affiliates of Solexa may only be sold pursuant to Rule 145 of the Securities Act (which restricts the volume of securities that can be sold) or pursuant to a registration statement or exemption from the registration requirements of the Securities Act.

Lynx has agreed to file a resale registration statement covering the resale of shares of Lynx common stock received by the Solexa shareholders who have entered into the company support agreements and who may be deemed to be affiliates of Solexa in the transaction until such time as less than 25% of Lynx common stock received by these Solexa shareholders is held by them.

Opinion of Lynx's Financial Advisor (see Page 46)

In connection with the transaction, Lynx's financial advisor, Seven Hills Partners LLC, which we refer to as Seven Hills, rendered its oral opinion, which was subsequently confirmed in writing, to Lynx's board of directors that, as of September 27, 2004, the consideration to be paid by Lynx pursuant to the acquisition agreement was fair from a financial point of view to Lynx. The full text of the written opinion of Seven Hills, which sets forth the assumptions made, matters considered and limits of review in connection with the opinion, is attached as Annex B. **Seven Hills provided its opinion for the information and assistance of Lynx's board of directors. The opinion does not constitute a recommendation as to how holders of Lynx common stock should vote with respect to the transaction or any other matter.** Seven Hills has consented to the inclusion of and references to its opinion in this proxy statement/prospectus.

In connection with the financial advisory services rendered by Seven Hills, Lynx has agreed to pay Seven Hills \$500,000 plus one percent of the consideration to be paid by Lynx, and financing received by Lynx, in the transaction. While the exact amount of total consideration payable to Seven Hills will be determined upon the completion of the transaction, based upon the closing price of Lynx common share of \$3.79 as of December 28, 2004, the total cash consideration payable to Seven Hills would have been approximately \$1.6 million. As Lynx has previously paid Seven Hills a \$250,000 fairness opinion fee and a \$50,000 retainer, the remaining estimated \$1.3 million is contingent upon consummation of the transaction. Lynx has also agreed to indemnify Seven Hills and related persons against specified liabilities relating to or arising out of services performed by Seven Hills.

Interests of Directors, Officers and Affiliates (see Page 60)

In considering the recommendation of Lynx's board of directors that Lynx stockholders vote in favor of the issuance of Lynx common stock and the resulting change of control of Lynx, Lynx stockholders should be aware that some Lynx executive officers and directors have interests in the transaction that may be different from, or in addition to, their interests as stockholders of Lynx. These interests include that Lynx will maintain an extension of coverage of Lynx's director and officer insurance with effect from the first closing date, for the benefit of those Lynx directors and officers who are covered by such policies at the first closing date, with respect to matters occurring prior to the first closing date for six years after the first closing date. Lynx's board of directors was aware of these interests and considered them, among other matters, in making its recommendation.

In considering the recommendation of Solexa's board of directors to Solexa's shareholders that they accept the offer, Solexa shareholders should be aware that some executive officers and directors of Solexa have

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interests in the transaction that are different from, or in addition to, the other Solexa shareholders. These interests include:

John West, chief executive officer of Solexa, Steve Allen, Mark Carthy, Tom Daniel, Hermann Hauser and Genghis Lloyd-Harris, each a director of Solexa, will be appointed to Lynx's board of directors on the first closing date;

the above directors may receive option grants to purchase Lynx common stock under the Lynx 1992 plan following the completion of the transaction as determined by Lynx's board of directors;

Lynx and Mr. West have reached an understanding regarding Mr. West's employment as the chief executive officer of Lynx following the first closing date, on terms that are substantially similar to those in his employment agreement with Solexa, including, among other things, cash compensation, special bonuses and option grants, including additional option grants upon the completion of the transaction;

Solexa entered into a service agreement on June 24, 2004 with Nick McCooke, the former chief executive officer of Solexa, pursuant to which Solexa will become obliged to pay Mr. McCooke the sum of £125,000 in two tranches starting from the first closing date;

in connection with the transaction, all outstanding Solexa options held by Solexa's directors and officers and their affiliated entities, in the event of a compulsory acquisition, will become fully vested and exercisable pursuant to the terms of the applicable Solexa plans;

Lynx has agreed to indemnify the present and former officers, directors, employees and agents of Solexa in respect of acts or omissions occurring on or prior to the first closing date or arising out of the transaction, and to maintain an extension of coverage of Solexa's director and officer insurance with effect from the first closing date, for the benefit of those Solexa directors and officers who are covered by such policies at the first closing date, with respect to matters occurring prior to the first closing date for six years after the first closing date, subject to certain limitations;

Lynx has agreed to file a resale registration statement covering the resale of shares of Lynx common stock received by a number of Solexa shareholders, including Tim Rink, Shankar Balasubramanian, Mr. McCooke and Mr. West, as well as their affiliated entities, who may be deemed to be affiliates of Solexa in the transaction until such time as less than 25% of Lynx common stock received by these Solexa shareholders is held by them;

entities affiliated with Tom Daniel, Hermann Hauser and Mark Carthy, each a director of Solexa, and the entity where Genghis Lloyd-Harris, a director of Solexa, is an employee may participate in the proposed financing and as a result receive shares of Lynx common stock or debt securities or warrants convertible into or exercisable for Lynx common stock; and

it is anticipated that the trading volume of Lynx common stock will increase following the transaction, which may facilitate the sale of an increased number of shares under Rule 144 of the Securities Act for affiliates of Solexa following the transaction.

Solexa's board of directors was aware of these interests and considered them, among other matters, in making its recommendation to Solexa's shareholders that they accept the offer.

Material U.S. Federal Income Tax Consequences of the Transaction (see Page 54)

It is expected that the transaction will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, for federal income tax purposes. The offer is conditioned upon the receipt by Lynx from its U.S. legal counsel, Cooley Godward LLP, which we refer to as Cooley Godward, and the receipt by Solexa from its U.S. legal counsel, Heller Ehrman White & McAuliffe LLP, which we refer to as Heller Ehrman, opinions that transaction will qualify as a reorganization. Assuming such qualification, a U.S. holder of Solexa shares will not recognize any gain or loss in the exchange of Solexa shares for Lynx shares except with respect to fractional shares. A non-U.S. holder of Solexa shares generally will not recognize gain or loss upon the receipt of Lynx shares in

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exchange for Solexa shares, subject to several exceptions. However, tax matters can be complex and the tax consequences of the transaction to you will depend on your particular tax situation. **HOLDERS OF SOLEXA SHARES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR UNITED STATES FEDERAL INCOME TAX AND ESTATE TAX CONSEQUENCES TO THEM OF THE OFFER AND OF THE OWNERSHIP AND DISPOSAL OF THE LYNX SHARES, AND THE TAX CONSEQUENCES UNDER STATE, LOCAL AND FOREIGN TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN TAX LAWS.** For a more complete description of the U.S. federal income tax consequences of the transaction, see the section entitled *Material U.S. Federal Income Tax Consequences of the Transaction* on page 54.

Material U.K. Tax Consequences of the Transaction (see Page 177)

The transaction is structured as a reorganization within the meaning of Section 135 of the Taxation of Chargeable Gains Act 1992. A U.K. resident holder of Solexa shares will not be treated as having disposed of its shares to the extent that it receives shares of Lynx common stock in exchange and will therefore not recognize a gain on the disposal. **HOLDERS OF SOLEXA SHARES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE U.K. TAX CONSEQUENCES OF ACCEPTING THE OFFER.** For a more complete description of the U.K. tax consequences of the transaction, see section entitled *Material U.K. Tax Consequences of the Transaction* on page 177.

Risk Factors (see Page 23)

In evaluating the acquisition agreement, the principal terms of the transaction or the issuance of Lynx common stock in the transaction, you should carefully read this proxy statement/ prospectus and especially consider the factors discussed in the section entitled *Risk Factors* beginning on page 23 as well as the risk factors listed in the annual report on Form 10-K, as amended, of Lynx for the year ended December 31, 2003, and the quarterly report on Form 10-Q of Lynx for the quarter ended September 30, 2004.

Listing of Lynx Common Stock on the NASDAQ SmallCap Market (see Page 62)

It is a condition to the offer that the shares of Lynx common stock to be issued in the transaction be approved for listing on the NASDAQ SmallCap Market, subject to official notice of issuance.

The NASDAQ staff has indicated to Lynx that it will view the transaction as constituting a Reverse Merger under the NASDAQ Marketplace Rule 4330(f). As a result, Lynx will be required to satisfy the requirements for initial inclusion on the NASDAQ Stock Market, including a \$4.00 per share minimum bid price for the 90 trading days preceding the completion of the transaction, in order for Lynx common stock to remain listed on the NASDAQ SmallCap Market following the completion of transaction. Lynx does not currently satisfy the minimum bid price requirement and intends to effect a reverse split of the outstanding shares of Lynx common stock in order to effect a plan to meet these requirements. No assurance can be given that a listing will be obtained on the NASDAQ. If Lynx does not meet the initial listing requirements for Lynx common stock to be listed on the NASDAQ SmallCap Market, the shares of Lynx common stock may be delisted from the NASDAQ SmallCap Market. See the section entitled *Risk Factors - Risks Relating to the Combined Group Following the Transaction* on page 26.

Market Price Information (see Page 21)

Lynx common stock is listed on the NASDAQ SmallCap Market under the trading symbol LYNX. On September 27, 2004, the last full trading day prior to the public announcement of the acquisition agreement, Lynx common stock closed at \$1.86 per share. On January 19, 2005, Lynx common stock closed at \$3.38 per share.

Currently there is no public trading market for Solexa shares.

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Regulatory Approval (see page 58)

The transaction is subject to antitrust laws. For the reasons described in greater detail in the section entitled *Regulatory Matters; Hart-Scott-Rodino Act and Antitrust* on page 58, the transaction between the parties is not presently believed to be subject to the reporting and waiting provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR Act. Thus, no filings have been made or are presently contemplated with the U.S. Department of Justice, or the DOJ, and the U.S. Federal Trade Commission, or the FTC. Nevertheless, either the DOJ or the FTC as well as a foreign regulatory agency or government, state or private person, may challenge the transaction at any time before or after completion.

Appraisal Rights (see page 105)

Under the Delaware General Corporation Law, which we refer to as the DGCL, the stockholders of Lynx do not have appraisal rights in connection with the issuance of Lynx common stock in the transaction and the resulting change of control of Lynx. Solexa shareholders generally do not have appraisal rights under English law.

Comparison of Stockholder Rights (see Page 93)

The rights of Solexa shareholders as stockholders of Lynx after the transaction will be governed by the DGCL, Lynx's certificate of incorporation and Lynx's bylaws. Those rights differ from the rights of Solexa shareholders under English law, Solexa's articles of association and the shareholders' agreement between Solexa and its shareholders. See the section entitled *Comparison of Rights of Holders of Lynx Common Stock and Solexa Shares* on page 93.

Reciprocal Support Agreements (see Page 76)

Solexa has entered into parent support agreements with several executive officers, directors and stockholders of Lynx, which we refer to as the parent support agreements. Under the parent support agreements, these Lynx executive officers, directors and stockholders have agreed to vote the Lynx shares of common stock they hold in favor of the approval of the issuance of common stock in connection with the transaction and the resulting change of control of Lynx, as well as each other proposal to be acted on by Lynx's stockholders at the Lynx annual meeting in accordance with the acquisition agreement or any other matters that could reasonably be expected to facilitate the transaction. As of January 19, 2005, these Lynx executive officers, directors and stockholders beneficially owned approximately 3% of the outstanding shares of Lynx common stock.

Lynx has entered into company support agreements and irrevocable undertakings with a number of shareholders of Solexa. We refer to such company support agreements as the company support agreements, and together with such irrevocable undertakings, as the company support documents. Under the company support documents, each such Solexa shareholder has agreed to accept or procure acceptance of the offer and/or make an election under the option offer in accordance with their respective terms within 10 business days of the offer being made by Lynx. Such Solexa shareholders have also agreed to vote their Solexa shares in favor of the delivery of a selling notice to invoke a compulsory transfer to Lynx of the remaining share capital of Solexa, if necessary, and the approval of any other matters that could reasonably be expected to facilitate the transaction. As of January 19, 2005, these Solexa shareholders owned 100% of the outstanding Solexa B preferred shares, 100% of the outstanding Solexa A ordinary shares and approximately 82.5% of the outstanding Solexa ordinary shares.

In addition, the institutional Solexa shareholders who entered into the company support agreements have agreed not to convert any Solexa B preferred shares and Solexa A ordinary shares they hold into Solexa ordinary shares and have waived their pre-emption and rights of first refusal under Solexa's articles of association with respect to the transaction. The irrevocable undertaking by Nick McCooke, the former chief executive officer and a shareholder of Solexa, provides that, if acceptances in respect of 100% of the then outstanding share capital of Solexa have been received by Lynx on or before the first closing date, Mr. McCooke shall be entitled to withdraw consent in respect of one Solexa ordinary share to enable Lynx to

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invoke the compulsory acquisition procedure described in the section entitled *Compulsory Acquisition* on page 176.

We refer to the parent support agreements and the company support documents collectively as the support agreements.

Summary of the Proposed Financing (see Page 125)

On October 26, 2004, Lynx's board of directors unanimously found it to be advisable and in the best interests of Lynx to seek stockholder approval for (i) the sale, issuance or potential issuance, in connection with one or more capital raising transactions raising an aggregate amount of not more than \$10,000,000 (excluding amounts receivable by Lynx upon exercise of any warrants issued pursuant to any such capital raising transaction), of up to 10,000,000 shares of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock) to investors who will likely include affiliates of certain individuals who will be appointed to Lynx's board of directors on the first closing date, upon such terms as Lynx's board of directors, or a committee thereof, may deem to be in the best interests of Lynx and its stockholders, and at an effective price of not less than 80% of the last closing price of the Lynx common stock as reported on the NASDAQ SmallCap Market prior to the pricing of the securities to be issued pursuant to any such capital raising transaction and (ii) the change of control, if any, of Lynx which may occur as a result of such sale, issuance or potential issuance. Any such capital raising transaction would occur, if at all, prior to the first closing date, but no later than 3 months after Lynx receives the Lynx stockholders' approval of the proposed financing. There can be no assurance that Lynx will complete the proposed financing. Whether or not Lynx does complete the proposed financing, Lynx may raise additional capital in a transaction or series of transactions following the first closing date. Any such additional transaction or series of transactions may require the further approval of the Lynx stockholders.

Table of Contents**SELECTED SUMMARY HISTORICAL AND PRO FORMA COMBINED FINANCIAL DATA**

The following tables present summary historical financial data, summary unaudited pro forma combined financial data, comparative per share data as well as market price, exchange rate and dividend data of Lynx and Solexa.

Selected Summary Historical Financial Data of Lynx

The following table sets forth selected summary historical financial data of Lynx. The information presented below was derived from Lynx's audited financial statements as of December 31, 1999, 2000, 2001, 2002 and 2003 and for the years then ended and the unaudited financial statements as of September 30, 2004 and for the nine months ended September 30, 2003 and 2004. This information is only a summary. You should read it together with Lynx's historical financial statements and accompanying notes incorporated by reference into this proxy statement/prospectus. Historical results are not necessarily indicative of future results.

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
(In thousands except per share data)							
Consolidated Statements of Operations Data:							
Net revenues:							
Technology access and services fees	\$ 7,833	\$ 12,389	\$ 18,372	\$ 13,026	\$ 15,840	\$ 14,233	\$ 3,948
License fee from related party			453	759	760	570	570
Collaborative research and other	5,042	235	429	3,621	1,501	1,318	117
Total revenues	12,875	12,624	19,254	17,406	18,101	16,121	4,635
Operating costs and expenses:							
Cost of services fees and other	828	3,652	4,118	3,499	4,362	3,619	3,885
Research and development	15,510	19,761	24,660	20,813	12,178	9,749	7,397
General and administrative	4,175	6,170	7,503	6,271	6,773	5,003	5,387
Restructuring charge for workforce reduction				530	292	292	118
Total operating costs and expenses	20,513	29,583	36,281	31,113	23,605	18,663	16,787
Loss from operations	(7,638)	(16,959)	(17,027)	(13,707)	(5,504)	(2,542)	(12,152)
Interest and other income (expense), net	1,232	4,158	378	600	(1,124)	(573)	52
Loss before income tax provision (benefit) and equity share of net loss of related party	(6,406)	(12,801)	(16,649)	(13,107)	(6,628)	(3,115)	(12,100)
Income tax provision (benefit)	258	500	81	(98)	202	202	1
Equity share of net loss of related party				2,522	1,930	1,699	
Net loss	\$ (6,664)	\$ (13,301)	\$ (16,730)	\$ (15,531)	\$ (8,760)	\$ (5,016)	\$ (12,101)
Basic and diluted net loss per share	\$ (4.19)	\$ (8.18)	\$ (9.18)	\$ (4.50)	\$ (1.80)	\$ (1.07)	\$ (1.70)
	1,589	1,626	1,822	3,455	4,854	4,670	7,125

Shares used in per share
computation

	December 31,					September 30,
	1999	2000	2001	2002	2003	2004
(In thousands)						
Consolidated Balance Sheet Data:						
Cash, cash equivalents and short-term investments	\$ 30,786	\$ 18,798	\$ 5,509	\$ 11,735	\$ 5,609	\$ 1,698
Total assets	51,638	39,215	32,502	31,987	18,796	14,698
Equipment loans noncurrent portion	3,471	3,077	1,806	1,093		
Stockholders equity	19,646	6,222	4,714	12,056	10,066	4,343

Table of Contents**Selected Summary Historical Financial Data of Solexa**

The following table sets forth summary historical financial data of Solexa. The information presented below as of December 31, 1999, 2000 and 2001, and for the years ended December 31, 1999 and 2000 is derived from unaudited financial statements of Solexa. The information as of December 31, 2002 and 2003 and for each of the three years in the period ended December 31, 2003 is derived from Solexa's audited financial statements included elsewhere in this proxy statement/ prospectus. The information as of September 30, 2004 and for the nine months ended September 30, 2003 and 2004 is derived from Solexa's unaudited financial statements included elsewhere in this proxy statement/ prospectus. In the opinion of Solexa's management, these unaudited financial statements have been prepared on a basis consistent with that of Solexa's audited financial statements and reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation. This information is only a summary. You should read it together with Solexa's historical financial statements and accompanying notes included in this proxy statement/ prospectus. Historical results are not necessarily indicative of future results.

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
(In thousands except per share data)							
Statements of Operations Data:							
Revenue:							
Service income	\$	\$	\$	\$	\$ 7	\$	\$ 72
Operating costs and expenses:							
Research and development	302	483	1,918	4,308	5,639	3,889	4,774
General and administrative	73	299	695	1,008	1,087	1,006	2,122
Total operating costs and expenses	375	782	2,613	5,316	6,726	4,895	6,896
Loss from operations	(375)	(782)	(2,613)	(5,316)	(6,719)	(4,895)	(6,824)
Interest and other income (expense), net	9	(4)	104	555	363	287	226
Loss before income tax benefit	(366)	(786)	(2,509)	(4,761)	(6,356)	(4,608)	(6,598)
Income tax benefit				(293)	(707)		
Net loss	(366)	(786)	(2,509)	(4,468)	(5,649)	(4,608)	(6,598)
Dividends							(479)
Net loss attributable to ordinary shareholders	\$ (366)	\$ (786)	\$ (2,509)	\$ (4,468)	\$ (5,649)	\$ (4,608)	\$ (7,077)
Basic and diluted net loss per share	\$ (0.28)	\$ (0.48)	\$ (0.76)	\$ (0.61)	\$ (0.77)	\$ (0.63)	\$ (1.08)
Shares used in per share computation	1,307	1,629	3,285	7,338	7,338	7,338	6,565
December 31,							
	1999	2000	2001	2002	2003	September 30, 2004	
(In thousands)							
Balance Sheet Data:							
Cash, cash equivalents and short-term investments	\$ 478	\$ 1,853	\$ 16,853	\$ 13,295	\$ 8,907	\$ 12,244	
Total assets	594	2,383	17,913	15,013	10,401	18,226	

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Shareholders' equity (deficit)	511	(212)	17,136	14,207	9,606	2,913
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On October 18, 2004, Solexa completed a subsequent issue and sale of additional B preferred shares, raising approximately \$0.9 million. The above selected summary historical financial data of Solexa do not reflect the issuance of B preferred shares in October 2004 and related changes to cash balances and shareholders' equity.

Table of Contents**Selected Unaudited Pro Forma Condensed Combined
Financial Data of Lynx and Solexa**

The following selected unaudited pro forma condensed combined financial data was prepared using the purchase method of accounting. For accounting purposes, Solexa is considered to be acquiring Lynx in this transaction. The unaudited pro forma condensed combined statements of operations data combines the historical statements of operations of Lynx and Solexa for the year ended December 31, 2003 and for the nine months ended September 30, 2004, giving effect to the proposed transaction as if it had occurred on January 1, 2003. The unaudited pro forma condensed combined balance sheet data combines the historical balance sheets of Lynx and Solexa as of September 30, 2004, giving effect to the proposed transaction as if it had occurred as of September 30, 2004.

The selected unaudited pro forma condensed combined financial data is based on estimates and assumptions that are preliminary. The data is presented for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial condition of Lynx that would have been reported had the proposed transaction been completed as of the dates presented, and should not be taken as representative of future consolidated results of operations or financial condition of Lynx. Please also read the section in this proxy statement/prospectus entitled *Forward Looking Statements* on page 33 for more information on the statements made in this section.

This selected unaudited pro forma condensed combined financial data should be read in conjunction with the summary selected historical financial data, the unaudited pro forma condensed combined financial statements and accompanying notes contained elsewhere in this proxy statement/prospectus, Solexa's historical financial statements and accompanying notes contained elsewhere in this proxy statement/prospectus and Lynx's historical consolidated financial statements and accompanying notes incorporated by reference into this proxy statement/prospectus. See the section entitled *Where You Can Find More Information* on page 181 of this proxy statement/prospectus.

Pro Forma Condensed Combined Statements of Operations Data	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(In thousands, except per share data)	
Net revenues	\$ 17,348	\$ 4,137
Loss from operations	(13,398)	(19,730)
Net loss	(15,584)	(19,453)
Basic and diluted net loss per share	\$ (0.48)	\$ (0.56)
Shares used in computation of basic and diluted net loss per share(1)	32,501	34,772

Pro Forma Condensed Combined Balance Sheet Data	As of September 30, 2004
	(In thousands)
Cash, cash equivalents and short-term investments	\$ 14,842
Total assets	41,947
Equipment loans - noncurrent portion	10
Total stockholders' equity	33,956

- (1) Assumes 27,647,200 new Lynx common shares issued to Solexa shareholders (excluding the 1,852,800 Lynx share equivalents to be issued to Solexa optionholders).

Table of Contents**Comparative Per Share Data**

The following table presents historical per share data regarding the net loss and book value of each of Lynx and Solexa and unaudited combined pro forma per share data after giving effect to the transaction as a purchase of Lynx by Solexa. The pro forma net loss per share information gives effect to the proposed transaction for the year ended December 31, 2003 and for the nine months ended September 30, 2004 as if it had occurred on January 1, 2003. The pro forma book value per share information gives effect to the proposed transaction as if it had occurred on December 31, 2003 and September 30, 2004, respectively. The pro forma combined shares consist of 27,647,200 new Lynx common shares to be issued to Solexa shareholders (excluding the 1,852,800 Lynx share equivalents to be issued to Solexa optionholders) added to the shares used in computation of Lynx's historical basic and diluted net loss per share or historical book value for the applicable period. The Solexa equivalent shares assume 12,960,362 as-converted Solexa ordinary shares (as a result of converting the Solexa B preferred shares and Solexa A ordinary shares into Solexa ordinary shares) and an exchange ratio of 2.1332 new Lynx common shares to be issued in the transaction for each Solexa as-converted ordinary share. Neither Lynx nor Solexa has paid any cash dividends during the periods presented.

The data has been derived from and should be read in conjunction with the summary selected historical financial data, Solexa's historical financial statements and accompanying notes contained elsewhere in this proxy statement/ prospectus, the unaudited pro forma condensed combined financial statements contained elsewhere in this proxy statement/ prospectus and Lynx's historical consolidated financial statements and the accompanying notes incorporated by reference into this proxy statement/ prospectus. The unaudited pro forma per share data is presented for informational purposes only and is not intended to represent or be indicative of the consolidated results of operations or financial condition of Lynx that would have been reported had the transaction been completed as of the dates presented, and should not be taken as representative of future consolidated results of operations or financial condition of the combined company.

The Solexa equivalent pro forma per share data is calculated by multiplying the pro forma combined per share amounts by the as-converted exchange ratio of 2.1332 shares of Lynx common stock for each share in Solexa's share capital.

	Pro Forma			
	Historical		Lynx and Solexa Combined	Solexa Equivalent
	Lynx	Solexa		
	(Shares in thousands)			
Basic and diluted net loss per common share:				
Year ended December 31, 2003	\$ (1.80)	\$ (0.77)	\$ (0.48)	\$ (1.02)
Nine months ended September 30, 2004	\$ (1.70)	\$ (1.08)	\$ (0.56)	\$ (1.02)
Shares used in computation of basic and diluted net loss per share:				
Year ended December 31, 2003	4,854	7,338	32,501	
Nine months ended September 30, 2004	7,125	6,565	34,772	
Book value per share as of:				
December 31, 2003	\$ 1.62	\$ 1.31	\$ 1.12	\$ 2.39
September 30, 2004	\$ 0.58	\$ 0.29	\$ 0.97	\$ 2.07
Shares used in computation of book value per share:				
December 31, 2003	6,199	7,338	33,846	
September 30, 2004	7,528	7,338	35,175	

Table of Contents**Market Price, Exchange Rate and Dividend Data****Market Price Data**

Lynx common stock is quoted on the NASDAQ SmallCap Market and traded under the symbol LYNX. The table below sets forth for the periods indicated the high and low bid prices per share of Lynx common stock. For current price information with respect to Lynx common stock, you are urged to consult publicly available sources. No assurance can be given as to future prices of, or markets for, shares of Lynx common stock.

	Lynx Common Stock	
	High	Low
Fiscal year ending December 31, 2005		
January 1 - January 19, 2005	\$ 3.87	\$ 3.25
Fiscal year ending December 31, 2004		
Fourth Quarter	\$ 4.10	\$ 2.26
Third Quarter	2.51	1.48
Second Quarter	5.30	1.99
First Quarter	6.86	4.49
Fiscal year ended December 31, 2003		
Fourth Quarter	\$ 6.59	\$ 4.02
Third Quarter	7.94	2.80
Second Quarter	4.95	1.73
First Quarter	2.59	1.61
Fiscal year ended December 31, 2002		
Fourth Quarter	\$ 5.95	\$ 2.73
Third Quarter	8.61	2.94
Second Quarter	14.77	7.84
First Quarter	32.89	14.14

There is no established trading market for Solexa shares.

Recent Share Price Data

On September 27, 2004, the last completed trading day prior to the announcement of the acquisition agreement, the closing sales price of Lynx common stock on the NASDAQ SmallCap Market was \$1.86 per share. On January 19, 2005, the closing sales price of Lynx common stock on the NASDAQ SmallCap Market was \$3.38 per share. The table below sets forth the implied equivalent value of one share in Solexa's share capital on the dates indicated, based on the exchange ratios. Changes in the market price of Lynx common stock will not affect the number of shares of Lynx common stock to be received by Solexa's shareholders.

Solexa Shares	Exchange Ratio	Per Share Equivalent Value on September 27, 2004	Per Share Equivalent Value on January 19, 2005
B preferred share	2.61560	\$4.87	\$8.84
A ordinary share	2.75326	\$5.12	\$9.31
Ordinary share	0.88637	\$1.65	\$3.00

Exchange Rate Data

Lynx common stock is quoted and trades on the NASDAQ SmallCap Market in U.S. dollars. Fluctuations in the currency exchange rate between the United States dollar and pounds sterling will cause the value of Lynx common stock received by a Solexa shareholder to change. The following table sets forth, for

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each period indicated, the high and low daily average interbank exchange rates for one United States dollar expressed in pounds sterling and the daily average interbank exchange rate at the end of such period:

	Exchange Rates			
	High	Low	Period End	Average
Fiscal year ending December 31, 2005				
January 1 - January 19, 2005	0.53970	0.51660	0.53570	0.53117
Fiscal year ending December 31, 2004				
Fourth Quarter	0.56350	0.51140	0.51920	0.51920
Third Quarter	0.56460	0.53260	0.55590	0.54977
Second Quarter	0.57200	0.53730	0.55340	0.55323
First Quarter	0.56270	0.52230	0.54770	0.54485
Fiscal year ended December 31, 2003				
Fourth Quarter	0.60480	0.56070	0.56250	0.58629
Third Quarter	0.64060	0.59700	0.60010	0.62084
Second Quarter	0.64670	0.59130	0.60650	0.61845
First Quarter	0.64350	0.60310	0.63540	0.62388
Fiscal year ended December 31, 2002				
Fourth Quarter	0.64870	0.62230	0.62350	0.63614
Third Quarter	0.65990	0.63010	0.64060	0.64542
Second Quarter	0.70180	0.64990	0.65260	0.68424
First Quarter	0.71200	0.68640	0.70150	0.70078
Fiscal year ended December 31, 2001				
Fourth Quarter	0.71030	0.67340	0.68920	0.69298
Third Quarter	0.71780	0.67640	0.67820	0.69554
Second Quarter	0.73080	0.68930	0.70700	0.70331
First Quarter	0.70650	0.66190	0.70610	0.68546
Fiscal year ended December 31, 2000				
Fourth Quarter	0.71630	0.66710	0.66990	0.69092
Third Quarter	0.71670	0.65660	0.68360	0.67675
Second Quarter	0.68190	0.62190	0.65860	0.65257
First Quarter	0.64030	0.60320	0.62660	0.62272

On September 27, 2004, the last trading day prior to the announcement of the acquisition agreement, the exchange rate for one United States dollar expressed in pounds sterling was 0.6030. On January 19, 2005, the exchange rate for one United States dollar expressed in pounds sterling was 0.53570.

Lynx stockholders and Solexa shareholders are advised to obtain current market quotations for Lynx common stock and current currency exchange rates between the United States dollar and pounds sterling. No assurance can be given as to the market price of Lynx common stock or the currency exchange rate at any time before or after the completion of the transaction. The exchange ratios will not be adjusted to compensate Solexa's shareholders for decreases in the market price of Lynx common stock or the currency exchange rate, whether they occur before or after the completion of the transaction. Similarly, the exchange ratios will not be adjusted to compensate Lynx for any increases in the market price of Lynx common stock.

Dividends

To date, Lynx has not paid cash dividends on its common stock and does not intend to pay any cash dividends in the foreseeable future.

To date, Solexa has not paid cash dividends on its outstanding share capital and does not intend to pay cash dividends in the foreseeable future.

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RISK FACTORS

Lynx stockholders should carefully consider the following factors in evaluating whether to approve the proposals to be voted on at the Lynx annual meeting. Solexa shareholders should carefully consider the following factors in evaluating whether to accept Lynx's offer. These factors should be considered in conjunction with the other information included in or incorporated by reference into this proxy statement/prospectus, including the risks discussed in Lynx's Form 10-Q for the quarter ended September 30, 2004 in Item 2 under "Additional Business Risks" and Item 3 under "Quantitative and Qualitative Disclosures About Market Risk" and Lynx's Form 10-K for the year ended December 31, 2003, as amended, in Item 1 under "Business Risks" and Item 7A under "Quantitative and Qualitative Disclosures About Market Risk."

Risks Relating to the Transaction

The exchange ratios are fixed and will not be adjusted based on fluctuations in Lynx's stock price. As a result, the specific dollar value of Lynx common stock that Solexa shareholders will receive upon completion of the transaction will depend on the market value of Lynx common stock at that time.

Lynx's stock price has been volatile in the past and may continue to be volatile in the future. If the transaction is completed, Lynx will issue, or otherwise allocate for issuance under options to acquire Lynx common stock, a total of 29.5 million shares of Lynx common stock pursuant to the terms of the offer and the option offer. If the offer is accepted and the transaction is completed, each holder of Solexa B preferred shares will be entitled to receive 2.61560 shares of Lynx common stock for each Solexa B preferred share; each holder of Solexa A ordinary shares will be entitled to receive 2.75326 shares of Lynx common stock for each Solexa A ordinary share; and each holder of Solexa ordinary shares will be entitled to receive 0.88637 of a share of Lynx common stock for each Solexa ordinary share. The exchange ratios will not change based on the fluctuations in the market price of Lynx common stock. As a result, the specific dollar value of Lynx common stock that Solexa shareholders will receive upon completion of the transaction will depend on the market value of Lynx common stock at that time. The market price of Lynx common stock upon the completion of the transaction will likely vary from the market price as of the date of this proxy statement/prospectus and as of the date of the Lynx annual meeting and the date that the offer is made to Solexa's shareholders. Any reduction in Lynx's stock price will result in Solexa shareholders receiving less value at the time of the first closing in the transaction from shares of Lynx common stock received. Conversely, any increase in Lynx's stock price will result in Solexa shareholders receiving greater value at the time of the first closing in the transaction from shares of Lynx common stock received.

Variations in the market price of Lynx common stock may be caused by a number of factors, including, among others, ability to obtain financing, changes in the businesses, operations or prospects of Lynx and/or Solexa, the timing of the transaction, regulatory considerations and general market, biotechnology industry and economic conditions. Lynx stockholders and Solexa shareholders are urged to obtain recent market quotations for Lynx common stock.

Lynx and Solexa may not realize the benefits they expect from the transaction.

Lynx and Solexa have entered into the acquisition agreement with the expectation that the transaction will result in certain benefits such as improved prospects as a combined group of raising additional capital and enhanced ability to develop and commercialize products. The integration of Lynx and Solexa will be complex, time consuming and expensive, and may disrupt Lynx's and Solexa's businesses. The combined group will need to overcome significant challenges in order to realize any benefits or synergies from the transaction. These challenges include the timely, efficient and successful execution of a number of post-transaction events including those described in the risk factor under "As a result of the transaction, Lynx will be a substantially larger organization, and if management is unable to sufficiently manage the company, the combined group's operating results will suffer" on page 27.

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Lynx and Solexa may not succeed in addressing these risks or any other problems encountered in connection with the transaction. The inability to successfully integrate the operations, technology and personnel of Lynx and Solexa, or any significant delay in achieving integration, could have a material adverse effect on the combined group after the transaction and, as a result, on the market price of Lynx common stock.

The issuance of shares of Lynx common stock to Solexa shareholders in the transaction will substantially reduce the percentage interests of Lynx stockholders.

If the transaction is completed, Lynx will issue, or otherwise allocate for issuance under options to acquire Lynx common stock, a total of 29.5 million shares of Lynx common stock pursuant to the terms of the offer and the option offer. Following the completion of the transaction, current Solexa shareholders will, upon issuance, own approximately 80% of the outstanding Lynx common stock, and current Lynx stockholders will own approximately 20% of the outstanding Lynx common stock. The issuance of 29.5 million shares of Lynx common stock will cause a significant reduction in the relative percentage interests of current Lynx stockholders in the earnings, voting, liquidation value, and book and market value of Lynx.

The issuance of shares of Lynx common stock in the proposed financing will substantially reduce the percentage interests of Lynx stockholders and will substantially reduce the interests of Solexa stockholders in the combined group following the completion of the transaction.

As of January 19, 2005, 7,529,038 shares of Lynx common stock are issued and outstanding. If the transaction is completed and the proposed financing is also completed, Lynx will issue up to 10,000,000 shares of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock) pursuant to the terms of the proposed financing. The issuance of up to 10,000,000 shares of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock), if any, will cause a significant reduction in the relative percentage interests of current Lynx stockholders and Solexa shareholders in the earnings, voting, liquidation and book and market value of the combined group.

The transaction will not be completed if Lynx fails to acquire at least 90% of each class of the outstanding shares in the share capital of Solexa.

The offer is subject to a condition that, before the end of the offer period, valid acceptances have been received and not properly withdrawn in respect of at least 90% in nominal value of each class of the outstanding Solexa shares. Lynx has received irrevocable undertakings to accept the offer from certain Solexa shareholders collectively holding 100% of the outstanding Solexa B preferred shares, 100% of the outstanding Solexa A ordinary shares and approximately 82.5% of the outstanding Solexa ordinary shares. Lynx will not be able to effect the compulsory acquisition of all the remaining Solexa ordinary shares under English law if the condition requiring acceptances of at least 90% in nominal value of the Solexa ordinary shares is not satisfied. See the section entitled *Compulsory Acquisition* on page 176.

Some of Lynx's and Solexa's officers and directors have conflicts of interest that may influence them to support or approve the transaction.

Certain officers and directors of Lynx and Solexa will participate in arrangements that provide them with interests in the transaction that are different from those of the stockholders of Lynx and the shareholders of Solexa, including, among others, liability insurance coverage, employment and indemnification arrangements with Lynx. These interests, among others, may influence the officers and directors of Lynx and Solexa to support or approve the transaction. For a more detailed discussion see the section entitled *Interests of Officers, Directors and Affiliates* on page 60.

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Following the completion of the transaction, the combined group's officers and directors will have substantial control over the combined group.

The combined group's executive officers, directors and entities affiliated with them, in the aggregate, will beneficially own approximately 78% of the combined group after the transaction. These stockholders, if acting together, would be able to influence significantly all matters requiring approval by its stockholders, including the election of directors and the approval of mergers or other changes in corporate control.

Upon the receipt of Lynx shares in the offer, Solexa's shareholders will become stockholders in a Delaware corporation, which will change certain shareholder rights and privileges that they hold as shareholders of an English company.

Lynx is governed by the laws of the U.S., the State of Delaware and by its certificate of incorporation and by-laws. The DGCL extends to stockholders certain rights and privileges that may not exist under English law and, conversely, does not extend certain rights and privileges that Solexa shareholders may have as a member of a company governed by English law. The directors of a Delaware corporation may elect to adopt certain provisions that have the effect of discouraging a third party from acquiring control of Lynx. Such provisions could limit the price that some investors might be willing to pay in the future for Lynx shares. These Delaware provisions may also have the effect of discouraging or preventing certain types of transactions involving an actual or a threatened change in control of Lynx, including unsolicited takeover attempts, even though such a transaction may offer Lynx stockholders the opportunity to sell their Lynx shares at a price above the prevailing market price. Some of the rights of various classes of Solexa shares will not survive the completion of the transaction and will not be replicated in the rights of Lynx common stock. For a detailed discussion of the rights of Lynx stockholders versus the rights of holders of Solexa share capital, see the section entitled *Comparison of Rights of Holders of Lynx Common Stock and Solexa Shares* on page 93.

Charges to earnings resulting from the application of the purchase method of accounting may adversely affect the market value of Lynx common stock following the transaction.

In accordance with United States generally accepted accounting principles, the combined group will account for the transaction using the purchase method of accounting. Also, under United States generally accepted accounting principles, Solexa will be considered the acquiror for the purposes of purchase accounting. The total purchase price will be allocated among Lynx's net tangible assets and identifiable intangible assets based on their fair values as of the date of completion of the transaction, and any remaining purchase price over those cumulative fair values will be recorded as goodwill. The combined group will incur additional amortization expense over the estimated useful lives of certain of the intangible assets acquired in connection with the transaction, which is expected to be approximately US\$0.4 million on an annual basis. In addition, to the extent the value of goodwill or intangible assets with indefinite lives becomes impaired, the combined group may be required to incur material charges relating to the impairment of those assets.

Lynx and Solexa will incur substantial costs whether or not the transaction is completed.

Lynx and Solexa will incur substantial costs related to the transaction whether or not the transaction is completed. These costs include fees for financial advisors, attorneys and accountants, filing fees, stamp duty and financial printing costs.

Lynx currently expects to incur approximately \$3.1 million in costs, approximately \$1.2 million of which are not contingent on the completion of the transaction. Solexa currently expects to incur approximately \$1.2 million in costs, approximately \$1.0 million of which are not contingent on the completion of the transaction. Neither Lynx nor Solexa would be required to pay a termination fee if either company were to terminate the acquisition agreement prior to completion of the transaction. The combined group may incur costs, which are not reasonably estimable, in the quarter in which the transaction is completed or following quarters, to reflect costs associated with integrating the two companies. There is no assurance that the

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combined group will not incur additional material charges in subsequent quarters to reflect additional costs associated with the transaction. If the benefits of the transaction do not exceed the costs of integrating the businesses of Lynx and Solexa, the combined group's financial results may be adversely affected.

Depending on the date the transaction is completed, Lynx and/or Solexa may require additional financing prior to the completion of the transaction.

Depending on the date the transaction is completed, Lynx and/or Solexa may require additional financing in order to fund operations until the transaction is completed. There is no guarantee that sufficient additional financing will be available from either existing Solexa investors or new investors. At present, several of the Solexa institutional investors have expressed preliminary interest in providing additional financing to the combined group. However, their commitment to any such financing, the likely amount raised and the timing of the financing are uncertain. On December 28, 2004, Lynx entered into a loan and security agreement with Silicon Valley Bank, pursuant to which Silicon Valley Bank has agreed to advance to Lynx a loan in the aggregate principal amount of up to \$3,000,000.

If the transaction is not completed, Lynx may default under the loan and security agreement with Silicon Valley Bank.

If the transaction with Solexa is not completed, Lynx may not have sufficient funds to repay the loan from Silicon Valley Bank under the loan and security agreement between Lynx and Silicon Valley Bank when the loan is due and payable. The loan is due on the earlier to occur of (x) fifteen days after the receipt by Lynx of gross proceeds in the amount of \$10 million for the issuance of equity in a private placement transaction, or (y) July 31, 2005. If Lynx defaults under the loan and security agreement and the default continues, Silicon Valley Bank has the right to accelerate repayment of the loan and to realize on its security interest, including without limitation, to reclaim and sell the collateral under the loan and security agreement, including but not limited to all of Lynx's goods, equipment, inventory, contract rights, licenses and intellectual property rights.

Risks Relating to the Combined Group Following the Transaction

The combined group will need to raise additional funding, which may not be available on favorable terms, if at all.

The combined group will need to raise additional capital through public or private equity or debt financings in order to satisfy its projected capital needs, including the repayment of the existing loan from Silicon Valley Bank, which are estimated to be approximately \$35 million over the next twenty-four months, including any funds raised in connection with the proposed financing of up to \$10 million contemplated by proposal 2 and the \$3 million loan advance from Silicon Valley Bank. The amount of additional capital the combined group would need to raise would depend on many factors, including:

the progress and scope of research and development programs;

the ability and willingness of Solexa's existing venture investors to provide additional capital to the combined group;

payments received under its customer, license and collaborative agreements;

its ability to establish and maintain customer, license and collaborative agreements;

the progress of its commercialization efforts with respect to its current commercial services and products it plans to develop and commercialize;

the costs associated with obtaining access to biological samples and related information; and

the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other intellectual property rights.

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The combined group cannot be certain that in the future these sources of liquidity will be available when needed and that its actual cash requirements will not be greater than anticipated. If the combined group requires additional capital at a time when investment in biotechnology companies or in the marketplace in general is limited due to the then prevailing market or other conditions, it may not be able to raise such funds at the time that it desires or any time thereafter. If the combined group is unable to obtain this financing on terms favorable to the combined group, it may be unable to execute its business plan and may be required to cease or reduce further development or commercialization of its product, to sell some of all of its technology or assets or to merge with another entity. In addition, if the combined group is unable to obtain such financing, it may not have sufficient funds to repay the loan from Silicon Valley Bank. See the risk factor entitled "If the transaction is not completed, Lynx may default under the loan and security agreement with Silicon Valley Bank" on page 26. The combined group's business, financial condition and results of operations would be materially adversely affected.

In the event that the combined group raises additional capital through issuance of equity securities or strategic alliance with third parties, its stockholders could experience substantial additional dilution or the combined group may have to relinquish certain technology or product rights.

If the combined group raises additional capital by issuing equity securities or convertible debt securities, its existing stockholders may incur substantial dilution and any shares so issued will likely have rights, preferences and privileges superior to the rights, preferences and privileges of its outstanding common stock. If the combined group raises additional funds through collaboration, licensing or other arrangements with third parties, it may be required to relinquish rights or grant licenses on unfavorable terms to certain of its technologies or products that it would otherwise seek to develop or commercialize on its own. These actions, while necessary for the continuance of operations during a time of cash constraints and a shortage of working capital, could make it difficult or impossible to implement the combined group's long-term business plans or could materially adversely affect its business, financial condition and results of operations.

Lynx and Solexa each have a history of net losses, expect to continue to incur net losses and may not achieve or maintain profitability.

Lynx has incurred net losses each year since its inception in 1992, with an accumulated deficit of approximately \$119.8 million as of September 30, 2004. Lynx's net losses for the years ended December 31, 2002 and December 31, 2003 were approximately \$15.5 million and \$8.8 million, respectively. Lynx's net loss for the nine months ended September 30, 2004 was approximately \$12.1 million. Ernst & Young LLP, independent registered public accounting firm for Lynx, has noted in its report on Lynx's consolidated financial statements included in Lynx's Annual Report on Form 10-K for the year ended December 31, 2003, as amended, that Lynx's financial condition raises substantial doubt about Lynx's ability to continue as a going concern. Solexa has incurred net losses each year since its inception in 1998, with an accumulated deficit of approximately \$21.0 million as of September 30, 2004. Solexa's net losses for the years ended December 31, 2002 and December 31, 2003 were approximately \$4.5 million and \$5.6 million, respectively. Solexa's net loss attributable to ordinary shareholders for the nine months ended September 30, 2004 was approximately \$7.1 million. Net losses may continue for the next several years as the combined group proceeds with the development and commercialization of its technologies. The presence and size of these potential net losses will depend, in part, on the rate of growth, if any, in revenues and on the level of expenses. Research and development expenditures and general and administrative costs have exceeded revenues to date, and may increase in the future. The combined group will need to generate significant revenues to achieve profitability, and even if it is successful and achieves profitability, there is no assurance it will be able to sustain profitability.

As a result of the transaction, Lynx will be a substantially larger organization, and if management is unable to sufficiently manage the company, the combined group's operating results will suffer.

As a result of the transaction, Lynx will add Solexa's 52 employees based outside of Cambridge, U.K. to its existing 75 employees based in Hayward, California. The combined group will face challenges inherent in

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efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, financial controls, policies, standards and benefits and compliance programs. The inability to successfully manage the substantially larger and internationally diverse organization, or any significant delay in achieving successful management, could have a material adverse effect on the combined group after the transaction.

Lynx will have a new management team after the transaction which may not be able to define or execute on Lynx's business plan.

Lynx will have a new chief executive officer, John West, who has been the chief executive officer of Solexa since August 2004, and anticipates also hiring a chief financial officer. Solexa's prior chief executive officer has agreed to continue to work for Solexa through February 2005, but has not committed to provide services after that point. While Mr. West has experience managing private genomics companies and large genomics teams within public U.S. companies, he has not previously been chief executive of a public company in the U.S. Mr. West anticipates dividing his time between Lynx's operations in California and Solexa's operations in the United Kingdom for the foreseeable future. There is no assurance that Lynx will be able to successfully recruit an experienced chief financial officer in the near future, and operating results may suffer as a result.

The transaction could cause the combined group to lose key personnel, which could materially affect the combined group's business and require the combined group to incur substantial costs to recruit replacements for lost personnel.

As a result of the transaction, current and prospective Solexa and Lynx employees could experience uncertainty about their future roles within the combined group. Any of the combined group's key personnel could terminate their employment, sometimes without notice, at any time. People key to the operation and management of the combined group are John West, currently chief executive officer of Solexa; Tony Smith, currently chief technology officer of Solexa; and Mary Schramke, currently chief executive officer of Lynx.

Each of Lynx and Solexa has recently changed its chief executive officer. Effective December 15, 2004, Kevin P. Corcoran resigned from his positions as the president, chief executive officer and a board member of Lynx. Shortly after the public announcement of the transaction, Mr. Corcoran was contacted by another company offering Mr. Corcoran a newly created executive position. Mr. Corcoran's decision to resign was made after a consideration of the position offered compared to possible positions within the combined group after the transaction when he would no longer be the chief executive officer. On August 9, 2004, Solexa appointed John West as its chief executive officer, and on the same day, Nick McCooke resigned from his position as the chief executive officer and a board member of Solexa. Solexa's decision to replace its chief executive officer was made by the board of directors of Solexa in January 2004 when it commenced a search for a candidate who had direct experience at senior management level in a life science instrument business and who was U.S.-based and able to lead the development of Solexa in the U.S. In addition, Edward Albini resigned from his position as Lynx's chief financial officer effective as of February 25, 2004. Mr. Albini's decision to resign was made based on a consideration of an offer from Novacea Inc. as its vice president and chief financial officer and his position at Lynx as the negotiation between Lynx and Solexa to combine continued. Jen-i Mao, Ph.D. resigned from her position as the vice president, genetic analysis of Lynx effective April 15, 2004 to spend more time with her family. Lynx does not maintain key person life insurance on any of its key employees, and Solexa maintains such insurance coverage on Mr. McCooke, Tony Smith, chief technology officer of Solexa, and Shankar Balasubramanian, a board member and scientific consultant of Solexa. The uncertainty related to employees' future roles may adversely affect the ability of the combined group to attract and retain key management, sales, marketing and technical personnel. Any failure to attract and retain key personnel could have a material adverse effect on the business of the combined group after completion of the transaction.

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The combined group's technologies depend on the successful integration of the cluster technology, which is newly acquired and may not be successfully integrated.

The combined group's technologies depend on the successful integration of Lynx's and Solexa's technologies, each of which has its own development risks. The cluster technology acquired from Manteia SA is new and the combined group may not be able to successfully integrate it with its existing technologies. The sequence data generated with clusters may not be of the same quality as Lynx currently generates using beads, or the combined group may not be able to achieve the necessary yields to be cost competitive. The combined group may have difficulty integrating the cluster technology into a commercially available instrument. The timelines associated with the development of the cluster technology contain elements of risk and uncertainty and may therefore be extended. Any prolonged delay with the development effort could allow competing technologies to capture significant market share ahead of the combined group.

The combined group intends to implement a new business model after the transaction which is different from Lynx's existing services business model.

The new business model that the combined group plans to implement is based primarily on sales of genomic sequencing equipment and future sales of reagents and services to support customers in their use of that equipment. Lynx's current business model is based on providing genomics discovery services using MPSS™ and supplying customers with DNA sequences and other information that result from experiments. A change in emphasis from Lynx's current business model may cause Lynx's current customers to delay, defer or cancel any purchasing decisions with respect to new or existing agreements. To date, Lynx has not been contacted by any current customer with respect to any such delay, deferral or cancellation of any existing agreement. There is no assurance that the combined group will be successful in changing the emphasis of its business model from providing sequencing services to selling equipment, reagents and support services to new or existing customers.

Because the combined group will be changing its business strategy, it is uncertain whether the combined group will be able to commercialize its products or to what extent it will increase its revenues or become profitable.

It is uncertain whether the combined group can implement its business strategy successfully because the combined group is in the early stages of development. Lynx has set out to develop new genomics sequencing technologies and is now using those technologies to develop new equipment, reagents and services. This strategy is largely untested. If the combined group's strategy does not result in the development of products that it can commercialize, it will be unable to generate revenue. Although Lynx has developed genomics sequencing machines and both sold machines and provided gene expression services to other companies with its machines, these were based on technology that Lynx previously developed rather than the anticipated new technologies under development. The combined group cannot be certain that any future products will receive commercial acceptance. If the combined group is unable to commercialize products, it may not be able to recover its investment in the product development efforts.

Lynx will need to develop manufacturing capacity by itself or with a partner.

If Lynx is successful in achieving commercialization and market acceptance for Lynx's machines, Lynx will need to either build internal manufacturing capacity or contract it to a manufacturing partner. There is no assurance that Lynx will be able to build the capacity internally, nor find a manufacturing partner, to meet both the volume and quality requirements to execute its business plan. Any delay or inability to expand Lynx's manufacturing capacity, including obtaining the commitment of necessary capital resources, could materially adversely affect its manufacturing ability.

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The Lynx and Solexa technology platform is in the early stages of commercialization and is unproven for market acceptance.

While some of Lynx's gene expression technology has been commercialized and is currently in use, the combined group anticipates developing additional technologies to generate information about gene expression and genomic sequences that may enable scientists to better understand complex biological processes. The Lynx and Solexa technology platform is still in development, and the combined group may not be able to continue to successfully develop or commercialize the technology platform. The success of commercialization of the technology platform depends on many factors, including:

- technical performance of the platform in relation to existing technologies;
- the acceptance of the technology in the market place;
- the ability to build instrument manufacture capability, or to obtain instruments from a manufacturer; and
- the ability to manufacture reagents, or obtain licenses to resell reagents.

Lynx currently utilizes a single supplier to purchase PacI, an enzyme used with the MegaClone bead technology.

PacI is a restriction enzyme used to digest the PCR product that is loaded onto 5-micron beads prior to MPSS sequencing. Lynx currently purchases PacI from New England BioLabs under a supply agreement, the term of which is scheduled to expire on August 15, 2005. Lynx's reliance on a sole vendor involves several risks, including:

- the inability to obtain an adequate supply due to manufacturing capacity constraints, a discontinuance of a product by a third-party manufacturer or other supply constraints;
- the potential lack of leverage in contract negotiations with the sole vendor;
- reduced control over quality and pricing of components; and
- delays and long lead times in receiving materials from vendors.

Lynx does not believe, however, that its business is dependent substantially on PacI or the intellectual property associated with PacI. The Company believes that it would be able to purchase alternative enzymes from other providers without incurring significant additional expenses or time delays should the need arise. In addition, if the Company is able to successfully integrate the cluster technology acquired from Manteia SA with its MPSS technology, it will no longer require PacI or an alternative enzyme. The Company has not yet determined if it will seek to extend or renew its contract with New England BioLabs but believes it could do so without unreasonable effort or expense.

If Lynx fails to adequately protect its proprietary technologies, third parties may be able to use Lynx's technologies, which could prevent Lynx from competing in the market.

Lynx's success depends in part on its ability to obtain patents and maintain adequate protection of the intellectual property related to Lynx's technologies and products. The patent positions of biotechnology companies, including Lynx, are generally uncertain and involve complex legal and factual questions. Lynx will be able to protect its proprietary rights from unauthorized use by third parties only to the extent that Lynx's proprietary technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the U.S., and many companies have encountered significant problems in protecting and defending their proprietary rights in foreign jurisdictions. Lynx and Solexa have applied and will continue to apply for patents covering their respective technologies, processes and products, as and when Lynx deems appropriate. However, third parties may challenge these applications, or these applications may fail to result in issued

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patents. Lynx's existing patents and any future patents Lynx obtains may not be sufficiently broad to prevent others from practicing its technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design around Lynx's patents. In addition, Lynx's patents may be challenged or invalidated or fail to provide Lynx with any competitive advantage.

Lynx also relies on trade secret protection for Lynx's confidential and proprietary information. However, trade secrets are difficult to protect. Lynx protects its proprietary information and processes, in part, with confidentiality agreements with employees, collaborators and consultants. However, third parties may breach these agreements, Lynx may not have adequate remedies for any such breach or Lynx's trade secrets may still otherwise become known by Lynx's competitors. In addition, Lynx's competitors may independently develop substantially equivalent proprietary information.

Litigation or third-party claims of intellectual property infringement could require Lynx to spend substantial time and money and adversely affect Lynx's ability to develop and commercialize Lynx's technologies and products.

Lynx's commercial success depends in part on Lynx's ability to avoid infringing patents and proprietary rights of third parties and not breaching any licenses that Lynx has entered into with regard to Lynx's technologies. Other parties have filed, and in the future are likely to file, patent applications covering genes, gene fragments, proteins, the analysis of gene expression and protein expression and the manufacture and use of DNA chips or microarrays, which are tiny glass or silicon wafers on which tens of thousands of DNA molecules can be arrayed on the surface for subsequent analysis. Lynx intends to continue to apply for patent protection for methods relating to gene expression and protein expression and for the individual disease genes and proteins and drug discovery targets Lynx discovers. If patents covering technologies required by Lynx's operations are issued to others, Lynx may have to rely on licenses from third parties, which may not be available on commercially reasonable terms, or at all.

Third parties may accuse Lynx of employing their proprietary technology without authorization. In addition, third parties may obtain patents that relate to Lynx's technologies and claim that use of such technologies infringes these patents. Regardless of their merit, such claims could require Lynx to incur substantial costs, including the diversion of management and technical personnel, in defending itself against any such claims or enforcing Lynx's patents. In the event that a successful claim of infringement is brought against Lynx, Lynx may need to pay damages and obtain one or more licenses from third parties. Lynx may not be able to obtain these licenses at a reasonable cost, or at all. Defense of any lawsuit or failure to obtain any of these licenses could adversely affect Lynx's ability to develop and commercialize Lynx's technologies and products and thus prevent Lynx from achieving profitability.

The shares of Lynx common stock may be de-listed from trading on the NASDAQ SmallCap Market due to Lynx's failure to hold an annual meeting by December 31, 2004 or if Lynx does not satisfy the initial listing requirements for Lynx common stock on the NASDAQ SmallCap Market as a result of NASDAQ's view that the transaction constitutes a reverse merger.

On January 4, 2005, Lynx received a letter from NASDAQ indicating that its securities are subject to delisting from the NASDAQ SmallCap Market based on Lynx's failure to hold an annual meeting of stockholders by December 31, 2004 in accordance with the NASDAQ Marketplace Rule 4350(e), and solicit proxies and provide proxy statements to NASDAQ in accordance with the NASDAQ Marketplace Rule 4350(g). Lynx intends to hold an annual meeting of stockholders on March 1, 2005. Lynx requested and was granted a hearing before an independent appeal panel to review this determination. The hearing is scheduled for February 9, 2005 and Lynx common stock will continue to be listed on the NASDAQ SmallCap Market pending the panel's decision. If the panel does not grant Lynx's appeal, Lynx common stock may be de-listed from the NASDAQ SmallCap Market.

In addition, as a result of the change in control of Lynx in connection with the transaction, the NASDAQ staff has indicated to Lynx that it will view the transaction as constituting a reverse merger under the

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NASDAQ Marketplace Rule 4330(f). As a result, Lynx would be required to satisfy the requirements for initial inclusion on the NASDAQ Stock Market, including the \$4.00 per share minimum bid price for the 90 trading days preceding the completion of the transaction, in order for Lynx common stock to remain listed on the NASDAQ SmallCap Market following the completion of the transaction. Lynx does not currently satisfy the minimum bid price requirement and intends to effect a reverse split of its outstanding shares of common stock in order to effect a plan to satisfy these requirements. If Lynx is unable to meet the initial listing requirements of the NASDAQ SmallCap Market, the NASDAQ staff would notify Lynx that Lynx common stock would be de-listed from the NASDAQ SmallCap Market upon the completion of the transaction. Lynx would have an opportunity to appeal this determination and a hearing on the appeal would be required to take place before an independent appeal panel within 45 days after Lynx files an appeal.

If Lynx common stock is de-listed from the NASDAQ SmallCap Market, it would likely trade on the over-the-counter bulletin board, commonly referred to as the pink sheets. This is generally considered to be a less efficient market and would seriously impair the liquidity of Lynx common stock and limit Lynx's potential to raise future capital through the sale of Lynx common stock, which could materially harm Lynx's business.

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FORWARD LOOKING STATEMENTS

This proxy statement/ prospectus and the documents incorporated by reference into this proxy statement/ prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to Lynx's and Solexa's financial condition, results of operations and businesses and the expected impact of the proposed transaction with Solexa on Lynx's financial performance. Words such as anticipates, expects, intends, plans, predicts, believes, seeks, estimates, could, would, will, potential, should, and the negative of these terms or other comparable terminology often identify forward-looking statements. Statements in this proxy statement/ prospectus and the other documents incorporated by reference that are not historical facts are hereby identified as forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and Section 27A of the Securities Act. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements, including the risks discussed in this proxy statement/ prospectus, in Lynx's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as amended, in Item 1 under Business Risks as well as in Item 7A Qualitative and Quantitative Disclosures about Market Risk, its Quarterly Report on Form 10-Q for the period ended September 30, 2004 in Item 2 under Additional Business Risks as well as in Item 3 Qualitative and Quantitative Disclosures about Market Risk and the risks detailed from time to time in Lynx's future SEC reports. Many of the important factors that will determine these results are beyond Lynx's and Solexa's ability to control or predict. Lynx stockholders and Solexa shareholders are cautioned not to put undue reliance on any forward-looking statements, which speak only as of the date of the proxy statement/ prospectus or, in the case of documents incorporated by reference, as of the date of such documents. Except as otherwise required by law, Lynx and Solexa do not assume any obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this proxy statement/ prospectus or to reflect the occurrence of unanticipated events.

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ANNUAL MEETING OF LYNX STOCKHOLDERS

When and where is the Lynx annual meeting?

The Lynx annual meeting will be held on March 1, 2005, at 11:00 a.m., local time, at Lynx's principal executive offices, located at 25861 Industrial Blvd., Hayward, California 94545. Lynx is sending this proxy statement/prospectus and the enclosed proxy card to its stockholders because Lynx's board of directors is soliciting their proxy to vote at the Lynx annual meeting.

What are Lynx stockholders voting on at the Lynx annual meeting?

There are six matters scheduled for a vote at the Lynx annual meeting:

1. to consider and vote upon a proposal to approve the issuance of Lynx common stock pursuant to the acquisition agreement and the resulting change of control of Lynx;
2. to approve (i) the sale, issuance or potential issuance of shares of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock) for an aggregate consideration of not more than \$10,000,000 (excluding amounts receivable by Lynx upon the exercise of any warrants) at a price that may be less than the greater of book or market value of the Lynx common stock, to investors who will likely include affiliates of certain individuals who will be appointed to Lynx's board of directors on the first closing date, and (ii) the change of control, if any, of Lynx which may occur as a result of such sale, issuance or potential issuance, in all cases to comply with NASDAQ Marketplace Rule 4350;
3. to elect six directors to serve for the ensuing year and until their successors are duly elected or appointed;
4. to approve an amendment to Lynx's certificate of incorporation to effect a reverse stock split of Lynx's common stock pursuant to which any whole number of outstanding shares between and including two and four would be combined into one share of Lynx common stock and to authorize Lynx's board of directors to select such number and file such amendment;
5. to approve an amendment to the Lynx 1992 plan to increase the aggregate number of shares of Lynx common stock authorized for issuance under such plan by 2,000,000 shares if the transaction under the acquisition agreement is completed or 300,000 shares if the transaction is not completed; and
6. to ratify the selection by the Audit Committee of Lynx's Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of Lynx for its fiscal year ending December 31, 2004.

At the Lynx annual meeting, Lynx shareholders will be asked to conduct any other business properly brought before the meeting.

Who can vote at the Lynx annual meeting?

Only Lynx's stockholders of record at the close of business on January 3, 2005 will be entitled to vote at the Lynx annual meeting. On the record date, there were 7,527,538 shares of Lynx common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Lynx Stockholders' Name

If on the record date, the shares of a Lynx stockholder were registered directly in such stockholder's name with Lynx's transfer agent, EquiServe Trust Company N.A., then such Lynx stockholder is a stockholder of record. As a stockholder of record, the Lynx stockholder may vote in person at the meeting or vote by proxy. Whether or not a Lynx stockholder plans to attend the meeting, Lynx urges such stockholders to fill out and return the enclosed proxy card to ensure his or her vote is counted.

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Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on the record date, the shares of a Lynx stockholder were held, not in such stockholder's name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then such Lynx stockholder is the beneficial owner of shares held in street name and these proxy materials are being forwarded to such stockholder by that organization. The organization holding such Lynx stockholder's account is considered to be the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, the Lynx stockholder has the right to direct such stockholder's broker or other agent on how to vote the shares in such stockholder's account. These Lynx stockholders are also invited to attend the annual meeting. However, since such Lynx stockholders are not the stockholder of record, they may not vote their shares in person at the meeting unless they request and obtain a valid proxy from their broker or other agent.

How do Lynx stockholders vote?

Lynx stockholders may either vote For all the nominees to Lynx's Board of Directors or may withhold their vote from any nominees such Lynx stockholder specifies. For each of the other matters to be voted on, Lynx stockholders may vote For or Against or abstain from voting. The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Lynx Stockholder Name

If a Lynx stockholder is a stockholder of record, such stockholder may vote in person at the Lynx annual meeting or vote by proxy using the enclosed proxy card. Whether or not such Lynx stockholder plans to attend the meeting, Lynx urges such stockholder to vote by proxy to ensure such stockholder's vote is counted. A Lynx stockholder may still attend the meeting and vote in person if such stockholder has already voted by proxy.

To vote in person, a Lynx stockholder must come to the annual meeting and Lynx will give each stockholder a ballot when he or she arrives.

To vote using the proxy card, a Lynx stockholder must complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If a Lynx stockholder returns such stockholder's signed proxy card to Lynx before the annual meeting, Lynx will vote such stockholder's shares as he or she directs.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If a Lynx stockholder is a beneficial owner of shares registered in the name of a broker, bank, or other agent, such stockholder should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Lynx. A Lynx stockholder shall simply complete and mail the proxy card to ensure that such stockholder's vote is counted.

To vote in person at the Lynx annual meeting, a Lynx stockholder must obtain a valid proxy from such stockholder's broker, bank or other agent. A Lynx stockholder shall follow the instructions from such stockholder's broker or bank included with these proxy materials, or contact such stockholder's broker or bank to request a proxy form.

How many votes does a Lynx stockholder have?

On each matter to be voted upon, a Lynx stockholder has one vote for each share of common stock he or she owns as of the record date.

What if a Lynx stockholder returns a proxy card but does not make specific choices?

If a Lynx stockholder returns a signed and dated proxy card without marking any voting selections, such stockholder's shares will be voted: (i) For the approval of the issuance of Lynx's common stock in the transaction and the resulting change of control of Lynx; (ii) For the approval of the issuance of shares of

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Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock) in connection with the proposed financing; (iii) For the election of all six nominees for directors; (iv) For the approval of the amendment to Lynx's certificate of incorporation to effect a reverse stock split; (v) For the approval of the 2 million share increase in the number of shares of Lynx common stock authorized for issuance under the Lynx 1992 plan if the transaction is completed or the 300,000 share increase if the transaction is not completed; and (vi) For the ratification of Ernst & Young LLP as the independent registered public accounting firm of Lynx for its fiscal year ending December 31, 2004. If any other matter is properly presented at the meeting, a Lynx stockholder's proxy (one of the individuals named on such stockholder's proxy card) will vote such stockholder's shares using his or her best judgment.

Who is paying for this proxy solicitation?

Lynx will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, Lynx's directors and employees and The Altman Group may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies, but The Altman Group will be paid its customary fee of approximately \$6,000 plus out-of-pocket expenses if it solicits proxies. Lynx will also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if a Lynx stockholder receives more than one proxy card?

If a Lynx stockholder receives more than one proxy card, such stockholder's shares are registered in more than one name or are registered in different accounts. Such Lynx stockholder must complete, sign and return each proxy card to ensure that all of the shares are voted.

Can a Lynx stockholder change the Lynx stockholder's vote after submitting the proxy?

Yes. A Lynx stockholder can revoke such stockholder's proxy at any time before the final vote at the meeting. A Lynx stockholder who is the record holder of the Lynx shares may revoke such stockholder's proxy by any one of three ways:

submitting another properly completed proxy card with a later date;

sending a written notice that such stockholder is revoking the proxy to Lynx's Secretary at 25861 Industrial Blvd., Hayward, California 94545; or

attending the annual meeting and voting in person. Simply attending the meeting will not, by itself, revoke a Lynx stockholder's proxy.

If a Lynx stockholder's shares are held by a broker or bank as a nominee or agent, such stockholder should follow the instructions provided by the Lynx stockholder's broker or bank.

When are stockholder proposals due for next year's Lynx annual meeting?

To be considered for inclusion in the proxy statement for the 2005 annual meeting of Lynx stockholders, a Lynx stockholder's proposal must be submitted in writing by March 1, 2005 to Lynx's Secretary at 25861 Industrial Blvd., Hayward, California 94545. In addition, under the Lynx bylaws, if a Lynx stockholder wishes to submit a proposal that is not to be included in Lynx's 2005 proxy materials or nominate a director, he or she must do so by March 1, 2005. Unless a Lynx stockholder at Lynx's 2005 annual meeting of stockholders notifies Lynx of such proposals or nominations prior to the meeting and in accordance with Lynx's bylaws, the chairman of the Lynx annual meeting will have discretionary authority to declare at the Lynx annual meeting that such matters cannot be transacted. Lynx stockholders are also advised to review Lynx's bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominations.

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How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count For and, with respect to proposals other than the election of directors, Against votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal except for proposals 1 and 2, and will have the same effect as Against votes. For proposals 1 and 2, abstentions will have no effect. Broker non-votes have no effect and will not be counted towards the vote total for any proposal except for proposal 4. For proposal 4, broker non-votes will have the same effect as Against votes.

If a Lynx stockholder's shares are held by such stockholder's broker as such stockholder's nominee, that is, in street name, such stockholder will need to obtain a proxy form from the institution that holds the stockholder's shares and follow the instructions included on that form regarding how to instruct the stockholder's broker to vote the shares. If a Lynx stockholder does not give instructions to such stockholder's broker, the broker can vote such shares with respect to discretionary items, but not with respect to non-discretionary items. On non-discretionary items for which a Lynx stockholder does not give such stockholder's broker instructions, the shares will be treated as broker non-votes.

How many votes are needed to approve each proposal?

To be approved, proposal 1, the issuance of Lynx common stock and the resulting change of control of Lynx, must receive a For vote from the majority of the total votes cast at the Lynx annual meeting, either in person or by proxy. Abstentions and broker non-votes will have no effect.

To be approved, proposal 2, the issuance of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock) in connection with the proposed financing, must receive a For vote from the majority of the total votes cast at the Lynx annual meeting, either in person or by proxy. Abstentions and broker non-votes will have no effect.

For the election of directors under proposal 3, the six nominees receiving the most For votes (among votes properly cast in person or by proxy) will be elected. Only votes For or Withheld will affect the outcome.

To be approved, proposal 4, the amendment to Lynx's certificate of incorporation to effect the reverse stock split, must receive a For vote from the majority of shares of Lynx common stock outstanding on the record date. If a Lynx stockholder Abstains from voting, it will have the same effect as an Against vote. Broker non-votes will have the same effect as an Against vote. As of the record date, there were 7,527,538 shares of Lynx common stock outstanding. Therefore, stockholders holding at least 3,763,770 shares of Lynx common stock must vote For the amendment to Lynx's certificate of incorporation.

To be approved, proposal 5, the 2 million or the 300,000 share increase in the number of shares of Lynx common stock authorized for issuance under the Lynx 1992 plan, must receive a For vote from the majority of shares of Lynx common stock present at the Lynx annual meeting, either in person or by proxy. If a Lynx stockholder Abstains from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

To be approved, proposal 6, the ratification of Ernst & Young LLP as the independent registered public accounting firm of Lynx for its fiscal year ending December 31, 2004, must receive a For vote from the majority of shares of Lynx common stock present at the Lynx annual meeting, either in person or by proxy. If a Lynx stockholder Abstains from voting, it will have the same effect as an Against vote.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if the holders of a majority of the outstanding shares of Lynx common stock entitled to vote are present at the Lynx annual meeting, either in person or by proxy duly authorized. On the record date, there were 7,527,538 shares of Lynx

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common stock outstanding and entitled to vote. Thus, 3,763,770 shares of Lynx common stock must be represented by stockholders present at the meeting either in person or by proxy to have a quorum.

The shares a Lynx stockholder holds will be counted towards the quorum only if he or she submits a valid proxy (or one is submitted on such stockholder's behalf by such stockholder's broker, bank or other nominee) or if he or she votes at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the meeting may be adjourned either by the chairman of the meeting or by vote of the holders of a majority of the shares represented at the meeting.

How can Lynx stockholders find out the results of the voting at the Lynx annual meeting?

Preliminary voting results will be announced at the Lynx annual meeting. Final voting results will be published in Lynx's quarterly report on Form 10-Q for the quarter during which the Lynx annual meeting occurs.

Will the Lynx annual meeting be adjourned for the purpose of soliciting additional proxies?

Lynx does not currently intend to seek an adjournment of the Lynx annual meeting. However, adjournments may be made for the purpose of, among other things, soliciting additional proxies. Under Lynx's bylaws, the Lynx annual meeting may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares represented thereat. When the Lynx annual meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken. At the adjourned meeting, Lynx may transact any business which might have been transacted at the original meeting.

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**CHAPTER TWO PROPOSAL 1 FOR
THE ANNUAL MEETING OF LYNX STOCKHOLDERS
APPROVAL OF ISSUANCE OF LYNX COMMON STOCK AND
CHANGE OF CONTROL OF LYNX**

THE TRANSACTION

Background to the Transaction

As part of its ongoing business, Lynx has from time to time evaluated opportunities for increasing stockholder value, including strengthening its technology, expanding its research and development capabilities, or entering into business combinations, investments, licensing and development agreements and joint ventures. Lynx has relied on obtaining external financing since the fall of 2001 to continue funding its business, and has had periodic discussions with both financing sources and potential acquirors over that period of time.

On October 1, 2001, Lynx raised \$1,000,000 in a private placement through the sale of shares of Lynx common stock to Takara Shuzo Co.

In March 2002, as Lynx was experiencing financial difficulties, Craig Taylor, chairman of Lynx's board of directors, contacted Tom Daniel, a Solexa board member, to consider exploring a strategic combination of the businesses. Nick McCooke, former chief executive officer of Solexa, and Tony Smith, chief technology officer of Solexa, visited Lynx's offices in Hayward California and met with Norrie Russell, Lynx's former chief executive officer, Mr. Taylor and several members of Lynx's senior management, to review Lynx's technology, business and financial position. At that time Solexa was focused on a single molecule approach to generating molecular arrays for subsequent DNA sequencing. During technical discussions with Lynx personnel, it was determined by both parties that Solexa's single molecule arrays and Lynx's MPSS sequencing bio-chemistry would be difficult to combine. Therefore, both parties did not see a compelling reason to combine their technical resources to pursue a next generation sequencing instrument.

On April 29, 2002, Lynx sold 14,600,000 newly issued shares of Lynx common stock to certain investors in a private placement at a purchase price of \$1.55 per share and warrants to purchase up to 5,840,000 shares of common stock at an exercise price of \$1.94 per share for an aggregate purchase price of approximately \$22,630,000.

In January 2003, Lynx's board of directors authorized the hiring of Friedman, Billings, Ramsey & Co., Inc. to identify and contact companies interested in a strategic business combination with Lynx.

In January 2003, Mr. Daniel and Mark Carthy, both Solexa board members, visited the Lynx offices to receive an update on Lynx's technology development and financial condition, but concluded that no subsequent developments had occurred that altered the conclusion reached after the visit in March 2002.

In March 2003, Kevin Corcoran, former chief executive officer of Lynx, was contacted by the chief executive officer of a third party to explore a possible business combination. On March 26, 2003, Mr. Corcoran and Dr. Tom Vasicek, Lynx's vice president of business development, visited the offices of the third party and provided its management with an introduction to Lynx's technologies. In April 2003, the third party informed Lynx that it was no longer interested in pursuing a business combination with Lynx and discussions were discontinued.

In May 2003, Lynx's former chief financial officer, Edward Albin, and Dr. Vasicek visited the offices of another third party to discuss a possible business combination. After review, the third party decided that it was no longer interested in pursuing a business combination with Lynx. Discussions were discontinued.

On September 25, 2003, Lynx sold 744,000 newly issued shares of common stock to certain investors in a private placement at approximately \$4.03 per share and issued warrants to purchase 186,000 shares of common stock at an exercise price of approximately \$9.91 per share.

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In October 2003, Messrs. Corcoran and McCooke began discussing the opportunity of a joint purchase of the DNA cluster technology and associated assets of Manteia SA, or the cluster technology, with Serono

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SA, the majority shareholder of Manteia SA. This discussion led to a reappraisal of the benefits of a strategic combination between Lynx and Solexa because it was the common view of the companies that the use of the DNA cluster technology would allow the technologies and capabilities of the two companies to be successfully combined.

In December 2003, Messrs. Corcoran and Albini visited Solexa's offices outside of Cambridge, U.K., where they met with Mr. McCooke, Dr. Smith and Leigh Palmer, financial controller and company secretary of Solexa, to review the potential technology and financial impacts of a strategic combination of the companies.

On December 9, 2003, the Solexa board of directors held a meeting at which Mr. McCooke reported that Manteia SA was effectively in the process of administration and that Manteia SA was selling its assets with bids due on such sale by the end of January 2004. Mr. McCooke also reported that discussions had taken place with Lynx relating to the accelerated development of a sequencing system. The Solexa board of directors appointed a sub-committee consisting of Tim Rink, chairman of Solexa's board of directors, Mr. McCooke and any two investor directors to consider these issues and to act on behalf of Solexa's board of directors until the following board meeting.

On December 31, 2003, Lynx sold 800,000 newly issued shares of common stock to certain investors in a private placement of \$5.00 per share and issued warrants to purchase 200,000 shares of common stock at an exercise price of \$6.25 per share.

In January 2004, Dr. Rink visited the Lynx offices and met with Messrs. Corcoran and Taylor to receive an update on Lynx's technology development and financial condition.

Between January and March 2004, Lynx and Solexa focused on the terms of their joint bid for the cluster technology, as well as the associated technology sharing agreement.

On January 27, 2004, Solexa's board of directors held a meeting at which Mr. McCooke provided an update of the position regarding the potential purchase of Manteia technology assets. Following analysis of various options, Solexa's board of directors approved a joint bid agreement between Solexa and Lynx for submission by January 30, 2004.

During a special meeting of Lynx's board of directors held on January 29, 2004, Mr. Corcoran reviewed with the board the Manteia cluster technology and various scenarios of how Lynx could acquire this technology. The board decided in favor of pursuing the acquisition of the Manteia technology jointly with Solexa.

On February 19, 2004, Messrs. Corcoran and McCooke met with Serono SA's business development personnel in their Geneva offices to discuss terms associated with the purchase of the Manteia technology. Legal counsel present at the meeting and representing Solexa were CMS Cameron McKenna and CMS von Erlach Klainguti Stettler Wille.

On February 26, 2004, the Solexa board of directors held a meeting via conference call at which a resolution was passed to proceed with the acquisition of the cluster technology assets of Manteia for a purchase price of \$4 million to be satisfied by payment of \$2 million in cash by Solexa and issuance of \$2 million worth of Lynx common stock.

On February 26, 2004, Lynx's board of directors held a meeting at which a resolution was passed to proceed with the acquisition of the cluster technology assets of Manteia for a purchase price of \$4 million to be satisfied by payment of \$2 million in cash by Solexa and issuance of \$2 million worth of Lynx common stock.

On March 10, 2004, Lynx sold 788,235 newly issued shares of common stock to certain investors in a private placement at \$5.10 per share and issued warrants to purchase 181,295 shares of common stock at an exercise price of \$6.25 per share.

On March 22, 2004, Lynx and Solexa closed their acquisition of the cluster technology and entered into a technology sharing agreement. A significant element of the technology sharing agreement was a standstill

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provision whereby if one of the companies was acquired by a third party prior to March 22, 2005, the other party would have the right to sole ownership of the cluster technology.

At the meeting of Solexa's board of directors on April 27, 2004, Mr. McCooke reported that he and Michelle Doig, Solexa's strategic consultant, had visited Mr. Corcoran at Lynx the previous week. Mr. McCooke presented some draft joint financials to Solexa's board of directors. After some discussion it was concluded that the figures should be further refined for presentation at the next meeting.

It was confirmed that the sub-committee involved in the Manteia negotiations appointed on December 9, 2003 had continued authority to negotiate on behalf of Solexa's board of directors with regard to a possible transaction with Lynx.

On April 30, 2004, Hermann Hauser, a representative of Amadeus Capital Partners Ltd., an investor of Solexa, visited the Lynx offices to receive an update from Messrs. Corcoran and Taylor on Lynx's technology development and financial condition.

In May 2004, Genghis Lloyd-Harris and Steve Allen, both board members of Solexa, visited the Lynx offices to receive an update from Mr. Corcoran on Lynx's technology development and financial condition.

On May 27, 2004, Lynx received a term sheet from a potential investor with respect to the proposed issuance of \$1 million of convertible debentures and equity credit facility of up to \$7 million and warrants to purchase up to 400,000 shares of Lynx common stock. Lynx continued to negotiate the terms of the proposed transaction with the potential investor through late June 2004, but decided to pursue an alternative bridge financing with Solexa.

On June 4, 2004, Mr. Carthy, with the approval of Solexa's board of directors, provided a preliminary term sheet to Mr. Taylor, outlining the proposed terms of a transaction between Solexa and Lynx. Mr. Taylor communicated the proposed term sheet to Lynx's board of directors and the board resolved to continue negotiations with Solexa in parallel with discussions regarding additional external financing for Lynx.

On July 10, 2004, Mr. Taylor informed Dr. Rink that, while Lynx continued to be interested in a transaction with Solexa, it intended to conduct a round of external financing to meet its immediate needs for working capital, based on several term sheets received from interested parties in early July.

On July 14, 2004, Mr. Corcoran informed Lynx's board members that no discussions with potential external financing sources had been successful. The board authorized Mr. Corcoran to engage an investment bank to assist in negotiations with Solexa, and after meeting with several potential investment banks, on July 15, 2004, Lynx engaged Seven Hills to assist in its negotiations with Solexa.

During the period of July 19 to August 12, 2004, Lynx and Solexa and their representatives continued to negotiate the proposed terms of a transaction. During the period, Solexa closed its B preferred financing, raising approximately \$14 million.

On August 2, 2004, Mr. Taylor met with Mr. Lloyd-Harris in London to discuss the proposed transaction.

From August 9 to 12, 2004, Mr. Corcoran and a representative from Seven Hills traveled to Solexa's headquarters to negotiate the final terms of the agreement with Messrs. West and Lloyd-Harris.

On August 12, 2004, the respective boards of directors of Lynx and Solexa approved a final term sheet regarding the transaction. In connection with the term sheet, the companies executed a secured bridge loan agreement whereby Solexa would provide up to \$2.5 million to Lynx over the next several months during negotiations of the final acquisition agreement. In addition, the companies entered into mutual confidentiality and exclusivity agreements.

During the period from August 16 to September 24, 2004, Lynx conducted due diligence on Solexa with the assistance of its U.S. legal counsel, Cooley Godward, its U.K. legal counsel, Bird & Bird, and its financial advisor, Seven Hills. Solexa conducted due diligence on Lynx with the assistance of its U.S. legal counsel, Heller Ehrman. Lynx and Solexa exchanged technology, business and financial information.

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From August 23 to 26, 2004, Messrs. West, Palmer and Smith and two other Solexa research and development managers traveled to Lynx's headquarters in Hayward, California to conduct technology and business due diligence on Lynx.

From September 6 to 9, 2004, Mr. Corcoran and representatives from Seven Hills traveled to Solexa's headquarters to conduct business and financial due diligence on Solexa.

On September 10, 2004, Solexa held a regularly scheduled board meeting at which Mr. West reviewed Solexa's diligence findings and rationale for the transaction, and provided an update on the negotiations with Lynx. The board authorized a subcommittee of Dr. Lloyd-Harris, Messrs. West, Carthy, Daniel and Dr. Hauser to continue negotiations with Lynx.

On September 14, 2004, Lynx's board of directors held a special telephonic meeting at which Cooley Godward LLP reported on the terms of the proposed transaction. In addition, representatives from Seven Hills reviewed with Lynx's board of directors a preliminary financial analysis of the transaction.

From September 21 to 23, 2004, Lynx and Solexa representatives met at the office of Heller Ehrman White & McAuliffe LLP, in Menlo Park, California to continue negotiations on the definitive agreement.

On September 23, 2004, Solexa's board of directors held a special meeting via conference call to consider the acquisition agreement and the related transactions. At this meeting, Solexa's management gave the board an overview of the proposed transaction. Following this presentation, the board members discussed the proposed transaction and Solexa's alternatives, including: (i) continuing as a stand-alone entity, which had the advantage of avoiding the transaction costs and integration challenges of a combination but was considered less attractive than the proposed transaction because it was believed it would take longer to develop a commercial product via this alternative; (ii) seeking to acquire another company, but no suitable target with the required capabilities was identified; (iii) seeking to engage in one or more joint ventures, which would allow access to required capabilities without the transaction costs and integration challenges of a combination, but no suitable potential joint venture partner with the required capabilities was identified; and (iv) seeking to complete an initial public offering as an alternative means of funding Solexa as a stand-alone entity, but the board concluded that this alternative was unlikely to provide a means of funding Solexa in the near term because of the limited opportunity for initial public offerings then available to early stage technology companies in the United Kingdom. The board further reviewed the transaction in view of the joint purchase of the DNA cluster technology by Lynx and Solexa and noted that the cluster technology provided a technology platform that could be combined with technology and technical capabilities from both companies, which significantly increased the likelihood of successful development of a commercial product by the combined group. The board concluded that the technological impediment to a combination of Lynx and Solexa had been overcome and therefore voted to approve the acquisition agreement and the transactions contemplated thereby.

On September 27, 2004, Lynx's board of directors held a special meeting via conference call to consider the acquisition agreement and the related transactions. At this meeting, Cooley Godward LLP gave the board an overview of the terms of the proposed transaction, which had been included in a board package circulated to the board members prior to the meeting. In the meeting, Seven Hills provided an update on its financial analysis of the transaction and rendered its oral opinion, which was subsequently confirmed in writing, that, as of September 27, 2004 and based upon and subject to assumptions made, matters considered and limits of review set forth in Seven Hills' written opinion, the consideration to be paid by Lynx pursuant to the acquisition agreement was fair from a financial point of view to Lynx. Following receipt of the fairness opinion, the board members discussed the transaction and Lynx's lack of more suitable alternatives. The board also re-evaluated Lynx's prior conclusion regarding the incompatibility of Solexa's single molecule arrays with Lynx's MPSS sequencing bio-chemistry in view of the joint acquisition of the cluster technology in March 2004. The board concluded that the joint acquisition had made successful integration of the two companies' technologies possible and therefore voted to approve the acquisition agreement and the transactions contemplated thereby. Sydney Brenner, a director of Lynx, did not attend the special meeting.

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On September 28, 2004, Lynx and Solexa each executed the acquisition agreement, and issued a joint press release after the NASDAQ SmallCap Market closed announcing the signing of the acquisition agreement. In addition, certain officers, directors and shareholders of Solexa entered into company support agreements with Lynx and certain officers, directors and stockholders of Lynx entered into parent support agreements with Solexa.

In October 2004, the management of Lynx and Solexa jointly reviewed the funding requirement of Lynx and the combined group prior to the completion of the transactions both in the short term and the longer term. As a result of this review, on October 26, 2004, Lynx's board of directors unanimously found it to be advisable and in the best interests of Lynx to seek stockholder approval for one or more capital raising transactions in an aggregate amount of not more than \$10,000,000 through the sale, issuance or potential issuance of up to 10,000,000 shares of Lynx common stock, to be completed prior to the completion of the transaction but in no event later than 3 months following approval by Lynx's stockholders.

Lynx's Reasons for the Transaction

In reaching its decision to approve the acquisition agreement and proceed with the transaction with Solexa, Lynx's board of directors consulted with Lynx's management, and financial and legal advisors regarding the strategic, operational and financial aspects of the transaction. In the course of reaching its decision to approve the acquisition agreement, Lynx's board of directors considered a variety of factors, including:

Lynx's promising gene expression technologies, which, when combined with Solexa's technology and consolidated ownership of the Manteia assets, make the prospects for Solexa and Lynx to develop and commercialize a product more promising than for Lynx as a stand-alone business;

the complementary nature of Lynx's and Solexa's products and expertise, including Solexa's expertise with surface chemistry and enzymology, both critical for the successful commercialization of the cluster technology, and Lynx's expertise with imaging and reagent delivery instrumentation, as demonstrated by the development of its third generation MPSS sequencing instrument;

the improved prospect as a combined group of raising additional capital in the future from both existing and new investors, including venture capital firms who had invested in Solexa;

Lynx's continued difficulties in raising sufficient external capital to fund further operations and continued research and development activities;

Solexa's existing cash balance and ability to provide Lynx with bridge financing in the near-term;

the lack of reasonably available alternatives for Lynx to enhance stockholder value, including any potential business combination with another third party;

the low likelihood that stockholders would receive any value in a bankruptcy situation for Lynx;

the results of Lynx's technology due diligence review of Solexa;

the oral opinion of Seven Hills, subsequently confirmed in writing that, as of September 27, 2004, and based upon and subject to assumptions made, matters considered and limits of review set forth in the opinion, the consideration to be paid by Lynx pursuant to the acquisition agreement was fair from a financial point of view to Lynx;

the fact that Lynx's stockholders would have the opportunity to vote in respect of the acquisition agreement;

the terms of the acquisition agreement, including:

the restrictions on the ability of Solexa to solicit offers for alternative business transactions;

the ability of a party to terminate the acquisition agreement if the other party alters its recommendation in favor of the transaction without paying a termination fee;

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the representations and warranties of Lynx and Solexa; and

the covenants that require each of Solexa and Lynx to use its reasonable best efforts to obtain a waiver of any change of control or acceleration benefits payable to applicable stockholders or employees, other than the acceleration of the Solexa options in the option offer, and the resulting minimization of transaction costs.

In its review of the proposed transaction, Lynx's board of directors considered the potential adverse impact of other factors, including:

the possibility that the parties fail to complete the transaction;

the need for substantial near-term and future external financing of the combined group in order to reach commercialization of their products;

the limitations imposed on the conduct of Lynx, including restrictions on alternative business transactions prior to the completion of the proposed transaction;

the risks described under the section of this proxy statement/ prospectus entitled *Risk Factors* on page 23, including the challenges of combining the technologies and employees of the two companies;

the risks associated with the diversion of management resources and the impact of the transaction on employees, collaboration partners and customers;

the risk that the potential benefits sought in the transaction might not be realized, including that the cluster technology may not be reduced to practice; that the processing requirements for the sequencing instruments may be too difficult to develop in the required time; and that the combined group may not be able to raise sufficient capital;

the substantial expenses to be incurred in connection with the transaction, including costs of integrating the businesses and transaction expenses arising from the transaction and the impact of those expenses if the transaction is not completed; and

the risk that key management and technical personnel might not remain employed by the combined group and key customers might terminate their relationships with the combined group.

Lynx's board of directors viewed Solexa primarily as a technology development company and therefore did not consider its history of losses or lack of market products as a factor in its decision to combine the companies.

The above discussion of the material factors is not intended to be exhaustive, but does set forth the principal factors considered by Lynx's board of directors. After due consideration, Lynx's board of directors concluded that the potential benefits of the transaction outweighed the risks associated with the transaction. In view of the wide variety of factors considered by Lynx's board of directors in connection with the evaluation of the transaction and the complexity of these matters, Lynx's board of directors did not consider it practical to quantify, rank or otherwise assign relative weights to the foregoing factors, and it did not attempt to do so. Rather, Lynx's board of directors made its recommendation based on the totality of the information presented to it, and the investigation conducted by it. Lynx's board of directors considered all these factors and determined that these factors, as a whole, supported the conclusions and recommendations described below.

This summary of the reasoning of Lynx's board of directors, as well as certain information presented in this section, is forward-looking in nature. This information should be read in light of the factors discussed under the section entitled *Forward Looking Statements* on page 33.

Recommendation of Lynx's Board of Directors

After careful consideration, Lynx's board of directors determined that the proposed transaction is fair to, and in the best interests of, Lynx and its stockholders. **Lynx's board of directors recommends that Lynx stockholders vote FOR the issuance of Lynx common stock in the transaction and the resulting change of control of Lynx.**

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In considering the recommendation of Lynx's board of directors with respect to the issuance of shares pursuant to the transaction and the change of control resulting from such issuance, Lynx stockholders should be aware that certain directors and officers of Lynx have interests in the offer that are different from, or are in addition to, the interests of Lynx's stockholders generally. See the section entitled *Interests of Directors, Officers and Affiliates* on page 60.

Solexa's Reasons for the Transaction

In reaching its decision to approve the acquisition agreement, Solexa's board of directors consulted with Solexa's management and legal advisors regarding the strategic, operational and financial aspects of the transaction. The management team of Solexa performed analyses of the technology, products, business, financial performance and condition, competitive environment, and prospects of each Lynx and Solexa as separate entities and on a combined basis for Solexa's board of directors. In reaching its decision to approve the acquisition agreement, Solexa's board of directors also considered the interests that certain directors and officers of Solexa have in the offer. See the section entitled *Interests of Directors, Officers and Affiliates* on page 60.

In the course of reaching its decision to approve the acquisition agreement, Solexa's board of directors considered a variety of factors, including but not limited to, the following:

the strategic value of unifying the businesses and product pipelines of Lynx and Solexa, specifically, the provision by Lynx of a team to develop an instrument and related software, a production laboratory and data system with which to validate the systems being developed by Solexa, and a base for marketing in the U.S., all of which will enable the combined group to develop and commercialize an enhanced product line in a more competitive timeframe than Solexa could on a stand-alone basis;

the advantages of the strength of the combined intellectual property portfolio, coupled with the ability to collaborate fully on the development of the jointly owned cluster technology;

the benefits of integrating the skilled technical teams of both companies and pooling collaborative and customer relationships;

access to Lynx's production laboratory and instrumentation hardware and software;

the acquisition of an established domestic base for production and marketing in the U.S.;

the strategic alternatives available to Solexa as set forth on page 42 and the board's conclusion that they are not as suitable as the proposed transaction;

the increased opportunities of career development for Solexa's employees in a larger international organization;

the fact that the Lynx common stock to be received by Solexa's shareholders in the transaction would provide Solexa's shareholders liquidity for such shareholders' investment in Solexa;

the ability of Solexa's shareholders to continue to participate in the growth of the business conducted by Lynx and Solexa after the completion of the offer and to benefit from any appreciation in value of Lynx common stock that may occur; and

the qualification of the offer as a tax-free transaction for United States federal income tax purposes (except for tax resulting from any cash received for fractional shares by the holders of shares in the capital of Solexa).

In its review of the proposed transaction, Solexa's board of directors also considered the potential adverse impact of other factors, including, but not limited to, the following:

the possibility that the parties fail to complete the transaction and that the potential benefits sought in the transaction discussed above might not be realized;

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the risks described under the section entitled *Risk Factors* on page 23, including the challenges of combining the technologies of the two companies;

the risks associated with the diversion of management resources;

the substantial expenses to be incurred in connection with the transaction, including costs of integrating the business and transaction expenses arising from the transaction and the impact of these expenses if the transaction is not completed;

the current cash reserves and the cash burn rate of Lynx and the consequent funding requirements of the combined group;

the risk that key management and technical personnel employed by Lynx leave before or after the transaction is completed; and

the exposure of employees and consultants to uncertainty as new roles and organizational structures are considered and implemented.

The foregoing discussion of the information and factors considered by Solexa's board of directors is not intended to be exhaustive. In view of the wide variety of the material factors considered in connection with the evaluation of the offer and the complexity of these matters, Solexa's board of directors did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to the various factors considered. In addition, Solexa's board of directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determination of Solexa's board of directors, but rather Solexa's board of directors conducted an overall analysis of the factors described above, including discussions with and questioning of Solexa's senior management and legal advisor. In considering the factors described above, individual members of Solexa's board of directors may have given different weight to different factors.

There can be no assurance that the potential synergies or opportunities considered by Solexa's board of directors will be achieved through completion of the transaction. See the section entitled *Risk Factors* beginning on page 23.

Recommendation of Solexa's Board of Directors

After careful consideration, Solexa's board of directors determined that the acquisition agreement and the transactions contemplated thereby, including the offer, are in the best interests of Solexa. **Solexa's board of directors recommends that Solexa shareholders accept the offer.**

In considering the recommendation of Solexa's board of directors with respect to the offer, Solexa shareholders should be aware that certain directors and officers of Solexa have interests in the offer that are different from, or are in addition to, the interests of Solexa's shareholders generally. See the section entitled *Interests of Directors, Officers and Affiliates* on page 60.

Opinion of Lynx's Financial Advisor

Lynx's board of directors engaged Seven Hills to act as Lynx's financial advisor and to render a fairness opinion in connection with the proposed combination of Lynx and Solexa. On September 27, 2004, Seven Hills delivered its opinion to Lynx's board of directors, which was subsequently confirmed in writing, that, based upon and subject to the assumptions made, matters considered and limits of review set forth in Seven Hills' written opinion, the consideration to be paid by Lynx pursuant to the acquisition agreement was fair from a financial point of view to Lynx.

The full text of Seven Hills' written opinion is included as Annex B to this proxy statement/prospectus. Lynx stockholders should read the opinion carefully and in its entirety. The following description of Seven Hills' opinion is a summary of all material portions of the written opinion and is qualified in its entirety by the written opinion.

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Seven Hills provided its opinion for the information and assistance of Lynx's board of directors in connection with its consideration of the transaction. The opinion does not constitute a recommendation as to how any holder of Lynx common stock should vote with respect to the transaction or any other matter. The opinion addresses only the fairness to Lynx from a financial point of view of the consideration to be paid by Lynx pursuant to the acquisition agreement. It does not address the relative merits of the transaction as compared to any alternative business transaction that might be available to Lynx. Further, it does not address the underlying decision by Lynx to engage in the transaction. Lynx did not impose any limitations on Seven Hills with respect to the investigations made or procedures followed in rendering its opinion.

In connection with rendering its opinion, Seven Hills, among other things:

reviewed certain publicly available financial statements and other information of Lynx;

reviewed Lynx's internal cash flow information and projections, prepared by Lynx management;

reviewed certain internal financial statements and other financial and operating data concerning Lynx and Solexa, prepared by the managements of Lynx and Solexa, respectively;

reviewed certain financial projections concerning Lynx, Solexa and the combined group, including the impact of the transaction on projected revenues and profitability, prepared by the managements of Lynx and Solexa;

discussed the past and current operations and financial condition and the prospects of Lynx, Solexa and the combined group with the managements of Lynx and Solexa;

reviewed and discussed with the managements of Lynx and Solexa their strategic and financial rationales for the transaction;

participated in discussions and negotiations among the managements and representatives of Lynx and Solexa;

reviewed the reported historical prices and trading activity for Lynx common stock;

reviewed certain financial information of selected comparable publicly-traded genomic systems companies;

reviewed certain financial information of selected public early-stage genomics companies;

reviewed certain financial information of selected recent acquisitions of genomic and medical systems companies;

compared relative contributions of Lynx, Solexa and the combined group regarding certain financial and other operating information;

reviewed the valuations, to the extent publicly available, of recent financings for comparable private companies;

reviewed the acquisition agreement, the loan agreement dated August 12, 2004 between Lynx and Solexa and certain other related documents; and

performed such other analyses and considered such other factors as Seven Hills deemed appropriate.

Seven Hills relied upon the accuracy and completeness of all of the financial, accounting and other information discussed with or reviewed by Seven Hills and assumed such accuracy and completeness for purposes of rendering its opinion, and did not assume any responsibility for independent verification of such information. Seven Hills relied upon the assurances of management of Lynx that management was not aware of any facts that would have made such information inaccurate or misleading. With respect to the projections and information relating to the strategic, financial and operational costs and benefits resulting from the transaction, Seven Hills assumed that such projections and information were reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Lynx, Solexa and the combined group, and that Lynx, Solexa and the combined group would perform substantially

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in accordance with such projections. With respect to financial projections reviewed by Seven Hills concerning Solexa on a standalone basis, Seven Hills noted that such projections were prepared by prior management of Solexa and that current management of Solexa had informed Seven Hills that such projections did not necessarily reflect management's current estimates with respect to the future financial performance of Solexa on a standalone basis.

Seven Hills did not obtain or make, or assume responsibility for obtaining or making, any independent evaluation or appraisal of the properties or assets or liabilities (contingent or otherwise) of Lynx or Solexa, nor was Seven Hills furnished with any such evaluations or appraisals. Seven Hills did not evaluate the solvency or fair value of Lynx or Solexa under any state or federal laws relating to bankruptcy, insolvency or similar matters. Seven Hills noted, however, that Lynx's internal cash flow information indicates that it would have exhausted its available cash reserves in September 2004 but for loans from Solexa pursuant to the loan agreement and that in the absence of the transaction and continued financing from Solexa, a bankruptcy or similar reorganization of Lynx was a significant possibility.

Seven Hills assumed that all material governmental, regulatory or other consents and approvals necessary for the completion of the transaction will be obtained or that the absence of such consents and approvals will not have a material adverse effect on Lynx, Solexa or the contemplated benefits of the transaction. Seven Hills relied, without verification, on the description of the pro forma capitalization of the combined group as of the effective time of the transaction provided to Seven Hills by the managements of Lynx and Solexa. Seven Hills also assumed the transaction will qualify as a tax-free reorganization for U.S. federal income tax purposes. Seven Hills further assumed that the transaction will be completed in accordance with the terms described in the acquisition agreement and other documents furnished to Seven Hills, without waiver, modification or amendment of any material term, condition or agreement therein, and that all of the outstanding preferred shares, ordinary shares and options to acquire ordinary shares of Solexa will be acquired by Lynx pursuant to the acquisition agreement. Seven Hills' opinion does not address the proposed reverse stock split or dilution resulting from any future financing, including the proposed issuance of up to \$10 million in Lynx common stock and warrants. Seven Hills noted that it is not a legal, tax or regulatory expert and that it relied upon, without assuming any responsibility for independent verification or liability therefor, the assessment of Lynx's legal, tax and regulatory advisors with respect to the legal, tax and regulatory matters related to the transaction.

Seven Hills' opinion only addresses the fairness to Lynx from a financial point of view of the consideration to be paid by Lynx pursuant to the acquisition agreement. Seven Hills' opinion does not address the relative merits of the transaction as compared to any alternative business transaction that might be available to the Company. Seven Hills was not requested to, and Seven Hills did not, solicit alternative offers for Lynx or its assets nor did it investigate any alternative transaction that may have been available to Lynx. Seven Hills' opinion does not address the terms of any contemplated financing, whether or not associated with the transaction. Further, Seven Hills did not express any opinion on the ability of Lynx, Solexa or the combined group to attract financing in the future, including significant financing which the management of Solexa has indicated may be required in the first quarter of 2005.

The following represents a brief summary of the material financial analyses performed by Seven Hills in connection with rendering its opinion to Lynx's board of directors. This summary, however, does not purport to be a complete description of the financial analyses performed by Seven Hills, nor does the order of analyses described represent the relative importance or weight given to those analyses by Seven Hills. Some of the summaries of financial analyses performed by Seven Hills include information presented in tabular format. In order to fully understand the financial analyses performed by Seven Hills, you should read the tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Seven Hills. With respect to the analyses of selected public companies and selected transactions described below, none of the companies or transactions reviewed is identical or directly comparable with Lynx or the transaction.

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Lynx stockholders should compare the implied valuations from the following analyses to the total consideration of \$52.9 million to be offered by Lynx in the transaction as of September 27, 2004, the date of Seven Hills' fairness opinion.

Discounted Cash Flow Analysis - Solexa Standalone. Using a discounted cash flow analysis, Seven Hills calculated implied equity values for a Solexa Management Case and a Solexa Adjusted Case based on financial forecasts for calendar years 2005 through 2009. The Solexa Management Case was prepared by prior management of Solexa during Solexa's B preferred financing round in July 2004. Seven Hills derived the Solexa Adjusted Case from the Solexa Management Case to illustrate what the impact on Solexa's valuation could be if Solexa did not achieve the Solexa Management Case projections.

Given Lynx's and Solexa's need to further develop and commercialize their anticipated technologies, there is a potential that there may be unanticipated delays, thus delaying revenues. Based on the current stage of Lynx's and Solexa's technology development, Seven Hills viewed a one year delay for the Solexa Adjusted Case as a reasonable scenario. In addition, Seven Hills observed that the Solexa Management Case projections for operating profits were higher than the average of comparable companies selected, so the average operating margins of those companies was selected for use in the Solexa Adjusted Case.

Seven Hills used multiples of 2.0x-4.0x 2009 revenues and 20.0x-30.0x 2009 net income (tax-affected at 38%), based on comparable public companies, to derive terminal values for the Solexa Management Case and the Solexa Adjusted Case and discounted these and the projected annual cash flows at rates reflecting venture return hurdle rates of 30%-50%.

The Solexa Management Case resulted in values ranging from \$39 million to \$164 million based on 2009 revenues, and \$95 million to \$298 million based on 2009 net income. The Solexa Adjusted Case resulted in values ranging from \$10 million to \$76 million based on 2009 revenues, and \$11 million to \$56 million based on 2009 net income.

Discounted Cash Flow Analysis - Incremental Business. Using a discounted cash flow analysis, Seven Hills calculated implied equity values for an Incremental Business Management Case and an Incremental Business Adjusted Case based on financial forecasts for calendar years 2005 through 2009. Seven Hills derived the Incremental Business Management Case by subtracting a Lynx Management Case prepared by management of Lynx from a Combined Company Management Case prepared by current management of Solexa. Seven Hills derived the Incremental Business Adjusted Case by subtracting a Lynx Adjusted Case based on the Lynx Management Case from a Combined Company Adjusted Case based on the Combined Company Management Case, in each case assuming projected revenues were delayed by one year and operating margins were limited to the average of selected comparable companies.

Seven Hills used multiples of 2.0x-4.0x 2009 revenues and 20.0x-30.0x 2009 net income (tax-affected at 38%), based on comparable public companies, to derive terminal values for the Incremental Business Management Case and the Incremental Business Adjusted Case and discounted these and the projected cash flows at rates reflecting venture return hurdle rates of 30%-50%.

The Incremental Business Management Case resulted in values ranging from \$36 million to \$139 million based on 2009 revenues, and \$68 million to \$205 million based on 2009 net income. The Incremental Business Adjusted Case resulted in values ranging from \$13 million to \$77 million based on 2009 revenues, and \$32 million to \$114 million based on 2009 net income.

Discounted Future Value Analysis. Using a discounted future value analysis, Seven Hills calculated implied equity values for a Solexa Adjusted Case based on financial forecasts for calendar years 2005 through 2009. Seven Hills did not use an Incremental Business or Combined Company analysis since the Discounted Future Value Analysis only reflects the terminal value portion of a Discounted Cash Flow analysis and disregards the five years of interim cash flows. By applying a Discounted Future Value Analysis to the Incremental Business or Combined Company scenarios, the valuation would disregard the incremental cash flow savings and only capture the incremental terminal value, which would be an incomplete valuation.

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Seven Hills used multiples of 2.0x-4.0x 2009 revenues and 20.0x-30.0x 2009 net income (tax-affected at 38%), based on comparable public companies, to derive terminal values for the Solexa Adjusted Case and discounted these and the projected cash flows at rates reflecting venture return hurdle rates of 30%-50%.

The Solexa Adjusted Case resulted in values ranging from \$24 million to \$90 million based on 2009 revenues, and \$24 million to \$71 million based on 2009 net income.

Contribution Analysis. Using a contribution analysis, Seven Hills calculated the relative contributions to the combined group of Lynx on a standalone basis and Solexa on a standalone basis. Using publicly available information for Lynx as well as financial information provided by the management of each of Lynx and Solexa, Seven Hills compared the relative contribution of each of Lynx and Solexa to the pro forma revenues of the combined group for calendar years 2007, 2008 and 2009 and to the pro forma net income of the combined group for calendar year 2009. Seven Hills also reviewed the relative contribution of each of Lynx and Solexa to the pro forma total cash of the combined group, projected at the completion of the transaction, and total assets of the combined group as of June 30, 2004. In its contribution analysis, Seven Hills used Management Case projections prepared by prior management of Solexa during Solexa's B preferred financing round in July 2004. The following table sets forth the results of Seven Hills' contribution analysis.

Valuation Metric	Lynx	Solexa
2007 Revenues	25%	75%
2008 Revenues	25%	75%
2009 Revenues	25%	75%
2009 Net Income	13%	87%
Cash at Completion of the Transaction	0%	100%
Total Assets at June 30, 2004	48%	52%

Seven Hills also calculated the relative contributions to the combined group of Lynx on a standalone basis and the incremental business. Using publicly available information for Lynx as well as financial information provided by the management of each of Lynx and Solexa, Seven Hills compared the relative contribution of each of Lynx and the incremental business to the pro forma revenues of the combined group for calendar years 2005, 2006, 2007, 2008 and 2009 and to the pro forma net income of the combined group for calendar year 2009. In its contribution analysis, Seven Hills used Management Case projections prepared by prior management of Solexa during Solexa's B preferred financing round in July 2004. The following table sets forth the results of Seven Hills' analysis.

Valuation Metric	Lynx	Incremental Business
2005 Revenues	100%	0%
2006 Revenues	29%	71%
2007 Revenues	27%	73%
2008 Revenues	25%	75%
2009 Revenues	29%	71%
2009 Net Income	18%	82%

Comparable Company Financing Analysis. Seven Hills performed a comparable company financing analysis to review recent private financing valuations of Solexa and three other comparable genomic sequencing equipment companies: 454 Life Sciences Corporation, Helicos BioSciences Corporation and NimbleGen Systems, Inc. The comparable company financing valuation ranged from \$37 million to \$81 million.

Technology Values of Publicly Traded Companies. Seven Hills reviewed implied technology values of publicly traded genomics companies with under \$10 million in annual revenues, over \$10 million in negative operating income over the past 12 months and over \$100 million in market capitalization. Seven Hills calculated the equity market capitalization, subtracting two years of projected cash needs from the cash balance, and adding remaining net debt. Many investors in life sciences companies recognize that early stage,

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growing companies require cash in the near term in order to continue their product development before achieving profitability. Seven Hills calculated the projected cash needs based on the assumption that the companies will consume cash over the next two years at the same rate as they had during the prior twelve months. By distinguishing excess cash from the cash projected to be consumed, the former was then attributed to the company as part of its technology or market equity value. The companies analyzed were:

Aclara Biosciences, Inc.

Curagen Corporation

Human Genome Sciences, Inc.

Inspire Pharmaceuticals, Inc.

Medarex, Inc.

Nuvelo, Inc.

The technology valuations of these publicly traded companies ranged from \$81 million to \$1.75 billion.

Seven Hills believes that the six genomic systems and equipment companies listed above have operations similar to Lynx and Solexa but noted that none have the same management, composition, size or combination of businesses as Lynx and Solexa. Solexa is not currently a publicly traded company. Consequently, there is an inherent limitation of using publicly traded companies to determine a valuation for Solexa. However, by selecting the six companies with technologies and in stages of growth similar to Solexa, Seven Hills sought to identify the most relevant examples regarding the potential value of Solexa relative to the value to be issued by Lynx in the transaction. Further, Seven Hills did not include every company that could be a participant in this industry or in any specific sectors of this industry.

Technology Values in Precedent Transactions. Seven Hills reviewed implied technology values in precedent transactions involving acquisitions of genomic and medical systems companies with under \$5 million of annual revenues prior to the transaction. Transactions involving a target company that was in a different segment of genomics than Solexa were excluded.

Target	Acquiror
Cryogen Inc.	American Medical Systems Holdings, Inc.
Dendron GmbH	Micro Therapeutics, Inc.
Cobra Therapeutics	M.L. Laboratories plc
Oncormed, Inc.	Gene Logic Inc.
InControl, Inc.	Guidant Corporation
Seragen, Inc.	Ligand Pharmaceuticals Incorporated
EndoVascular Technologies, Inc.	Guidant Corporation

The technology values in these precedent transactions ranged from \$32 million to \$160 million.

No company or transaction listed above is identical to Lynx or Solexa or the transaction. Accordingly, an analysis of the results of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value of the companies to which Lynx, Solexa and the transaction are being compared.

Comparable Public Companies. Based on information for nine publicly traded genomic systems and equipment companies Seven Hills calculated multiples of enterprise value (defined as market capitalization plus debt and minority interest less cash and cash equivalents) to the last twelve month (LTM) revenues, and the stock price to LTM net income. Seven Hills then used these multiples to generate the projected 2009 revenue and net income multiples for its discounted cash flow and discounted future value analyses. Seven Hills selected companies with over \$10 million in last twelve months revenue and a market capitalization over \$75 million which develop and provide technology and equipment for DNA expression and

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related genetic analysis (rather than companies that produce pharmaceutical products or provide services). Seven Hills chose \$10 million in last twelve months revenue and market capitalizations over \$75 million as the criteria to identify companies whose current size, financial performance and valuations (in addition to their technology and business models) are comparable to managements projected size and financial performance of Lynx/ Solexa in 2008 and 2009. Seven Hills selected the years of 2008 and 2009 as periods when managements Lynx/ Solexa projections reflect revenue growth rates and profitability typical of public genomic equipment companies. The nine companies were:

Applied Biosystems, Inc.

Affymetrix, Inc.

Caliper Life Sciences, Inc.

Ciphergen Biosystems, Inc.

Illumina, Inc.

Luminex Corporation

Molecular Devices Corporation

Nanogen, Inc.

Third Wave Technologies, Inc.

Seven Hills believes that the nine genomic systems and equipment companies listed above have operations similar to Lynx and Solexa but noted that none have the same management, composition, size or combination of businesses as Lynx and Solexa. Further, Seven Hills did not include every company that could be a participant in this industry or in any specific sectors of this industry.

The preparation of a fairness opinion is a complex process, involving various determinations as to the most appropriate and relevant quantitative and qualitative methods of financial analyses and the application of those methods to the particular circumstances, and is not necessarily susceptible to partial analysis. Seven Hills believes that its analysis must be considered as a whole and that selecting portions of its analyses and of the factors considered, without considering all analyses and factors, would create an incomplete view of the process underlying Seven Hills opinion. In arriving at its fairness determination, Seven Hills considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Seven Hills made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analysis.

In performing its analyses, Seven Hills made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Lynx and Solexa. The analyses performed by Seven Hills are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable. Further, these analyses and estimates are inherently subject to substantial uncertainty and do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities may trade at any time in the future. Seven Hills did not express an opinion as to the price at which the common stock of Lynx will trade at any time in the future, including upon completion of the transaction. Seven Hills opinion was necessarily based on economic, market and other conditions in effect on, and the information made available to Seven Hills as of, the date of the opinion, and subsequent developments may affect Seven Hills opinion, although Seven Hills does not have any obligation to update, revise or reaffirm its opinion.

As described above, Seven Hills opinion was only one of the factors that Lynx s board of directors took into consideration in making its determination to approve the acquisition agreement and the transaction.

Seven Hills is a nationally recognized investment banking firm. As part of its investment banking services, Seven Hills is frequently engaged in the evaluation of businesses and their securities in connection with mergers and acquisitions, private placements and other purposes. Seven Hills was retained by Lynx s board of

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directors based on Seven Hills' experience as a financial advisor in mergers and acquisitions as well as Seven Hills' familiarity with life sciences companies.

In connection with the financial advisory services rendered by Seven Hills, Lynx has agreed to pay Seven Hills a retainer fee of \$50,000 and a transaction fee of \$500,000 plus one percent of the consideration to be paid by Lynx, and financing received by Lynx, in the transaction. Lynx also agreed to pay Seven Hills a fee of \$250,000 in connection with its opinion, which fee will be credited against the transaction fee. Lynx has agreed to reimburse Seven Hills for its reasonable out-of-pocket expenses and to indemnify Seven Hills and related persons against specified liabilities relating to or arising out of services performed by Seven Hills. Seven Hills may provide investment banking services to Lynx, Solexa or the combined group in the future, for which services Seven Hills may receive compensation.

Contracts, Arrangements, Understandings or Relationships between Lynx and Solexa

On March 22, 2004, Lynx and Solexa entered into an asset purchase agreement pursuant to which they jointly acquired from Manteia SA the rights to the cluster technology. In addition, Lynx and Solexa entered into a colony technology sharing agreement for the purpose of managing the ownership and development of the cluster technology. A significant element of the colony technology sharing agreement is a standstill provision whereby neither Lynx or Solexa would independently develop the technology without consent of the other party prior to September 22, 2004. Furthermore if either party was acquired by a third party prior to March 22, 2005, the other party to the technology sharing agreement would have the right to sole ownership of the Manteia DNA cluster assets.

On October 25, 2004, Lynx and Solexa entered into a deed to amend the colony technology sharing agreement between Lynx and Solexa dated March 22, 2004. Under the terms of the deed and pursuant to the terms of a loan agreement dated August 12, 2004, in the event that the first closing does not take place and the transaction is, therefore, not completed, Lynx shall transfer all such right, title and interest as it has in the cluster technology to Solexa in consideration for the grant of a worldwide, perpetual and non-exclusive license of the cluster technology. Any intellectual property created as a development to the cluster technology is expressed to be owned by Solexa, except developments or modifications of the cluster technology created by Lynx that can be exploited without infringing the intellectual property rights in the cluster technology. Lynx grants to Solexa a worldwide, perpetual and non-exclusive license for the use, commercialization and sale of such severable developments. In the event that Lynx or its licensees sell any products, Lynx is obliged under the deed to pay Solexa royalties at a rate of 11.5%. In the event that Solexa or its licensees sell any products, Solexa is obliged under the deed to pay Lynx royalties at a rate of 3%.

On October 28, 2004, Lynx and Solexa entered into a master development agreement pursuant to which Lynx will provide certain product design and development services to Solexa in connection with the development and commercialization of Solexa's products. Under the master development agreement, Solexa will pay to Lynx up to an aggregate amount of \$500,000 in consideration for Lynx's product design and development services. The master development agreement will remain in effect until the earlier of the closing of the transaction or December 31, 2004; provided, however, that the agreement may be terminated prior to December 31, 2004 with or without cause by either party upon 10 days prior written notice.

On August 12, 2004, Lynx and Solexa entered into a loan agreement pursuant to which Lynx has received from Solexa loan advances totaling \$2.5 million upon completion of certain milestones, the last \$500,000 of which was received on October 15, 2004. On September 28, 2004, as part of the transaction, Lynx and Solexa entered into a side letter regarding the loan agreement primarily to continue a number of terms from the original loan agreement that would have expired upon execution of the acquisition agreement.

On August 12, 2004, in connection with the execution of the term sheet relating to the transaction, Lynx and Solexa entered into a mutual confidentiality agreement, which survives until August 12, 2006.

Under the terms of the acquisition agreement, Lynx and Solexa have agreed to negotiate in good faith and use their respective reasonable best efforts to enter into a proposed arrangement whereby Solexa would

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compensate Lynx in return for undertaking certain research activities connected with the development of the Manteia DNA cluster assets.

Material U.S. Federal Income Tax Consequences

The following is a summary of certain material United States federal income tax consequences of the offer and ownership and disposition of Lynx shares following the transaction that are generally applicable to Solexa shareholders. It is based on current provisions of the Code, existing and proposed Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as at the date hereof and all of which are subject to change, possibly on a retroactive basis. This summary does not address all of the tax consequences that may be relevant to particular persons in light of their personal circumstances, or to certain types of persons that may be subject to special tax treatment, including but not limited to:

banks and other financial institutions;

partnerships or other pass-through entities as determined for United States federal income tax purposes;

real estate investment trusts and regulated investment companies;

certain former citizens or residents of the United States;

controlled foreign corporations or passive foreign investment companies, as those terms are defined in the Code;

corporations that accumulate earnings to avoid United States federal income tax;

insurance companies;

tax-exempt organizations, plans or accounts;

brokers, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings and persons who do not hold their Solexa shares as capital assets;

U.S. holders (as defined below) whose functional currency is not the U.S. dollar;

persons subject to the alternative minimum tax;

persons who hold or will hold their Solexa shares or Lynx shares received, as part of a straddle, hedge, integrated or conversion transaction;

persons subject to the wash sale rules in the Code;

persons that own or have owned (or who are deemed to have owned) 10% or more (by voting power or value) of the shares of Solexa or Lynx; and

persons who acquired their Solexa shares upon the exercise of employee share options, employee share purchase rights or otherwise in connection with their provision of services.

In addition, this summary does not include any description of the tax laws of any state, local or foreign government that may be applicable to a particular person and does not consider any aspects of United States federal tax law other than income taxation.

For purposes of this discussion, a non-U.S. holder is a beneficial owner of Solexa shares or Lynx shares, as the case may be, that is not, for United States federal income tax purposes:

a citizen or resident of the United States;

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a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia);

an estate the income of which is subject to United States federal income tax regardless of its source; or

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a trust, if a court within the United States can exercise primary supervision over its administration, and one or more United States persons have the authority to control all of the substantial decisions of that trust (or the trust was in existence on August 20, 1996, was treated as a United States trust on August 19, 1996 and validly elected to continue to be treated as a United States trust).

For purposes of this discussion, a U.S. holder is, for United States income tax purposes, an individual, trust, or corporation that is a beneficial owner of Solexa shares or Lynx shares, as the case may be, who is not a non-U.S. Holder.

The United States federal income tax treatment of a partner in a partnership (or other entity classified as a partnership for United States federal income tax purposes) that holds the Solexa shares or Lynx shares generally will depend on such partner's particular circumstances and on the activities of the partnership. Partners in such partnerships should consult their own tax advisors.

HOLDERS OF SOLEXA SHARES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE PARTICULAR UNITED STATES FEDERAL INCOME TAX AND ESTATE TAX CONSEQUENCES TO THEM OF THE OFFER AND OF THE OWNERSHIP AND DISPOSAL OF THE LYNX SHARES, AND THE TAX CONSEQUENCES UNDER STATE, LOCAL AND FOREIGN TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN TAX LAWS.

(A) Consequences to U.S. Holders

Consequences of the Transaction. As a condition to the first closing of the transaction, Cooley Godward will provide an opinion to Lynx and Heller Ehrman will provide an opinion to Solexa that the transaction will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based upon representations and covenants made by Lynx and Solexa, as applicable, including representations in certificates of officers of Lynx and Solexa, as applicable, to be delivered to tax counsel before completion of the offer, and upon certain assumptions, including that no consideration other than Lynx shares is paid to holders of Solexa shares in exchange for their Solexa shares in connection with the offer. If any of those representations, covenants or assumptions is inaccurate, the tax consequences of the transaction could differ materially from those summarized below. The opinions represent only the best judgment of counsel concerning the tax consequences of the transaction. Such opinions neither bind the Internal Revenue Service nor preclude the Internal Revenue Service or the courts from adopting a contrary position. No ruling has been or will be requested from the Internal Revenue Service in connection with the transaction. Accordingly, it is possible that the transaction may not qualify as a reorganization, in which case the tax consequences of the transaction could differ materially from those summarized below.

Assuming the transaction qualifies as a reorganization, for United States federal income tax purposes:

Except as discussed below with respect to fractional shares, a U.S. holder of shares of Solexa shares will not recognize any gain or loss in the exchange of Solexa shares for Lynx shares.

If a U.S. holder of Solexa shares receives cash instead of fractional Lynx shares, such U.S. holder will be required to recognize capital gain or loss, measured by the difference between the amount of cash received instead of that fraction of a share and the portion of the tax basis of that holder's Solexa shares allocable to that fraction of a Lynx share. This gain or loss will be long-term capital gain or loss if the holder has held the Solexa shares exchanged for that fraction of a Lynx share for more than one year at the time the Solexa shares are accepted in the offer. The deductibility of capital losses is subject to limitations for both individuals and corporations.

A U.S. holder of Solexa shares will have a tax basis in the Lynx shares received in the offer equal to (1) the tax basis in the Solexa shares surrendered by that holder in the offer, reduced by (2) any tax basis in the Solexa shares that is allocable to a fraction of a Lynx share for which cash is received.

A U.S. holder's holding period for Lynx shares received in the offer will include the holding period for Solexa shares surrendered in the offer.

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In the event that the exchange of Solexa shares for Lynx shares in the offer fails to qualify as a reorganization, then such exchange would be taxable to U.S. holders. Subject to the discussion below regarding passive foreign investment companies, if the offer is taxable:

Each U.S. holder of Solexa shares participating in the offer or the transaction, as applicable, will recognize capital gain or loss, equal to the fair market value of the Lynx shares (together with any cash instead of fractional Lynx shares) received by the U.S. holder less the U.S. holder's tax basis in the Solexa shares surrendered. This gain or loss will be long-term capital gain or loss if the holder held the Solexa shares for more than one year at the completion of the offer.

A U.S. holder of Solexa shares will have a tax basis in the Lynx shares received in the offer equal to the fair market value of the shares received as of the date the offer is completed.

A U.S. holder's holding period for Lynx shares received in the offer will begin the day after the offer is completed.

If Solexa were a passive foreign investment company, or a PFIC, and if the transaction were a taxable transaction, then materially different federal income tax consequences could arise for a U.S. holder than described above, including, without limitation, treatment of gain recognized in the transaction as ordinary income rather than capital gain and imposition of an interest charge on the taxes due in respect of gain attributable to the years that Solexa was treated as a PFIC with respect to such U.S. holder. A foreign corporation generally is a PFIC if in any taxable year either (a) 75% or more of its gross income consists of passive income, or (b) 50% or more of the value of its assets is attributable to assets that produce, or are held for the production of, passive income. Subject to certain limited exceptions, if a foreign corporation is a PFIC under either of these tests in a particular year, shares of the corporation held by a U.S. holder in that year are treated as PFIC shares for that year and all subsequent years in the U.S. holder's holding period even if the corporation fails to meet either test in a subsequent year. Certain exceptions apply, including if the U.S. holder makes a timely election to treat the foreign corporation as a qualified electing fund.

Based on a review of its interest income compared to its revenues as disclosed in its audited financial statements for all periods from inception to December 31, 2003 and in its unaudited financial statements for the nine months ended September 30, 2004, Solexa believes it is or has been a PFIC. As a result no assurance can be provided that a U.S. holder would not be subject to the special tax treatment described above if the transaction is taxable and the U.S. holder did not make an election to treat Solexa as a qualified electing fund. The PFIC rules are very complex and, as noted, could have significant adverse effects on the taxation of gain recognized by a U.S. holder. U.S. holders are strongly urged to consult their own tax advisers concerning the application of these rules under their particular circumstances.

Ownership of Lynx Shares. The gross amount of any distribution with respect to Lynx shares generally will be included in a U.S. holder's ordinary income as dividends to the extent that Lynx has current or accumulated earnings and profits (as determined under U.S. federal income tax principles). The current maximum federal income tax rate applicable to dividends paid by U.S. corporations to most non-corporate taxpayers is 15%, provided certain holding period requirements are met. Corporate U.S. holders generally will be eligible for the dividends received deduction with respect to amounts treated as a dividend, provided certain holding period requirements are met. The dividends received deduction is subject to certain limitations, however, and the benefit of such deduction may be reduced by the corporate alternative minimum tax. Accordingly, corporate U.S. holders should consult their own tax advisors regarding the availability of, and limitations on, the dividends received deduction. Any distributions in excess of Lynx's current and accumulated earnings and profits will be treated first as a tax-free return of capital to the extent of the U.S. holder's adjusted tax basis in the Lynx shares and thereafter as capital gain.

Disposal of Lynx Shares. Generally, upon the sale or exchange of Lynx shares, a U.S. holder will recognize gain or loss equal to the difference between the amount realized on the sale or exchange and the holder's adjusted tax basis in such Lynx shares. For non-corporate U.S. holders, the maximum U.S. federal income tax rate applicable to such gain if such U.S. holder's holding period for such Lynx shares exceeds one

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year and therefore qualifies as long-term capital gain is 15%. The deductibility of capital losses is subject to limitations.

(B) Consequences to Non-U.S. Holders of the Transaction

Consequences of Exchange. Subject to the discussion below under Backup Withholding Tax and Information Reporting Requirements, a non-U.S. holder generally will not recognize gain or loss for U.S. federal income tax purposes upon the receipt of Lynx shares in exchange for such holder's Solexa shares and cash in exchange for a fractional share of Lynx common stock pursuant to the offer unless:

the non-U.S. holder is an individual who is present in the United States for 183 days or more during the taxable year in which the offer is completed (but is not treated as a United States resident, and therefore a U.S. holder, under U.S. tax residency rules), and certain other conditions are met; or

the gain is effectively connected with the conduct of a United States trade or business of the non-U.S. holder (and, in some circumstances, the gain is attributable to a fixed base (in the case of an individual) or a permanent establishment in the United States of the non-U.S. holder under an applicable income tax treaty).

If the transaction qualifies as a reorganization, then gain or loss recognized by a non-U.S. holder referred to in either of the foregoing two exceptions would be limited to the gain or loss arising in respect of cash received in lieu of fractional shares as if the shareholder were a U.S. holder, as described above. If the transaction does not qualify as a reorganization, then gain or loss recognized by a non-U.S. holder described in either of the exceptions would be the entire amount of gain or loss realized in the transaction as if the shareholder were a U.S. holder, as described above.

If the first exception applies, the non-U.S. holder generally will be subject to United States federal income tax at a rate of 30% on the amount by which his or her United States-source capital gains exceed his or her United States-source capital losses. If the second exception applies, the non-U.S. holder will generally be subject to United States federal income tax on the net gain in the same manner as a U.S. holder. In addition, a non-U.S. holder that is treated as a corporation for United States federal income tax purposes may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States. If a non-U.S. holder is eligible for the benefits of an income tax treaty between the United States and its country of residence, the United States federal income tax treatment of any such gain may be modified in the manner specified by the treaty.

Ownership of Lynx Shares. Dividends, if any, paid to a non-U.S. holder generally will be subject to withholding of U.S. federal tax at a rate of 30% unless either: (a) an applicable income tax treaty reduces or eliminates such tax, and the non-U.S. holder claims the benefit of that treaty by timely providing Lynx with a properly completed and duly executed Internal Revenue Service Form W-8BEN (or suitable successor or substitute form) establishing qualification for benefits under the treaty; or (b) the dividends are effectively connected with the non-U.S. holder's conduct of a trade or business in the United States and the non-U.S. holder timely provides Lynx with an appropriate statement to that effect on a properly completed and duly executed Internal Revenue Service Form W-8ECI (or suitable successor form). If the second exception applies, the non-U.S. holder will be required to pay United States federal income tax on the dividends on a net income basis generally in the same manner as a U.S. holder, subject to any different treatment prescribed by an applicable tax treaty. In addition, a non-U.S. holder that is treated as a corporation for United States federal income tax purposes may be subject to a branch profits tax equal to 30% of its effectively connected income as discussed above.

Disposal of Lynx Shares. Subject to the discussion below under Backup Withholding Tax and Information Reporting Requirements, a non-U.S. holder generally will not be subject to federal income tax

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(or any withholding thereof) on any gain realized by such holder upon a sale, exchange, redemption or other disposal of Lynx shares, unless:

the non-U.S. holder is an individual who is present in the United States for 183 days or more during the taxable year (but not treated as a United States resident, and therefore a U.S. holder, under U.S. tax residency rules), and certain other conditions are met;

the gain is effectively connected with the conduct of a United States trade or business of the non-U.S. holder (and, in some circumstances, the gain is attributable to a fixed base (in the case of an individual)) or a permanent establishment in the United States of the non-U.S. holder under an applicable income tax treaty; or

Lynx is or has been a United States real property holding corporation for U.S. federal income tax purposes and, in the event that the Lynx shares are considered to be regularly traded, the non-U.S. holder held, directly or indirectly, at any time during the five-year period ending on the date of such sale or exchange more than five percent of the Lynx shares.

If the first exception applies, the non-U.S. holder generally will be subject to United States federal income tax at a rate of 30% on the amount by which his or her United States-source capital gains exceed his or her United States-source capital losses. If the second or third exception applies, the non-U.S. holder will generally be subject to United States federal income tax on the net gain derived from the sale, exchange or other disposal of the Lynx shares in the same manner as a U.S. holder. In addition, a non-U.S. holder that is treated as a corporation for United States federal income tax purposes may be subject to a 30% branch profits tax on effectively connected income as discussed above. If a non-U.S. holder is eligible for the benefits of an income tax treaty between the United States and its country of residence, the United States federal income tax treatment of any such gain may be modified in the manner specified by the treaty. Lynx believes that it is not currently (and is not likely to become) a United States real property holding corporation.

(C) Backup Withholding Tax and Information Reporting Requirements

When required, Lynx or its paying agent will report to the U.S. Internal Revenue Service the amount of proceeds paid for the Solexa shares and any dividends paid on Lynx shares in each calendar year, and the amount of United States federal income tax withheld, if any, with respect to these payments.

U.S. holders who are subject to information reporting and who do not provide appropriate information when requested may be subject to backup withholding at a rate of 28% on the gross amount of any proceeds or dividends received.

Non-U.S. holders who have provided certification as to their non-United States status or who have otherwise established an exemption will generally not be subject to backup withholding tax or information reporting if neither Lynx nor its agent has actual knowledge or reason to know that such certification is unreliable or that the conditions of the exemption are in fact not satisfied.

Backup withholding is not an additional tax. The amount of any backup withholding will be allowed as a credit against the holder's United States federal income tax liability and may entitle the holder to a refund, provided the required information is timely furnished to the Internal Revenue Service.

Regulatory Matters; Hart-Scott-Rodino Act and Antitrust

The transaction is not presently believed to be subject to the requirements of the HSR Act, which prevents transactions meeting certain size tests, and not otherwise exempt, from being completed until required information and materials are furnished to the Antitrust Division of the DOJ and the FTC and the related waiting period expires or is terminated early. Among other grounds for rendering the transaction non-reportable, Solexa's status as a foreign issuer, without either substantial U.S. assets or sales, should enable the parties to establish that the transaction is presently exempt from HSR filing requirements.

Although it is not anticipated that circumstances will change in such a way that prior to closing HSR filings would be required, it is possible that a change could occur and thereby trigger filing requirements. If

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that were to occur, the parties would, at that time, be required to file notifications with the DOJ and the FTC and wait for the termination or expiration of the waiting period before closing the transaction. The initial waiting period under the HSR Act is 30 days, beginning on the date that both parties complete their filings. The waiting period can be terminated early by action of both the Antitrust Division of the DOJ and by the FTC. Either agency can extend the waiting period by issuing a Request for Additional Information or second request. Such a request extends the waiting period until 30 days after each of the parties has substantially complied with the second request.

Whether or not the parties are subject to the notice and waiting period requirements of the HSR Act, and if so, even if the waiting period has been terminated or expired, the DOJ or the FTC, as well as a foreign regulatory agency or government, state or private person, may challenge the transaction at any time before or after its completion. The parties cannot assure you that the DOJ or the FTC will not try to prevent the transaction or seek to impose restrictions or conditions on Lynx as a condition of not challenging the transaction. Depending on the nature of any restrictions or conditions, these restrictions or conditions may jeopardize or delay completion of the transaction, or lessen the anticipated benefits of the transaction.

Accounting Treatment

Because Solexa's shareholders will own approximately 80% of the shares of Lynx common stock after the acquisition, Solexa's designees to the combined company's board of directors will represent a majority of the combined company's directors and Solexa's senior management will represent a majority of the senior management of the combined company, Solexa is deemed to be the acquiring company for accounting purposes and the transaction will be accounted for as a reverse acquisition under the purchase method of accounting for business combinations in accordance with accounting principles generally accepted in the United States. Accordingly, the assets and liabilities of Lynx will be recorded, as of the completion of the transaction, at their respective fair values and added to those of Solexa. Reported results of operations of the combined group issued after completion of the transaction will reflect those of Solexa, to which the operations of Lynx will be added from the date of the completion of the transaction. The operating results of the combined group will reflect purchase accounting adjustments, including increased amortization and depreciation expense for acquired assets. Additionally, historical financial condition and results of operations shown for comparative purposes in periodic filings subsequent to the completion of the transaction will reflect those of Solexa. Furthermore, pursuant to Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and other Intangible Assets, goodwill arising from the transaction will be subject to at least an annual assessment for impairment. Identified intangible assets with finite lives will be amortized over those lives. A final determination of the intangible asset values and required purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed based on their respective fair values, has not been made. However, for purposes of disclosing unaudited pro forma information in this proxy statement/prospectus, a preliminary determination has been made of the purchase price allocation, based upon current estimates and assumptions, which is subject to revision upon completion of the transaction.

Restrictions on Ability to Sell Lynx Common Stock

Several Lynx stockholders entered into parent support agreements under which they have agreed not to, directly or indirectly, for a period ending on the earlier to occur of 180 days following the first closing date and the termination of the acquisition agreement, sell or transfer any shares of Lynx common stock held and to be acquired by them during that period. Several Solexa shareholders and optionholders entered into company support agreements under which they have agreed not to, directly or indirectly, for a period ending on the earlier to occur of 180 days following the first closing date and the termination of the acquisition agreement, sell or transfer any Solexa shares held by them or any shares of Lynx common stock or Solexa shares acquired by them during that time. For a description of the Lynx stockholders and the Solexa shareholders and optionholders that entered into the support agreements, see the section entitled *Reciprocal Support Agreements* on page 76. In addition, by accepting the offer and/or the option offer, Solexa shareholders and

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optionholders will be deemed to have agreed not to, for a period ending 180 days following the first closing date, sell or transfer any Lynx common stock acquired by them in the offer and/or the option offer.

The shares of Lynx common stock to be issued to Solexa shareholders and holders of Solexa options in connection with the transaction will be registered under the Securities Act. Subject to the restrictions described above, these shares will be freely transferable under the Securities Act, except for shares of Lynx common stock issued to any person who is deemed to be an affiliate of Solexa. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control of Solexa, and may include some of the officers and directors, as well as its principal shareholders. Solexa affiliates may not sell their shares of Lynx common stock acquired in connection with the transaction except pursuant to (1) an effective registration statement under the Securities Act covering the resale of those shares, (2) an exemption under paragraph (d) of Rule 145 under the Securities Act, which principally limits the volume of securities that can be sold in a three month period or (3) any other applicable exemption under the Securities Act. Lynx's registration statement on Form S-4, of which this proxy statement/ prospectus is a part, does not cover the resale of shares of Lynx common stock to be received by affiliates of Solexa in the transaction.

Lynx has agreed to file a resale registration statement covering the resale of shares of Lynx common stock received by the Solexa shareholders who have entered into the company support documents and who may be deemed to be affiliates of Solexa in the transaction until such time as less than 25% of Lynx common stock received by these Solexa shareholders is held by them.

Interests of Directors, Officers and Affiliates

In considering the recommendation of Lynx's board of directors that Lynx stockholders vote in favor of the issuance of Lynx common stock and the resulting change of control of Lynx, Lynx stockholders should be aware that some Lynx executive officers and directors may have interests in the transaction that may be different from, or in addition to, their interests as stockholders of Lynx. These interests include that Lynx will maintain an extension of coverage of Lynx's director and officer insurance with effect from the first closing date, for the benefit of those Lynx directors and officers who are covered by such policies at the first closing date, with respect to matters occurring prior to the first closing date for six years after the first closing date. However, Lynx will not be required to maintain such liability insurance policy to the extent that the annual cost of maintaining such a policy exceeds 125% of the premium paid by Lynx for such insurance for the year ended December 31, 2003. Lynx's board of directors was aware of these interests and considered them, among other matters, in making its recommendation.

In considering the recommendation of Solexa's board of directors that Solexa shareholders accept the offer, Solexa shareholders should be aware that some executive officers and directors of Solexa may have interests in the transaction that may be different from, or in addition to, the other Solexa shareholders. These interests include the following:

Board Seats. John West, chief executive officer of Solexa, Steve Allen, Mark Carthy, Tom Daniel, Hermann Hauser and Genghis Lloyd-Harris, each a director of Solexa, will be appointed to Lynx's board of directors on the first closing date.

Option Grants to New Directors. Under the Lynx 1992 plan, directors are eligible to receive nonstatutory stock options. The above directors may receive option grants to purchase Lynx common stock under the Lynx 1992 plan following the completion of the transaction as determined by Lynx's board of directors pursuant to the provisions of the Lynx 1992 plan.

Employment Arrangement with John West. Lynx and Mr. West intend to enter into an employment agreement prior to the completion of the transaction pursuant to which Mr. West will be employed as the chief executive officer of Lynx as of the first closing date on terms substantially similar to Mr. West's current employment agreement with Solexa. Mr. West currently receives an annual salary of \$275,000, a fee of \$25,000 for serving on Solexa's board of directors and an additional \$2,700 per month to compensate him for his housing expenses. Mr. West will also be entitled to receive an annual

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bonus in the amount of \$100,000 for the period ending December 31, 2005. The 2005 bonus is to be paid proportionately upon achievement of the milestones to be set forth in a business plan to be developed by Mr. West for fiscal year 2005 and approved by the board of directors of Solexa. In addition, Mr. West is entitled to a special bonus as follows:

if at any time prior to August 9, 2006, there occurs an initial closing of any collaboration or other strategic alliance or partnership, the terms of which provide for at least \$4,000,000 of committed cash investment in or payment to Solexa, Solexa shall pay to Mr. West an aggregate lump sum bonus equal to the greater of: (i) 1% of the aggregate amount proposed to be paid in such transaction (without regard to any commissions or other transaction expenses paid by Solexa, such payment to include upfront payments, payments in respect of intellectual property, good services and the premium for any equity investment above the price of last financing round or market price of the company if a public company, unless such investments fall within the sub-bullet point below); or (ii) \$100,000; or

if at any time prior to August 9, 2007, there occurs a closing of any financing, subject to specified exceptions, the terms of which provide for the sale by Solexa of equity securities (including rights, options, or warrants to purchase equity securities, or securities of any type whatsoever that are, or may become, convertible into or exchangeable or exercisable for equity securities) at a price per share that is at least 10% greater than the price per share of equity securities issued in a Solexa interim financing and attracting gross proceeds of at least \$6 million and a share price 10% greater than most recent issuance by Solexa, Solexa shall pay to Mr. West an aggregate lump sum bonus equal to the greater of: (i) 1% of the difference between the aggregate consolidated valuation of Solexa as of the closing of the immediately preceding financing and the aggregate consolidated valuation of Solexa immediately prior to the closing of such subsequent financing (without regard to any commissions or other transaction expenses paid by Solexa); or (ii) \$100,000.

Finally, Solexa has agreed to indemnify Mr. West for any losses incurred by Mr. West in connection with Mr. West's prior employment.

Option Grants to John West. Lynx has also agreed that, following the first closing date, Mr. West will be granted an option to purchase shares of Lynx common stock to bring his total as-converted ownership to four percent of Lynx common stock (on an as-converted basis). These options will vest over a period not to exceed five years, at an exercise price to be determined by Lynx's board of directors. If Lynx closes a financing prior to August 29, 2005, and such financing causes the aggregate amount of shares underlying Mr. West's options to fall below four percent of the total outstanding capital stock of Lynx, then Lynx will immediately grant to Mr. West an option that will bring the aggregate amount of shares underlying all options held by Mr. West to equal to four percent of the outstanding capital stock of Lynx. Any such option will have an exercise price to be determined by Lynx's board of directors and will vest over a period not to exceed five years.

Service Arrangement with Nick McCooke. Solexa entered into a service agreement on June 24, 2004 with Nick McCooke, the former chief executive officer of Solexa, pursuant to which Solexa will become obliged to pay Mr. McCooke the sum of £125,000 in two tranches. Half of this amount will be paid to Mr. McCooke on the first closing date and the other half of this amount will be paid to Mr. McCooke on the earlier to occur of the termination of his employment with Solexa or the date that is six months following the first closing date. In addition, Solexa has agreed that, upon Mr. McCooke's termination of employment on February 28, 2005, Mr. McCooke will be entitled to (1) six months salary and (2) £12,500 or six months continuation of his benefits. In addition, Solexa will pay up to £2,000 of Mr. McCooke's legal fees in connection with the preparation of his service and compromise agreements.

Option Offer. Under the option offer, directors and officers of Solexa who hold Solexa options may elect: (x) to exercise their Solexa options and exchange the Solexa ordinary shares received upon the exercise into shares of Lynx common stock or (y) to exchange such Solexa options for options to acquire shares of Lynx common stock, which options will remain subject to the original vesting

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schedule and other applicable terms and conditions. If an exchange of options is elected, the number of shares subject to the option and the option exercise price will be adjusted according to the ordinary share exchange ratio of 0.88637 of a share of Lynx common stock for each Solexa ordinary share. In connection with the transaction, all outstanding Solexa options will in the event of a compulsory acquisition become fully vested and exercisable pursuant to the terms of the applicable Solexa plans.

Director and Officer Indemnification and Insurance. Lynx has agreed to, or to cause Solexa to, indemnify and hold harmless the present and former officers, directors and employees and agents of Solexa in respect of acts or omissions occurring on or prior to the first closing date or arising out of the transactions contemplated by the acquisition agreement to the extent permitted under Solexa's articles of association and indemnification agreements in effect on the date of the acquisition agreement. In addition, for a period of six years after the first closing date, Lynx will use its reasonable best efforts to cause to be maintained an extension of coverage of Solexa's policies of director's and officer's insurance with effect from the first closing date, for the benefit of those Solexa directors and officers who are covered by such policies at the first closing date, with respect to matters occurring prior to the first closing date. However, Lynx will not be required to maintain such liability insurance policy to the extent that the annual cost of maintaining such a policy exceeds 125% of the premium paid by Solexa for such insurance for the year ended December 31, 2003.

Resale Registration Rights. Lynx has agreed to file a resale registration statement covering the resale of shares of Lynx common stock received by a number of Solexa shareholders who may be deemed to be affiliates of Solexa in the transaction until such time as less than 25% of Lynx common stock received by these Solexa shareholders is held by them. These Solexa shareholders include Tim Rink, Shankar Balasubramanian, Mr. McCooke and Mr. West, each a director of Solexa, and several entities that are affiliated with Messers. Carthy, Lloyd-Harris, Daniel and Hauser, each a director of Solexa.

Proposed Financing. Entities affiliated with Messers. Carthy, Daniel and Hauser, each a director of Solexa, and the entity where Dr. Lloyd-Harris is an employee may participate in the proposed financing if it is approved by the Lynx stockholders, and as a result may receive shares of Lynx common stock or debt securities or warrants convertible into or exercisable for Lynx common stock. For a description of the terms, conditions and effect of the proposed financing, see the section entitled *Chapter Three Proposal 2 for the Annual Meeting of Stockholders* on page 125.

Affiliate Sales. It is anticipated that the trading volume of Lynx common stock will increase following the transaction, which may facilitate the sale of an increased number of shares under Rule 144 of the Securities Act for affiliates of Solexa following the transaction.

Solexa's board of directors was aware of these interests and considered them, among other matters, in making its recommendation to Solexa's shareholders that they accept the offer.

Listing of Lynx Common Stock on the NASDAQ SmallCap Market

It is a condition to the offer that the shares of Lynx common stock to be issued in the transaction be approved for listing on the NASDAQ SmallCap Market, subject to official notice of issuance. This condition can be waived, in writing, by mutual agreement of Lynx and Solexa.

The NASDAQ staff has indicated to Lynx that it will view the transaction as constituting a *Reverse Merger* under the NASDAQ Marketplace Rule 4330(f). As a result, Lynx will need to file an application with the NASDAQ for initial inclusion of Lynx common stock for listing on the NASDAQ Stock Market following the completion of the transaction. Lynx will be required to satisfy all the requirements for initial inclusion on the NASDAQ Stock Market, including a \$4.00 per share minimum bid price for the 90 trading days preceding the completion of the transaction. Lynx does not currently satisfy the minimum bid price requirement and intends to effect a reverse split of its outstanding shares of common stock in order to effect a plan to meet the minimum bid price requirement. The proposed amendment to Lynx's certificate of incorporation will be voted by Lynx's stockholders at the Lynx annual meeting. For a description of the reverse stock split proposal, see the section entitled *Proposal 4 for the Annual Meeting of Lynx Stockholder*

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Approval of Amendment to Lynx's Certificate of Incorporation to Effect a Reverse Stock Split of Lynx Common Stock on page 136. No assurance can be given that a listing of Lynx common stock will be obtained on the NASDAQ.

Directors and Management of Lynx Following the Transaction**Directors**

The acquisition agreement provides that, on the first closing date, Lynx's board of directors shall consist of Craig C. Taylor, Genghis Lloyd-Harris, Tom Daniel, Hermann Hauser, Mark Carthy and John West. In addition, one or more other directors who shall be mutually acceptable to Lynx's board of directors and Solexa's board of directors shall be appointed to Lynx's board of directors on the first closing date. The acquisition agreement further provides that Lynx and Solexa will ensure that the composition of Lynx's board of directors upon such appointment comply with the rules and regulation of the NASDAQ and the SEC. Lynx and Solexa have agreed to appoint Steve Allen to Lynx's board of directors on the first closing date.

The following is a brief biography of each person who is expected to serve as director of Lynx upon the first closing date:

Name	Age	Principal Occupation/ Position to be Held with Lynx
Craig C. Taylor	54	Director
John West	47	Chief Executive Officer, Director
Steve Allen	46	Director
Mark Carthy	44	Director
Genghis Lloyd-Harris	47	Director
Tom Daniel	39	Director
Hermann Hauser	55	Director

Craig C. Taylor was elected Chairman of the board of directors of Lynx in December 2000, has served as a director of Lynx since March 1994 and served as Acting Chief Financial Officer of Lynx from July 1994 to April 1997. He has been active in venture capital since 1977, when he joined Asset Management Company, a venture capital firm. He is a general partner of AMC Partners 89 L.P., which serves as the general partner of Asset Management Associates 1989 L.P., a private venture capital partnership. He currently serves as a director of Pharmacyclics, Inc., a biotechnology company, and several private companies.

John West has served as a director of Solexa since August 2004. In August 2004, Mr. West was appointed Chief Executive Officer of Solexa. From January 2001 to July 2004, Mr. West was Vice President at Applied Biosystems, Inc. where he was last responsible for the company's instrument and reagent products for DNA sequencing, gene expression, genotyping, PCR and DNA synthesis. From January 1999 to January 2001, Mr. West was the Marketing Director for Microfluidics at Coventor, Inc. (fka Microcosm Technologies, Inc.). From 1996 to June 1998, Mr. West was the President of Princeton Instruments, Inc. and from June 1990 to 1996 he was a General Manager at Princeton Instruments, Inc. Prior to Princeton Instruments, Inc., Mr. West was the President and founder of BioAutomation, Inc. Mr. West received BS and MS degrees in engineering from MIT and an MBA in Finance from the Wharton School at the University of Pennsylvania.

Steve Allen has served as a director of Solexa since January 2004. Dr. Allen joined Mettler-Toledo Intl. Inc. in 2000 as Head of Automated Chemistry, in which role he has been responsible for the acquisition and integration of a series of companies focused on drug discovery tools. From 1999 to 2000, Dr. Allen was Vice President of European Operations for Perkin-Elmer Instruments and from 1983 to 1999, Dr. Allen held a series of senior management positions in the United Kingdom and United States for PE Corporation (now Applera Corp), including General Manager of a spectroscopy business and Vice President of Product Development, Dr. Allen received his BSc and PhD in Chemistry from Nottingham University.

Mark Carthy has served as a director of Solexa since 2001. In October 2000, Mr. Carthy joined Oxford Bioscience Partners, a venture capital investment firm. From 1998 to 2000, Mr. Carthy was an advisor to

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Kummell Investments Limited, an investment firm affiliated with Morningside Group. Prior to Morningside, Mr. Carthy was Chief Business Officer of Cubist Pharmaceuticals, Inc., where he was responsible for finance, business development and business operations and Senior Director of Business Development at Vertex Pharmaceuticals Incorporated. Mr. Carthy received his BE in chemical engineering from University College Dublin, Ireland, an MS in chemical engineering from University of Missouri and an MBA from Harvard Business School. Mr. Carthy currently serves as a director of a number of biotechnology companies including Astex Technology, ImpactRx, Scion Pharmaceuticals, and Cyberkinetics Neurotechnology Systems, Inc.

Tom Daniel has served as a director of Solexa since September 2001. In 1998, Mr. Daniel joined Schroder Ventures Life Sciences, a venture capital firm, in London. From 1995 to 1998, Mr. Daniel was with Domain Associates, a U.S. venture capital group focused on life sciences. From 1994 to 1995, Mr. Daniel worked for Charles River Ventures, a U.S. venture capital group, where he focused on biotechnology investments. Mr. Daniel received an MBA (with Honors) from Harvard Business School, was a member of a genetics research team at UNC, Chapel Hill from 1983 to 1984, and received a degree in Biological Sciences from Oxford University. Mr. Daniel serves or has served as a director of Oxagen, PowderMed, Solexa and Third Wave Technologies (NASDAQ: TWTI) and has been responsible for nine other Schroder Ventures Life Sciences investments.

Hermann Hauser, PhD, has founded, co-founded and backed over 20 information technology companies, including Acorn Computer Group and Virata (now GlobespanVirata). While working at Olivetti as Vice President, Research, he established Olivetti's global network of research laboratories. In 1997, he co-founded Amadeus Capital Partners Ltd., a venture capital company specializing in high-technology investments. He has served as a Director of Amadeus since that time. Dr. Hauser received an MA in Physics from Vienna University and a PhD in Physics from the University of Cambridge. He is a Fellow of the Institute of Physics and of the Royal Academy of Engineering, an honorary Fellow of King's College, Cambridge and in 2001 was awarded an honorary CBE for innovative service to the UK enterprise sector.

Genghis Lloyd-Harris, MD, PhD, MBA has served as a director of Solexa since June 2004. In April 2004, Dr. Lloyd-Harris joined Abingworth Management, a venture capital firm in the U.K. From 1996 to 2004, Dr. Lloyd-Harris was a biotechnology equity research analyst at Credit Suisse First Boston in the European Equity Research Group, based in London. From 1989 to 1996, Dr. Lloyd-Harris worked for Credit Suisse First Boston's Health Care Group in the Investment Banking Division in New York and London. From 1981 to 1987, Dr. Lloyd-Harris was a pediatrician in Melbourne, Australia. Dr. Lloyd-Harris received a Medical Degree from the University of Liverpool in the U.K., a Ph.D in Clinical Pharmacology from the University of Melbourne, Australia, and an MBA from Harvard Business School.

Management

Effective as of the first closing date, Mr. West will serve as the chief executive officer of Lynx. As described in the section entitled *Interests of Directors, Officers and Affiliates* on page 60, Lynx has reached an understanding with Mr. West regarding Mr. West's employment and compensation following the first closing date.

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THE ACQUISITION AGREEMENT

The following is a description of the material aspects of the acquisition agreement. While we believe that the following description covers the material terms of the acquisition agreement, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire document, including the acquisition agreement attached to this proxy statement/prospectus as Annex A, for a more complete understanding of the transaction. The following description is subject to, and is qualified in its entirety by reference to, the acquisition agreement.

Structure of the Transaction

The Offer

Lynx will issue, or otherwise allocate for issuance under options to acquire Lynx common stock, a total of 29.5 million shares of Lynx common stock pursuant to the terms of the offer and the option offer as set forth in the acquisition agreement. If the offer is accepted and the transaction is completed, each holder of Solexa B preferred shares will be entitled to receive 2.61560 shares of Lynx common stock for each Solexa B preferred share held; each holder of Solexa A ordinary shares will be entitled to receive 2.75326 shares of Lynx common stock for each Solexa A ordinary share held; and each holder of Solexa ordinary shares will be entitled to receive 0.88637 of a share of Lynx common stock for each Solexa ordinary share held. Lynx stockholders will continue to own their existing Lynx shares.

Option Offer

Lynx will commence an option offer to each holder of the Solexa options either concurrently with the commencement of the offer or as soon as reasonably practicable after, but in no event later than four weeks following, the commencement of the offer. In connection with the transaction, all outstanding Solexa options will, in the event of a compulsory acquisition, become fully vested and exercisable pursuant to the terms of the applicable Solexa plans. For details of the compulsory acquisition, see the section entitled *Compulsory Acquisition* on page 176.

Under the option offer, each outstanding Solexa option under the Solexa plans shall, at the election of the holder of each Solexa option either (x) be exercised in accordance with rules of the relevant Solexa plans and such Solexa ordinary shares received upon the exercise be exchanged for shares of Lynx common stock on the same terms as those contained in the offer; or (y) be exchanged for an option to acquire, on the same terms and conditions as were applicable under the relevant Solexa plans in effect immediately prior to the first closing date, including the same vesting schedule and other applicable terms and conditions, a number of shares of Lynx common stock equal to the number of Solexa ordinary shares issuable upon the exercise of each such Solexa option prior to the first closing date multiplied by the Solexa ordinary share exchange ratio. In the event that a Solexa optionholder does not elect either to exercise or exchange his or her options, and following the implementation of the compulsory acquisition procedure by Lynx to acquire any remaining Solexa ordinary shares, the options will terminate and cease to be outstanding within one month following notification to Solexa optionholders of such compulsory acquisition procedure. Upon the option exchange, the exercise price for each such share of Lynx common stock shall (i) be converted into U.S. dollars based on the exchange rate on the business day immediately prior to the relevant date of exchange and, (ii) shall equal the per share exercise price of the applicable Solexa option divided by the Solexa ordinary share exchange ratio of 0.88637. The number of shares of Lynx common stock upon the exercise of any Solexa option after the first closing date shall be rounded down to the nearest whole share. Any election by a holder of Solexa options pursuant to the option offer will be conditional upon the exchange by Lynx of Solexa shares pursuant to the offer on the first closing date.

Effective Time of the Transaction

The obligation of Lynx to first issue shares of Lynx common stock in exchange for the outstanding Solexa share capital pursuant to the offer shall be subject only to (i) the valid acceptances of the offer (and not,

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where permitted, withdrawn) by holders of at least 90% in nominal value of each class of the outstanding Solexa shares, and (ii) the satisfaction or waiver of the other conditions to the offer.

The Transaction Consideration and Exchange of Securities

General

In the transaction, the consideration to be offered by Lynx to the holders of Solexa shares in the offer shall be as follows:

each holder of Solexa B preferred share(s) shall be entitled to receive 2.61560 shares of Lynx common stock for each B preferred share held;

each holder of Solexa A ordinary share(s) shall be entitled to receive 2.75326 shares of Lynx common stock for each Solexa A ordinary share held; and

each holder of Solexa ordinary share(s) shall be entitled to receive 0.88637 of a share of Lynx common stock for each Solexa ordinary share held;

provided, however, that the maximum number of shares of Lynx common stock to be issued by Lynx (x) pursuant to the offers, (y) in connection with the compulsory acquisition, to the extent applicable, and (z) upon exercise (whenever exercised) of options to acquire Lynx common stock received in exchange for Solexa options pursuant to the option offer, is 29.5 million.

In the event that the total number of shares of Lynx common stock issued or allocated for issuance pursuant to (x), (y) and (z) above shall be less than 29.5 million, then an additional number of shares of Lynx common stock shall be issued on a pro rata basis to the holders of Solexa shares and Solexa options so that the total number of shares issued or allocated for issuance shall be equal to 29.5 million.

No Fractional Shares

No fraction of a share of Lynx common stock will be issued upon completion of the offer, but in lieu thereof each accepting shareholder or optionholder, in the case of optionholders exercising Solexa options pursuant to the option offer, and who would otherwise be entitled to receive a fraction of a share of Lynx common stock in the offer or option offer, as appropriate, shall receive from Lynx an amount of cash (rounded to the nearest whole cent), without interest, equal to the product obtained by multiplying such fraction by the closing price of one (1) share of Lynx common stock, as reported on the NASDAQ SmallCap Market, for the last trading day immediately prior to the first closing date.

Representations and Warranties

The acquisition agreement contains customary representations and warranties of Solexa relating to, among other things:

corporate capital structure, executives, organization and qualification;

financial statements;

absence of material changes or events;

tax matters;

litigation matters;

property and environmental matters;

intellectual property rights and agreements;

assets, debts and inventory;

contracts with connected persons;

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employment arrangements and employee benefits;

statutory and legal requirements;

records and registers and memorandum of association and articles of association;

insurance matters;

group structure;

agreements and capital commitments;

borrowings and facilities;

government grants;

internal accounting controls; and

authority and enforceability and no conflicts.

The acquisition agreement contains customary representations and warranties of Lynx relating to, among other things:

subsidiaries;

corporate organization and qualifications;

authorization and enforcement;

no conflicts;

capitalization;

SEC reports and financial statements;

absence of material changes or events;

litigation matters;

compliance with laws;

title to assets;

Form S-3 eligibility;

listing and maintenance requirements;

registration rights;

disclosure matters;

intellectual property matters;

insurance matters;

regulatory permits;

transactions with affiliates and employees;

internal accounting controls;

employee benefit plans and employee benefits;

tax matters;

material contracts;

financial advisor and opinion of financial advisor; and

absence of restrictions on the offer and takeover statutes.

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The representations and warranties made by the parties to the acquisition agreement will not survive the effective date of the transaction, but their accuracy forms the basis of certain conditions to the offer as well as the right of either Lynx or Solexa to terminate the acquisition agreement.

Conduct of Business Prior to Completion of the Transaction

Both Lynx and Solexa have agreed that they will conduct their businesses in the ordinary course, in substantially the same manner as heretofore conducted and in compliance with all applicable laws, rules and regulations.

Both Lynx and Solexa have also agreed that, prior to the earlier of the first closing date or the termination of the acquisition agreement without the prior written consent of the other, they will refrain from doing, among other things, any of the following:

(i) declare, set aside or pay any dividends on, or make any other distributions in respect of, any of their capital stock, (ii) adjust, split, combine or reclassify any of their capital stock or (iii) purchase, redeem or otherwise acquire any shares of capital stock, subject to limited exceptions;

issue, deliver, sell, pledge, grant options over or otherwise encumber any of their share capital, any other voting securities or any securities convertible into, or any rights, warrants or options, subject to certain limited exceptions;

amend their charter or organizational documents;

mortgage or otherwise encumber or subject to any material lien or, except in the ordinary course of business, sell, lease, license, transfer or otherwise dispose of any material properties or assets;

incur, assume, guarantee or become obligated with respect to any indebtedness, or incur, assume, guarantee or become obligated with respect to any other material obligations;

make any material tax election or take any material tax position or change their fiscal year or accounting methods, policies or practices or settle or compromise any material income tax liability, subject to limited exceptions;

make any loan, advance or capital contributions to or investment in any person or entity;

pay, discharge or satisfy any claims, liabilities or obligations, other than in the ordinary course of business;

grant to any current or former director, officer or employee any increase in compensation or benefits, severance or termination or adopt any new severance plan or amend or modify in any respect any severance plan, agreement or arrangement, subject to limited exceptions;

adopt or amend any plan or enter into any employment, deferred compensation, severance or termination agreement or arrangement with or for the benefit of any current or former director, officer, or employee;

waive any stock repurchase right, accelerate, amend or change the period of exercisability of options or restricted stock, or reprice options granted under any stock plan;

hire or offer to hire any employee or independent contractors subject to limited exceptions;

transfer or license or otherwise extend, amend or modify any rights to intellectual property, subject to limited exceptions;

enter into any contract or commitment with aggregate commitments in excess of \$50,000;

take or agree or commit to take any action that would make any representation or warranty inaccurate in any material respect;

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commence or settle any litigation, other than to enforce their rights under the acquisition agreement; or

authorize any of, or commit or agree to take any of, the foregoing actions.

Lynx has also agreed that it will refrain from making or agreeing to make any new capital expenditure or acquisition of assets or property or other acquisitions or commitments in excess of \$15,000 individually or \$50,000 in the aggregate in any one calendar month or otherwise agree to acquire any material assets or property other than in the ordinary course of business consistent with past practice, without the prior written consent of Solexa.

Lynx's Board of Directors Following the Transaction

Lynx will take all actions necessary such that, on the first closing date, Lynx's board of directors shall consist of Craig C. Taylor, Genghis Lloyd-Harris, Tom Daniel, Hermann Hauser, Mark Carthy and John West. In addition, one or more other directors who shall be mutually acceptable to Lynx's board of directors and Solexa's board of directors shall be appointed to Lynx's board of directors on the first closing date. The acquisition agreement further provides that Lynx and Solexa will ensure that the composition of Lynx's board of directors upon such appointment complies with the rules and regulation of the NASDAQ and the SEC. Lynx and Solexa have agreed to appoint Steve Allen to Lynx's board of directors on the first closing date.

Other Agreements

Lynx and Solexa have each agreed:

that Lynx will use its reasonable best efforts to, within 20 business days after execution of the acquisition agreement, file a registration statement with the SEC in which this proxy statement/ prospectus is to be included, to cooperate with each other, and each other's counsel and independent registered public accounting firms in the preparation and filing of this proxy statement/ prospectus, and to promptly notify one another upon the receipt of any comments from the SEC with respect to this proxy statement/ prospectus;

that Lynx will promptly take all steps necessary to hold and convene a stockholders meeting, and use its reasonable best efforts to solicit from its stockholders proxies in favor of the share issuance, the change-of-control of Lynx in connection with the transaction and the amendment to the Lynx 1992 plan;

that Lynx will promptly engage a person authorized by the Financial Services Authority for the purposes approving the offer documents;

that Lynx will use its commercially reasonable efforts to file a post-effective amendment to the registration statement on Form S-3 registering the resale of Lynx shares by those Solexa shareholders who have executed the company support agreements and may be deemed to be affiliates of Solexa under the Securities Act;

to negotiate in good faith and use their respective reasonable best efforts to modify the Colony Technology Sharing Agreement dated March 22, 2004 and enter into a proposed OEM arrangement between Lynx and Solexa;

to appoint a joint remuneration planning committee consisting of Craig Taylor and the members of Solexa's existing remuneration committee to negotiate and execute an employment agreement with John West;

to provide access to its books and records to the other party and its directors, officers, employees and other representatives, and comply with its obligations under the existing confidentiality agreement between the parties;

to consult with each other and agree on any press release or public statements about the transaction;

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to use reasonable best efforts to comply with all legal requirements with respect to the transaction, to make all filings reasonably determined by the parties to be required by any governmental entity in connection with the transaction, and to fully cooperate with one other to identify the detailed steps and procedures necessary or desirable to effect the transactions contemplated by the acquisition agreement;

up until the time the transaction becomes effective, provide prompt notice to the other party when it becomes aware that any of its representations or warranties have become untrue or inaccurate, or that it has failed to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under the acquisition agreement;

that Lynx will use reasonable efforts to cause Lynx common stock issued in the transaction or issuable upon the exercise of converted Solexa's stock options to be approved for listing on the NASDAQ SmallCap Market;

that Lynx, so far as it is eligible to do so, delivers a notice promptly following the first closing date to those holders of Solexa shares who did not accept the offer that Lynx intends to acquire the remaining Solexa shares in accordance with Sections 428 through 430F of the Companies Act;

that Lynx's board of directors shall adopt a resolution so that the acquisition of Lynx securities by Solexa insiders shall be exempt transactions for the purposes of Section 16 of the Exchange Act;

that Lynx and Solexa shall use their respective reasonable best efforts to obtain the waiver of any change of control or acceleration benefits that would otherwise be triggered by the completion of the transactions contemplated by the acquisition agreement;

to use commercially reasonable efforts to take or cause to be taken any action necessary for the transaction to qualify as a reorganization within the meaning of Section 368(a) of the Code, report the transaction as a reorganization within the meaning of such section, and cooperate and use commercially reasonable efforts in order for each party to obtain tax opinions from their respective counsel; and

that Lynx will take all actions necessary such that on the first closing date, Lynx's board of directors shall consist of Craig C. Taylor, Genghis Lloyd-Harris, Tom Daniel, Hermann Hauser, Mark Carthy and John West. In addition, on the first closing date, one or more other directors who shall be mutually acceptable to Lynx's board of directors and Solexa's board of directors will be appointed to Lynx's board of directors. Lynx and Solexa have agreed to appoint Steve Allen to Lynx's board of directors on the first closing date.

No Solicitation

In the acquisition agreement, each party agrees that, except in circumstances described below, it shall not, and shall not permit or authorize any of its subsidiaries or any of its or its subsidiaries' respective officers, directors, employees or agents, to:

initiate, continue, solicit or encourage, directly or indirectly, any inquiries or the making of any proposal or offer with respect to a merger, consolidation or similar transaction involving, or any purchase of all or any significant portion of the assets or equity securities of, either party involving any person other than the other party, which we refer to as the acquisition proposal; or

engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an acquisition proposal, or otherwise facilitate any effort or attempt to make or implement an acquisition proposal or enter into any agreement or understanding with any other person or entity with the intent to effect any acquisition proposal.

If Lynx or Solexa (or their respective officers or directors) receives or becomes aware of the receipt of any acquisition proposal, or any request for nonpublic information or inquiry which the party reasonably believes could lead to an acquisition proposal that is superior to the transactions contemplated by the acquisition agreement, the recipient party shall notify the other party promptly, orally and in writing, of the material terms and conditions of the acquisition proposal, and the identity of the person or group making the

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proposal. The recipient of the proposal shall also keep the other party promptly informed in all material respects of the status and details of the proposal.

If either Lynx or Solexa receives an acquisition proposal that its board of directors determines in good faith (after consultation with outside counsel and, in the case of Lynx, its financial advisor) constitutes or is reasonably likely to lead to a superior offer, it may then take the following actions, but only if (a) such party has not otherwise breached its obligations with respect to that acquisition proposal, and (b) its board of directors believes in good faith, following consultation with outside legal counsel, that the failure to take such action would lead to a breach of the board of directors' fiduciary duty:

furnish nonpublic information to the third party making the acquisition proposal, provided that it receives from the third party a confidentiality agreement, with terms no less favorable than those terms contained in the confidentiality agreement between Lynx and Solexa; and

engage in discussions or negotiations with the third party with respect to the acquisition proposal.

In response to the receipt of a superior offer, the board of directors of a party may change its recommendation in favor of the transaction if all of the following conditions are met:

the first closing shall not have occurred;

it shall have, at least four business days prior to changing its recommendation, provided to the other party written notice stating that it intends to change its recommendation; and

its board of directors believes in good faith, after consultation with its outside legal counsel, that, in light of the superior offer, failure to change its recommendation in favor of the transaction would result in a breach of the board of directors' fiduciary obligations to its stockholders.

A superior offer with respect to a party, means any bona fide acquisition proposal (1) to acquire, directly or indirectly, at least a majority of the shares of either party then outstanding, or all or substantially all of the assets of either party, (2) that contains terms and conditions that either board of directors reasonably determines in good faith (after consultation with its financial advisor in the case of Lynx) to be more favorable from a financial point of view to such party's stockholders than the transactions contemplated by the acquisition agreement, (3) that either board of directors reasonably determines in its good faith judgment (after consultation with its financial advisor, in the case of Lynx, and its legal counsel) to be reasonably capable of being completed (taking into account all legal, financial, regulatory and other aspects of the proposal and the person making the proposal), and (4) that does not contain any due diligence condition for which any financing upon which it is conditioned is committed.

A change in the recommendation of Lynx's board of directors shall not affect Lynx's obligation to continue the offer and to convene the Lynx annual meeting. Lynx shall not submit to a vote to its stockholders any transaction contemplated by an acquisition proposal, or propose to do so, prior to or at the Lynx annual meeting.

Conditions to the Offer

The first closing will not take place until the holders of at least 90% in nominal value of each class of the outstanding Solexa shares shall have accepted the offer.

The first closing is also subject to the fulfillment, or waiver by Lynx, of several conditions, including the following:

Solexa shall have received each of the consents, waivers and approvals designated as required consents under the acquisition agreement;

all representations and warranties of Solexa set forth in the acquisition agreement shall have been true and correct in all material respects as of the date of the acquisition agreement and shall be true and correct as of the first closing date, except where the failure to be true and correct would not reasonably be expected to have a material adverse effect on Solexa;

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Solexa shall have performed in all material respects its obligations and complied in all material respects with its agreements and covenants to be performed or complied with under the acquisition agreement prior to the expiration of the offer;

Lynx's registration statement, of which this proxy statement/ prospectus is a part, shall have become effective under the Securities Act and shall not be the subject of any stop order or proceeding seeking a stop order;

the shares of Lynx common stock to be issued in the offer shall have been approved for listing on the NASDAQ, subject to official notice of issuance;

Lynx shall have obtained the approval of Lynx's stockholders of (1) the issuance of shares of Lynx common stock in connection with the transaction, (2) the change-of-control of Lynx in connection with the transactions contemplated by the acquisition agreement, and (3) an amendment to Lynx's 1992 plan to increase the number of shares reserved for issuance thereunder by 2 million shares;

there shall not have been pending or overtly threatened in writing, any suit or action by a governmental entity against Lynx or Solexa (1) seeking to prohibit or impose any material limitations on Lynx's ownership or operation of all or a material portion of Lynx's or Solexa's businesses or assets, or to compel Lynx or its subsidiaries and affiliates to dispose of or hold separate any material portion of the business or assets of Solexa or Lynx and its subsidiaries, in each case taken as a whole, (2) challenging the acquisition by Lynx of any Solexa shares under the offer, seeking to restrain or prohibit the making or completion of the transaction or the performance of any of the other transactions contemplated by the acquisition agreement, the support agreements, or seeking to obtain from the Solexa or Lynx any damages that are material in relation to Lynx and Solexa, taken as a whole, (3) seeking to impose material limitations on the ability of Lynx, or render Lynx unable, to exchange, pay for or purchase some or all of the Solexa shares pursuant to the offer, (4) seeking to impose material limitations on the ability of Lynx to effectively exercise full rights of ownership of the Solexa shares, including, without limitation, the right to vote the Solexa shares purchased by it on all matters properly presented to Solexa's shareholders, (5) seeking to oblige Solexa, Lynx or any of Lynx's subsidiaries to pay material damages in connection with the transaction, or (6) which otherwise is reasonably likely to have a material adverse effect on Solexa and Lynx, taken together as a whole;

there shall not be any law, statute, rule, regulation, ordinance, judgment, order, decree or injunction enacted, entered, enforced, promulgated or deemed applicable, pursuant to an authoritative interpretation by or on behalf of a governmental entity, to the offer, or any other action taken by any governmental entity, that could reasonably be expected to result, directly or indirectly, in any of the consequences referred to in (1)-(6) in the immediately preceding bullet point;

Solexa's board of directors shall not have and shall not have resolved to change its recommendation to Solexa's shareholders to accept the offer;

Solexa shall have had cash and cash equivalent balances of at least £5,000,000 on December 1, 2004, which include specified advances and payments made by Solexa to Lynx and fees and expenses incurred and paid by Solexa in connection with the transaction. On December 1, 2004, Solexa had cash and cash equivalent balances of £5.8 million;

there shall not have occurred an event having a material adverse effect with respect to Solexa; and

the acquisition agreement shall not have been terminated.

In addition, the first closing is subject to the fulfillment or waiver by Solexa of several conditions, including the following:

Lynx shall have received each of the consents, waivers and approvals designated as required consents under the acquisition agreement;

all representations and warranties of Lynx set forth in the acquisition agreement shall have been true and correct in all material respects as of the date of the acquisition agreement and shall be true and

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correct as of the first closing date, except where the failure to be true and correct would not reasonably be expected to have a material adverse effect on Lynx;

Lynx shall have performed in all material respects its obligations and complied in all material respects with its agreements and covenants to be performed or complied with under the acquisition agreement prior to the expiration of the offer;

Seven Hills shall not have withdrawn or modified its fairness opinion delivered to Lynx's board of directors in a manner adverse to Lynx or Solexa;

Lynx shall have obtained the approval of Lynx's stockholders of (1) the issuance of shares of Lynx common stock in connection with the transaction, (2) the change-of-control of Lynx in connection with the transactions contemplated by acquisition agreement, and (3) an amendment to Lynx's 1992 plan to increase the number of shares reserved for issuance thereunder by 2 million shares;

there shall not have been pending or overtly threatened in writing, any suit or action by a governmental entity against Lynx or Solexa (1) seeking to prohibit or impose any material limitations on Lynx's ownership or operation of all or a material portion of Lynx's or Solexa's businesses or assets, or to compel Lynx or its subsidiaries and affiliates to dispose of or hold separate any material portion of the business or assets of Solexa or Lynx and its subsidiaries, in each case taken as a whole, (2) challenging the acquisition by Lynx of any Solexa shares under the offer, seeking to restrain or prohibit the making or completion of the transaction or the performance of any of the other transactions contemplated by the acquisition agreement, the support agreements, or seeking to obtain from the Solexa or Lynx any damages that are material in relation to Lynx and Solexa, taken as a whole, (3) seeking to impose material limitations on the ability of Lynx, or render Lynx unable, to exchange, pay for or purchase some or all of the Solexa shares pursuant to the offer, (4) seeking to impose material limitations on the ability of Lynx to effectively exercise full rights of ownership of the Solexa shares, including, without limitation, the right to vote the Solexa shares purchased by it on all matters properly presented to Solexa's shareholders, (5) seeking to oblige Solexa, Lynx or any of Lynx's subsidiaries to pay material damages in connection with the transaction, or (6) which otherwise is reasonably likely to have a material adverse effect on Solexa and Lynx, taken together as a whole;

there shall not be any law, statute, rule, regulation, ordinance, judgment, order, decree or injunction enacted, entered, enforced, promulgated or deemed applicable, pursuant to an authoritative interpretation by or on behalf of a governmental entity, to the offer, or any other action taken by any governmental entity, that could reasonably be expected to result, directly or indirectly, in any of the consequences referred to in (1)-(6) in the immediately preceding bullet point;

Lynx's board of directors shall not have and shall not have resolved to change its recommendation to Lynx's stockholders to approve the matters set forth in the fifth bullet point above and each of the other proposals that Lynx and Solexa shall deem reasonably necessary for the purpose of effecting the transaction;

Solexa shall have received confirmation from the U.K. Inland Revenue that the sale of the Solexa shares in exchange for shares of Lynx common stock will qualify for roll-over relief from capital gains tax under applicable English law;

Lynx shall be eligible to register the shares of Lynx common stock for resale using Form S-3;

there shall not have occurred a dissolution, liquidation or termination of existence of Lynx or the failure of Lynx to pay its debts as they mature on a reasonably timely basis or any similar occurrence;

there shall not have occurred an event having a material adverse effect with respect to Lynx;

Solexa shall have received an opinion of Solexa's corporate counsel and Lynx shall have received an opinion of Lynx's corporate counsel, each to the effect that the offer will qualify as a reorganization for United States federal income tax purposes; and

the acquisition agreement shall not have been terminated.

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A material adverse effect with respect to Lynx or Solexa, as the case may be, means any change, effect, event, occurrence, state of facts or development (i) that is, or is reasonably likely to be, materially adverse to the value, condition (financial or otherwise), business or results of operations of Solexa or Lynx (and in the case of Lynx, taken together with the Subsidiaries of Lynx), as the case may be, or (ii) that will, or is reasonably likely to, impair the ability of any party hereto to perform its obligations under the acquisition agreement or prevent or materially delay consummation of any of the transactions contemplated by this acquisition agreement. However, no adverse change, effect, event, occurrence, state of facts or development attributable to conditions affecting the United States or the United Kingdom economy as a whole that is not unique to Lynx or Solexa, as the case may be, and that does not disproportionately affect Lynx or Solexa, as the case may be, shall be deemed in itself to constitute, or shall be taken into account in determining, whether there has been or will be a material adverse effect.

Termination of the Acquisition Agreement

The acquisition agreement may be terminated and the offer may be abandoned at any time before the first closing date under several circumstances, including:

by mutual written consent of Lynx and Solexa;

by either Lynx or Solexa if the offer shall have expired, terminated or been withdrawn in accordance with the terms of the acquisition agreement without Lynx having exchanged any Solexa shares pursuant to the offer, unless a principal cause of such expiration, termination or withdrawal is a breach by the party seeking to terminate the acquisition agreement;

by either Lynx or Solexa if the first closing has not taken place on or before March 31, 2005, unless a principal cause of the first closing not having taken place is a breach by the party seeking to terminate the acquisition agreement;

by either Lynx or Solexa if there shall be any law or regulation that makes completion of the transaction illegal or otherwise prohibited or if any judgment, injunction, order or decree enjoining Lynx or Solexa from consummating the offer is entered and such judgment, injunction, order or decree shall become final and non-appealable;

by Lynx if Solexa's board of directors shall have changed, or shall have resolved to change, its recommendation to Solexa's shareholders that they accept the offer;

by Solexa if Lynx's board of directors shall have changed, or shall have resolved to change, its recommendation to Lynx's stockholders that they approve (i) the issuance of shares of Lynx common stock in connection with the transaction, (ii) the change-of-control of Lynx in connection with the transactions contemplated by acquisition agreement, (iii) an amendment to the Lynx 1992 plan to increase the number of shares authorized for issuance by 2 million shares, and (iv) each of the other proposals that Lynx and Solexa shall deem reasonably necessary for the purposes of effecting the transaction;

by either Lynx or Solexa if the Lynx annual meeting shall have been duly convened and the Lynx stockholder approval of the matters set forth in (i)-(iii) of the preceding bullet point shall not have been obtained;

by Lynx if an event or circumstance shall have occurred that makes it impossible for Solexa's representations and warranties to be true and correct in all material respects, or for Solexa to perform its obligations and comply with its agreements and covenants in all material respects under the acquisition agreement, or if there shall have been a breach by Solexa causing the above and such breach is not cured within 30 days following receipt of written notice from Lynx;

by Solexa if an event or circumstance shall have occurred that makes it impossible for Lynx's representations and warranties to be true and correct in all material respects, for Lynx to perform its obligations and comply with its agreements and covenants in all material respects under the acquisition agreement, or for Lynx to obtain the requisite stockholder approval, or if there shall have been a breach

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by Lynx causing the above and such breach is not cured within 30 days following receipt of written notice from Solexa;

by either Lynx or Solexa if a material adverse effect with respect to the other party shall have occurred and such material adverse effect is not cured within 45 days following receipt of notice of such material adverse effect;

by Solexa upon the withdrawal or modification of the fairness opinion of Lynx's financial advisor in a manner adverse to Lynx or Solexa; and

by Solexa upon the dissolution, liquidation or termination of existence of Lynx, the failure of Lynx to pay its debts as they mature on a reasonably timely basis, the appointment of a custodian or receiver of any material part of Lynx's property, the institution by or against Lynx or any indorser or guarantor of any note of any proceedings under the United States Bankruptcy Code or any other federal or state bankruptcy, reorganization, receivership, insolvency or other similar law affecting the rights of creditors generally or the making by Lynx or any indorser or guarantor of any note of an assignment or trust mortgage for the benefit of creditors, or a declaration of intent by Lynx to effect any of the foregoing, unless the above is the direct result of Solexa's failure to perform its obligations under certain agreements with Lynx.

Transaction Expenses

Whether or not the transaction is completed, all fees and expenses incurred in connection with the acquisition agreement and the transactions contemplated thereby will be paid by the party incurring the fees or expenses.

Indemnification and Insurance

For six years after the first closing date, Lynx has agreed to indemnify and hold harmless the present and former officers, directors, employees and agents of Solexa in respect of acts or omissions occurring on or prior to the first closing date or arising out of or pertaining to the transactions contemplated by the acquisition agreement to the extent provided under Solexa's articles of association in effect on the date hereof and indemnification agreements existing on the date hereof; and shall pay any expenses of such parties, as incurred, in advance of the final disposition of any such action or proceeding, provided that such indemnification shall not be provided in violation of applicable laws. Lynx has agreed not to amend the indemnification provisions in Solexa's articles of association in a manner inconsistent with the above provisions for the six-year period referred to above.

For six years after the first closing date, Lynx will use its reasonable best efforts to cause to be maintained an extension of coverage of each of Lynx's and Solexa's policies of directors and officers liability insurance maintained by Lynx and Solexa, respectively, at the first closing date, for the benefit of those persons who are covered by such policies at the first closing date, with respect to matters occurring prior to the first closing date. However, Lynx shall not be required to cause to be maintained such liability insurance policies to the extent that the annual cost of maintaining such policies exceeds 125% of the premium paid by each of Lynx and Solexa in respect of such insurance for the year ended December 31, 2003.

Amendment and Waiver

Subject to applicable law, any provision of the acquisition agreement may be amended or waived prior to the first closing date if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Lynx and Solexa, or in the case of a waiver, by the party against whom the waiver is to be effective.

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AGREEMENTS RELATED TO THE TRANSACTION

Reciprocal Support Agreements

Parent Support Agreements

On September 28, 2004, Solexa entered into parent support agreements with several executive officers and directors of Lynx and their affiliated entity, namely, Kevin P. Corcoran, Kathy A. San Roman, Thomas J. Vasicek, Craig C. Taylor, Asset Management Associates 1989 L.P., Leroy Hood, James C. Kitch, James V. Mitchell, David C. U Prichard and Richard P. Woychik. We refer to these Lynx stockholders as the Lynx supporting stockholders. Under the parent support agreements, the Lynx supporting stockholders have agreed to vote all of the outstanding shares of Lynx common stock they hold in favor of the approval of the issuance of common stock in connection with the offer, the change of control of Lynx in connection with the transaction, each of the other proposals to be acted at the Lynx annual meeting in accordance with the acquisition agreement and any other matters that could reasonably be expected to facilitate the transaction.

In addition, the Lynx supporting stockholders agree not to, directly or indirectly, transfer (except as may be specifically required by court order), sell, transfer, pledge, hypothecate or otherwise dispose of or encumber, for a period ending on the earlier to occur of 180 days following the first closing date and the termination of the acquisition agreement, any shares of Lynx common stock they then hold and to be acquired by them during that period. This restriction is subject to limited exceptions, such as transfers to family members and affiliates of the Lynx supporting stockholders.

As of January 19, 2005, the Lynx supporting shareholders collectively owned approximately 3% of the outstanding shares of Lynx common stock on that date.

Company Support Documents

On September 28, 2004, Lynx entered into company support agreements with a number of Solexa shareholders and optionholders, namely, (i) entities affiliated with Abingworth Bioventures, which are Abingworth Bioventures II SICAV, Abingworth Bioventures II A LP, Abingworth Bioventures III A LP, Abingworth Bioventures III B LP, Abingworth Bioventures III C LP and Abingworth Bioventures III Executives LP; (ii) entities affiliated with Amadeus Capital Partners, which are Amadeus II A , Amadeus II B , Amadeus II C , Amadeus II D GmbH & Co KG and Amadeus II Affiliates Fund LP; (iii) entities affiliated with Oxford Bioscience Partners, which are Oxford Bioscience Partners IV L.P. and mRNA Fund II LP; (iv) entities affiliated with Schroder Venture Partners, which are Schroder Ventures International Life Sciences Fund II Strategic Partners L.P., Schroder Ventures International Life Sciences Fund II L.P.1, Schroder Ventures International Life Sciences Fund II L.P.2, Schroder Ventures International Life Sciences II L.P.3, Schroder Ventures International Life Sciences Fund II Group Co-Investment Scheme and SV (Nominee) Limited as Nominee to Schroder Ventures Investments Limited; and (iv) four individuals, namely, Tim Rink, Shankar Balasubramanian, Nick McCooke and John West. We refer to these Solexa shareholders as the Solexa supporting shareholders. On October 28, 2004, Abingworth Bioventures II SICAV, Tim Rink, Shankar Balasubramanian and Nick McCooke each executed an irrevocable undertaking subject to English law replacing the irrevocable undertaking given by each of them in their company support agreements.

Under the company support documents, each Solexa supporting shareholder has agreed to accept or procure acceptance of the offer and/or make an election under the option offer in accordance with their respective terms within ten business days of the offer being made by Lynx. Each Solexa supporting shareholder has also agreed to vote all the shares in Solexa's share capital held by him or it in favor of, to the extent necessary, the delivery of a selling notice to invoke the compulsory transfer to Lynx of the remaining share capital of Solexa, and any other matters that could reasonably be expected to facilitate the transaction.

In addition, the institutional Solexa supporting shareholders who entered into the company support agreements have agreed not to convert any Solexa B preferred shares and Solexa A ordinary shares they hold into Solexa ordinary shares and have waived their pre-emption and rights of first refusal under Solexa's articles

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of association with respect to the proposed transaction. The irrevocable undertaking by Nick McCooke, the former chief executive officer and a shareholder in Solexa, provides that if acceptances in respect of 100% of the outstanding share capital of Solexa have been received by Lynx on or before the first closing date, Mr. McCooke shall be entitled to withdraw consent in respect of one Solexa ordinary share to enable Lynx to invoke the compulsory acquisition procedure described in the section entitled *Compulsory Acquisition* on page 176.

Under the company support documents, the Solexa supporting shareholders agree not to, directly or indirectly, transfer (except as may be specifically required by court order), sell, transfer, pledge, hypothecate or otherwise dispose of or encumber, for a period ending on the earlier to occur of 180 days following the first closing date and the termination of the acquisition agreement, any Solexa shares they then hold and any Solexa shares and shares of Lynx common stock to be acquired by them during that period. This restriction is subject to limited exceptions, such as transfers to the family members or affiliates of the Solexa supporting shareholders.

Lynx has agreed to file a resale registration statement covering the resale of shares of Lynx common stock received by the Solexa supporting shareholders who may be deemed to be affiliates of Solexa in the transaction until such time as less than 25% of Lynx common stock received by the Solexa supporting shareholders is held by them.

As of January 19, 2005, the Solexa supporting shareholders collectively owned 11,439,709 outstanding shares in Solexa's share capital representing 100% of Solexa B preferred shares, 100% of Solexa A ordinary shares and approximately 82.5% of Solexa ordinary shares on that date.

Other Agreements

Employment Arrangement with John West

Lynx and Mr. West have reached an understanding regarding Mr. West's employment as Lynx's chief executive officer effective as of the first closing date under economic terms substantially similar to those in Mr. West's employment agreement with Solexa. For details of the proposed employment terms of Mr. West, see the section entitled *Interests of Directors, Officers and Affiliates* on page 60.

Amendment to Colony Technology Sharing Agreement

On October 25, 2004, Lynx and Solexa entered into a deed to amend the technology sharing agreement between Lynx and Solexa dated March 22, 2004. Under the terms of the deed and pursuant to the terms of a loan agreement dated August 12, 2004, in the event that the first closing does not take place and the transaction is, therefore, not completed, Lynx shall transfer all such right, title and interest as it has in the cluster technology to Solexa in consideration for the grant of a worldwide, perpetual and non-exclusive license of the cluster technology. Any intellectual property created as a development to the cluster technology is expressed to be owned by Solexa, except developments or modifications of the cluster technology created by Lynx that can be exploited without infringing the intellectual property rights in the cluster technology. Lynx grants to Solexa a worldwide, perpetual and non-exclusive license for the use, commercialization and sale of such severable developments. In the event that Lynx or its licensees sell any products, Lynx is obliged under the deed to pay Solexa royalties at a rate of 11.5%. In the event that Solexa or its licensees sell any products, Solexa is obliged under the deed to pay Lynx royalties at a rate of 3%.

Loan Agreement and Side Letter

On August 12, 2004, Lynx and Solexa entered into a loan agreement pursuant to which Lynx issued Solexa four promissory notes each bearing an interest rate of 10% in the aggregate principal amount of \$2,500,000. Under the loan agreement and as a result of the issuance of the promissory notes, certain royalty rates contained in the technology sharing agreement were reduced and Lynx was obligated to make certain instruments available to Solexa.

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On September 28, 2004, Lynx and Solexa entered into a side letter regarding the loan agreement pursuant to which they agreed that, should the acquisition agreement be terminated prior to consummation of the offer, among other things, the royalty rates in the technology sharing agreement shall be reduced or eliminated depending on the cause of the termination of the acquisition agreement.

The entire outstanding principal and accrued interest thereon will be payable on the earlier of (i) an event of default under the promissory notes, (ii) the first anniversary of the expiration of the exclusivity period provided for in the letter agreement between Lynx and Solexa, (iii) the first anniversary of the date on which the acquisition agreement shall have been terminated prior to the consummation of the offer, or (iv) December 31, 2005.

Master Development Agreement

On October 28, 2004, Lynx and Solexa entered into a master development agreement pursuant to which Lynx will provide certain product design and development services to Solexa in connection with the development and commercialization of Solexa's products. Under the master development agreement, Solexa will pay to Lynx up to an aggregate amount of \$500,000 in consideration for Lynx's product design and development services. The master development agreement will remain in effect until the earlier of the closing of the transaction or December 31, 2004; provided, however, that the agreement may be terminated prior to December 31, 2004 with or without cause by either party upon 10 days prior written notice.

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INFORMATION ABOUT SOLEXA

Solexa's Business

Solexa Limited, a private company registered in England and Wales, maintains its corporate headquarters at Chesterford Research Park, Little Chesterford, Nr. Saffron Walden, Essex CB10 1XL, Great Britain. Solexa is developing systems for the comprehensive and economical analysis of individual genomes that consist of instruments, consumable items such as reagents, and software. Solexa anticipates that these systems will be used by its future customers in a wide range of applications from basic research through development and implementation and across various industries including, among others, personalized medicine, agriculture, food manufacturing, fermentation and biodefense.

Present methods of genome analysis generally provide insufficient information for the intended purpose at too great a cost. This has been a constraint in achieving progress in understanding the genetic components of common human diseases and the variable response of individuals to drugs intended to treat these diseases. Solexa's systems are designed to generate very large amounts of information about individual genomes, including virtually the entire genomic sequence, at an economical price.

In contrast to existing technologies, Solexa's systems are based on several major technological breakthroughs that allow genomic DNA to be read directly at a very high speed and with minimal sample preparation. Both of these elements add significantly to reducing costs.

Solexa maintains a website at www.solexa.com; however, information on Solexa's website is not a part of this proxy statement/prospectus.

Table of Contents**Selected Historical Financial Data of Solexa**

The following table sets forth historical financial data of Solexa. The information presented below as of December 31, 1999, 2000 and 2001, and for the years ended December 31, 1999 and 2000 is derived from unaudited financial statements of Solexa. The information as of December 31, 2002 and 2003 and for each of the three years in the period ended December 31, 2003 is derived from Solexa's audited financial statements included elsewhere in this proxy statement/ prospectus. The information as of September 30, 2004 and for the nine months ended September 30, 2003 and 2004 is derived from Solexa's unaudited financial statements included elsewhere in this proxy statement/ prospectus. In the opinion of Solexa's management, these unaudited financial statements have been prepared on a basis consistent with that of Solexa's audited financial statements and reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation. This information is only a summary. You should read it together with Solexa's historical financial statements and accompanying notes included in this proxy statement/ prospectus. Historical results are not necessarily indicative of future results.

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
(In thousands except per share data)							
Statements of Operations Data:							
Revenue:							
Service income	\$	\$	\$	\$	\$ 7	\$	\$ 72
Operating costs and expenses:							
Research and development	302	483	1,918	4,308	5,639	3,889	4,774
General and administrative	73	299	695	1,008	1,087	1,006	2,122
Total operating costs and expenses	375	782	2,613	5,316	6,726	4,895	6,896
Loss from operations	(375)	(782)	(2,613)	(5,316)	(6,719)	(4,895)	(6,824)
Interest and other income (expense), net	9	(4)	104	555	363	287	226
Loss before income tax benefit	(366)	(786)	(2,509)	(4,761)	(6,356)	(4,608)	(6,598)
Income tax benefit				(293)	(707)		
Net loss	(366)	(786)	(2,509)	(4,468)	(5,649)	(4,608)	(6,598)
Dividends							(479)
Net loss attributable to ordinary shareholders	\$ (366)	\$ (786)	\$ (2,509)	\$ (4,468)	\$ (5,649)	\$ (4,608)	\$ (7,077)
Basic and diluted net loss per share	\$ (0.28)	\$ (0.48)	\$ (0.76)	\$ (0.61)	\$ (0.77)	\$ (0.63)	\$ (1.08)
Shares used in per share computation	1,307	1,629	3,285	7,338	7,338	7,338	6,565
December 31,							
	1999	2000	2001	2002	2003	September 30, 2004	
(In thousands)							
Balance Sheet Data:							

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Cash, cash equivalents and short-term investments	\$478	\$1,853	\$16,853	\$13,295	\$8,907	\$12,244
Total assets	594	2,383	17,913	15,013	10,401	18,226
Shareholders' equity (deficit)	511	(212)	17,136	14,207	9,606	2,913

On October 18, 2004, Solexa completed a subsequent issue and sale of additional B preferred shares, raising approximately \$0.9 million. The above selected historical financial data of Solexa do not reflect the issuance of B preferred shares in October 2004 and related changes to cash balances and shareholders' equity.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Solexa is developing systems, including hardware, software and consumables, for the comprehensive and economical analysis of individual genomes. These systems are intended to provide improved insight into genetic contribution to disease and individual response to pharmaceutical interventions than existing technologies. It is expected that these systems will initially be sold to the genomics research community and later be used directly in healthcare applications.

Solexa was founded in September 1998 to build on technology and ideas created by its two founders based in the Department of Chemistry at the University of Cambridge, U.K. From 1998 to 2000, Solexa sponsored research conducted in the laboratories of its founders. Solexa owns intellectual property developed by the founders as a consequence of agreements with them and also with the University of Cambridge. This first phase of development was supported by seed funding totaling \$1.0 million. Towards the end of 2000, Solexa established its own operations in a science park south of Cambridge, U.K. and began to build a technology development team.

In September 2001, Solexa raised \$17.6 million in a Series A financing from a consortium of U.K. and U.S. based venture capital firms to develop a demonstration version of the technology.

In March 2004, Solexa and Lynx Therapeutics jointly acquired technology from Manteia SA. Solexa paid \$2 million in cash for its share of the purchase price.

In July 2004, Solexa raised \$13.5 million in a Series B financing.

To date Solexa has not generated any revenues from commercial product sales and it expects to incur operating losses over the next two years. Research and development expenses are expected to increase in the near term as Solexa ramps up its effort to develop a commercial product for launch, targeted for the end of calendar 2005.

As of September 30, 2004, Solexa had \$12.2 million in cash and cash equivalents. Solexa raised a further \$0.9 million in October 2004 under its B preferred financing.

Accounting Treatment

As an English company, Solexa normally reports its results according to accounting principles generally accepted in the U.K. and in pounds sterling. For the purposes of this proxy statement/ prospectus, its financial statements have been converted to U.S. generally accepted accounting principles and reported in U.S. dollars. Some of the differences reported between periods will reflect differences in the currency translation rates applied in each period.

Results of Operations

Comparison of Nine Months Ended September 30, 2004 with Nine Months Ended September 30, 2003

There were no revenues from product sales in either period. Service revenue increased by \$72,000 from nil to \$72,000. These service revenues were generated from the provision of scientific analyses. Research and development expenses increased by \$885,000, or 23%, from \$3,889,000 to \$4,774,000, largely as a result of an increased number of scientists working in research and development. General and administrative expenses increased by \$1,116,000, or 111%, from \$1,006,000 to \$2,122,000. This increase was largely due to increases in fees paid to external professional advisors in the amount of \$413,000, the introduction of a business development function and increases in staff and facility costs. There was a decrease in interest earned on balances of cash and cash equivalents of \$61,000, or 21%, from \$287,000 to \$226,000, largely due to a decreased average cash balance until the Series B funding at the end of July 2004.

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Comparison of Year Ended December 31, 2003 with Year Ended December 31, 2002

There were no revenues from product sales in either period. Service revenue increased by \$7,000 from nil to \$7,000. The service revenue was generated from the provision of scientific analyses. Research and development expenses increased by \$1,331,000, or 31%, from \$4,308,000 to \$5,639,000. This increase was largely as a result of an increased number of scientists working in R&D as the project expanded. General and administrative expenses increased by \$79,000, or 8%, from \$1,008,000 to \$1,087,000. R&D tax credits of \$293,000 were received in 2002 and \$707,000 in 2003. There was a decrease in interest earned on balances of cash and cash equivalents of \$187,000, or 34%, from \$555,000 to \$368,000. This decrease was largely due to a decreased average cash balance.

Solexa has one project to develop systems for the comprehensive and economical analysis of individual genomes. Consequently all the research and development costs to date have been incurred on that project, and are set out within the Statements of Operations Data on page 80. This project is currently in the development stage. It is estimated that this project will cost between \$30 million to \$40 million to complete and that the net cash inflows for the project are expected to commence in 2007 or 2008. The main risk associated with this project is that Solexa may encounter significant technical difficulties in further development of its product, which could delay the launch of the product from this project. A serious delay to the launch of the product could have a negative impact on the commercial performance of the product in the market and would likely require a significantly greater amount of funding. If such funding were not obtainable, Solexa would need to reduce its operating costs while seeking alternative funding through collaborations or a trade sale.

Comparison of Year Ended December 31, 2002 with Year Ended December 31, 2001

There were no revenues from product or service sales in either period. Research and development expenses increased by \$2,390,000, or 125%, from \$1,918,000 to \$4,308,000. This increase was largely as a result of a significant increase in the number of scientists working in R&D as the project expanded. General and administrative expenses increased by \$313,000, or 45%, from \$695,000 to \$1,008,000. No R&D tax credit was received in 2001 as the company did not qualify because, at that time, one shareholder controlled more than 50% of the voting share capital of the Company. An R&D tax credit of \$293,000 was received in 2002. There was an increase in interest earned on balances of cash and cash equivalents of \$333,000, or 150%, from \$222,000 to \$555,000. This increase was largely due to an increased average cash balance arising from the Series A fundraising that closed in September 2001. In 2001 there was an interest expense of \$116,000 arising upon the conversion of a convertible loan at the time of the Series A closing.

Liquidity and Capital Resources

Since its inception, Solexa has not generated any significant revenues and has incurred significant losses. Solexa has relied primarily on the proceeds from sales of equity securities to finance its operations and internal growth with additional funding from interest on cash balances and research and development tax credits. As of September 30, 2004, Solexa had an accumulated deficit of \$21.0 million.

At September 30, 2004, Solexa had cash and cash equivalents of \$12.2 million as compared to \$9.9 million at September 30, 2003. On July 30, 2004, Solexa completed the issuance and sale of its B preferred shares, raising net proceeds of approximately \$13.5 million. On October 18, 2004, Solexa completed a subsequent issue and sale of additional B preferred shares, raising approximately \$0.9 million. With the funds raised in July and October 2004, Solexa's management believes that its current cash and cash equivalents will be sufficient to enable it to meet its projected operating and capital requirements through at least the end of December 2005. Solexa will require further funding to complete the development and commercialization of its technology before it is able to generate profits. The terms on which such funding may be available, if at all, will be dependent upon the results of ongoing research and development activities.

If it becomes clear that further funding may not be secured, Solexa would need to reduce its research and development and other operating costs while seeking alternative funding through collaborations or a trade sale.

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Net cash used in operating activities increased \$2.0 million from \$4.0 million in the nine months ended September 30, 2003 to \$6.0 million in the nine months ended September 30, 2004. This increase was due to increased operating losses. Net cash used in operating activities increased by \$0.5 million from \$4.4 million in the year ended December 31, 2002 to \$4.9 million in the year ended December 31, 2003. This increase was due to increased research and development expenditures. Net cash used in operating activities increased by \$2.6 million from \$1.8 million in the year ended December 31, 2001 to \$4.4 million in the year ended December 31, 2002. This increase was due to increased research and development expenditures.

Net cash used in investing activities increased \$3.7 million from \$0.5 million in the nine months ended September 30, 2003 to \$4.2 million in the nine months ended September 30, 2004. This increase is largely attributed to the joint purchase with Lynx of technology from Manteia SA. Solexa's contribution to the purchase price was \$2 million in cash. In addition, Solexa advanced \$2 million to Lynx under the terms of a loan agreement in August 2004. Net cash used in investing activities decreased by \$127,000 from \$571,000 in the year ended December 31, 2002 to \$444,000 in the year ended December 31, 2003. This reduction is as a result of lower capital expenditure on plant and equipment. Net cash used in investing activities decreased by \$20,000 from \$591,000 in the year ended December 31, 2001 to \$571,000 in the year ended December 31, 2002. This reduction is as a result of lower capital expenditure on plant and equipment.

Net cash provided by financing activities increased by \$13.4 million from nil in the nine months ended September 30, 2003 to \$13.4 million in the nine months ended September 30, 2004. This increase was a result of the issuance of Series B preferred shares. Net cash used in financing activities increased by \$15,000 from nil in the year ended December 31, 2002 to \$15,000 in the year ended December 31, 2003. This increase was a result of finance lease payments. \$17.7 million was received from financing activities in the year ended December 31, 2001 due to the issue and sale of Series A preference shares.

As of September 30, 2004, Solexa had no long-term debt instruments. As of September 30, 2004, Solexa had contractual obligations relating to its facilities and equipment leases as follows:

Payments Due by Period in Thousands

Contractual Obligations	Total	Less than 1 Year	1-3 Years	After 3 Years
Capital lease obligations	\$ 35	\$ 24	\$ 11	None
Operating lease obligations	\$250	\$250	\$ 0	None

Disclosure about Market Risk

Solexa's exposure to market risk is limited to interest rate sensitivity, which is affected by changes in the general level of U.K. interest rates, particularly because Solexa places monies on short-term deposits with Barclays Bank PLC, and currency translation risks. The primary objective of Solexa's investment activities is to preserve principal while at the same time maximizing the income Solexa receives without increasing risk. Solexa's short-term deposits are for periods up to a month and the interest rate is fixed in advance and will reflect the market rates prevailing at the time the deposit is made. Solexa believes an immediate 10% change in interest rates would not be material to its financial condition or results of operations. Solexa does not have any foreign currency or derivative financial instruments. Solexa's financial statements as expressed in U.S. dollars are subject to fluctuations because of movements in the rate of exchange between the pound sterling, Solexa's functional currency, and the U.S. dollar, the currency in which Solexa's financial statements are presented. When Solexa converts the presentation of its financial statements from pounds sterling to U.S. dollars, Solexa uses pounds sterling to United States dollars currency exchange rate quoted on www.oanda.com on the date of such financial statements.

Table of Contents**Security Ownership of Certain Beneficial Owners and Management of Solexa*****Security Ownership of Certain Beneficial Owners and Management of Solexa Prior to the Transaction***

The following table sets forth certain information regarding beneficial ownership of the shares in Solexa's share capital as of December 28, 2004 by: (i) each shareholder who is known by Solexa to own beneficially more than five percent of the capital stock of Solexa; (ii) each executive officer named below; (iii) each director of Solexa; and (iv) all of Solexa's current directors and executive officers as a group. Unless otherwise indicated, the address of each shareholder who is known by Solexa to own beneficially more than five percent of the capital stock of Solexa is: c/o Solexa Limited, Chesterford Research Park, Little Chesterford, Nr Saffron Walden, Essex CB10 1XL, Great Britain.

Name of Beneficial Owner	Beneficial Ownership					
	Number of Shares Owned of Each Class			% Ownership of Each Class(1)		
	B Preferred Shares	A Ordinary Shares	Ordinary Shares	B Preferred Shares	A Ordinary Shares	Ordinary Shares
Entities affiliated with Abingworth Management Limited(2) 38 Jermyn Street London SW1Y 6DN Great Britain	1,092,061	1,688,889	1,656,096	24.57%	33.33%	70.83%
Entities affiliated with Amadeus Capital Partners Limited(3) Mount Pleasant House, 2 Mount Pleasant Huntingdon Road Cambridge CB3 0RN Great Britain	2,222,222	422,224		50.00%	8.33%	
Entities affiliated with OBP Management IV L.P.(4) 222 Berkeley St., Suite 1650 Boston, Massachusetts 02116	573,502	1,266,667		12.90%	25.00%	
Entities affiliated with Schroder Venture Managers Inc.(5) Church Street Hamilton HM 11 Bermuda	556,659	1,688,889		12.52%	33.33%	
Nick McCooke(6)			240,000			9.38%
Simon Bennett(7)			50,000			2.09%
John Milton(8)			69,300			2.88%
Harold Swerdlow(9)			66,350			2.76%
Leigh Palmer(10)			40,650			1.71%
John West(11)			696,981			22.96%
Tim Rink(12)			90,000			3.7%
Tony Smith(13)			200,000			7.88%
Shankar Balasubramanian			212,500			9.09%
Hermann Hauser(14) c/o Amadeus Capital Partners Limited Mount Pleasant House, 2 Mount Pleasant Huntington Road, Cambridge CB3 0RN	2,222,222	422,224		50.00%	8.33%	

Great Britain

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Name of Beneficial Owner	Beneficial Ownership					
	Number of Shares Owned of Each Class			% Ownership of Each Class(1)		
	B Preferred Shares	A Ordinary Shares	Ordinary Shares	B Preferred Shares	A Ordinary Shares	Ordinary Shares
Mark Carthy(15) c/o OBP Management IV L.P. 222 Berkeley St., Suite 1650 Boston, Massachusetts 02116	537,502	1,266,667		12.90%	25.00%	
Tom Daniel(16) c/o Schroder Venture Managers Inc. Church Street Hamilton HM 11 Bermuda	556,659	1,688,889		12.52%	33.33%	
Genghis Lloyd-Harris						*
Steve Allen(17)			20,000			*
Clive Brown(18)			48,050			2.01%
All directors and officers as a group (15 persons)(19)	4,444,444	5,066,669	3,389,927	100%	100%	83.42%

* Less than one percent.

- (1) Percentage of beneficial ownership is based on 4,444,444 Solexa B preferred shares, 5,066,669 Solexa A ordinary shares and 2,338,138 Solexa ordinary shares outstanding as of December 28, 2004. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares in the share capital of Solexa subject to options currently exercisable or exercisable within 60 days of December 28, 2004, are deemed outstanding for computing the percentage of the person holding such options but are not deemed outstanding for computing the percentage of beneficial ownership of any other person.
- (2) Includes 277,778 Solexa B preferred shares, 844,444 Solexa A ordinary shares and 1,656,096 Solexa ordinary shares held by Abingworth Bioventures II SICAV; 277,778 Solexa B preferred shares held by Abingworth Bioventures IIA LP; 269,325 Solexa B preferred shares and 423,911 Solexa A ordinary shares held by Abingworth Bioventures III A LP; 164,407 Solexa B preferred shares and 258,772 Solexa A ordinary shares held by Abingworth Bioventures III B LP; 98,481 Solexa B preferred shares and 155,006 Solexa A ordinary shares held by Abingworth Bioventures III C LP; and 4,292 Solexa B preferred shares and 6,756 Solexa A ordinary shares held by Abingworth Bioventures III Executives LP. Abingworth Management Limited is the investment adviser to Abingworth Bioventures II SICAV and the investment manager of all other Abingworth investing entities. Abingworth Management Limited is a wholly owned subsidiary of Abingworth Management Holdings Limited. The shareholders of Abingworth Management Holdings Limited are David Leathers and Stephen Bunting. Mr. Leathers, Mr. Bunting and Jonathan MacQuitty are members of Abingworth Management Limited's investment committee. Each of these individuals disclaims beneficial ownership of the shares except to the extent of their pecuniary interest therein.
- (3) Includes 1,000,000 Solexa B preferred shares and 190,000 Solexa A ordinary shares held by Amadeus II A LP; 666,667 Solexa B preferred shares and 126,667 Solexa A ordinary shares held by Amadeus II B LP; 466,667 Solexa B preferred shares and 88,667 Solexa A ordinary shares held by Amadeus II CLP; 22,222 Solexa B preferred shares and 4,223 Solexa A ordinary shares held by Amadeus II D GmbH & Co KG; and 66,666 Solexa B preferred shares and 12,667 Solexa A ordinary shares held by Amadeus II Affiliates LP.
- (4) Includes 567,805 Solexa B preferred shares and 1,254,085 Solexa A ordinary shares held by Oxford Bioscience Partners IV L.P. and 5,697 Solexa B preferred shares and 12,582 Solexa A ordinary shares held by mRNA Fund II L.P.

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- (5) Includes 326,152 Solexa B preferred shares and 989,535 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.1; 138,906 Solexa B preferred shares and 421,439 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.2; 37,018 Solexa B preferred shares and 112,311 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.3; 5,032 Solexa B preferred shares and 15,266 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II Strategic Partners L.P.; 9,379 Solexa B preferred shares and 28,458 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II Group Co-Investment Scheme; and 40,172 Solexa B preferred shares and 121,880 Solexa A ordinary shares held by SV (nominees) Limited as Nominee to Schroder Ventures Investments Limited. Schroder Venture Managers Limited is the fund manager for each of the above-mentioned Schroder entities. The investment committee of Schroder Venture Managers Limited consists of Nicola Walker, Gary Carr, Deborah Speight, Douglas Mello and Peter Everson, all of whom share voting and dispositive power over the shares. Each of these individuals disclaims beneficial ownership of the shares except to the extent of their pecuniary interest therein.
- (6) Includes 220,000 Solexa ordinary shares issuable upon exercise of stock options held by Mr. McCooke that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004. Mr. McCooke resigned his position as Chief Executive Officer of Solexa on August 9, 2004.
- (7) Includes 50,000 Solexa ordinary shares issuable upon exercise of stock options held by Dr. Bennett that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (8) Includes 69,300 Solexa ordinary shares issuable upon exercise of stock options held by Dr. Milton that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (9) Includes 66,350 Solexa ordinary shares issuable upon exercise of stock options held by Dr. Swerdlow that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (10) Includes 40,650 Solexa ordinary shares issuable upon exercise of stock options held by Mr. Palmer that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (11) Includes 696,981 Solexa ordinary shares issuable upon exercise of stock options held by Mr. West that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (12) Includes 50,000 Solexa ordinary shares issuable upon exercise of stock options held by Dr. Rink that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (13) Includes 200,000 Solexa ordinary shares issuable upon exercise of stock options held by Dr. Smith that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (14) Includes 1,000,000 Solexa B preferred shares and 190,000 Solexa A ordinary shares held by Amadeus II A LP; 666,667 Solexa B preferred shares and 126,667 Solexa A ordinary shares held by Amadeus II B LP; 466,667 Solexa B preferred shares and 88,667 Solexa A ordinary shares held by Amadeus II CLP;

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22,222 Solexa B preferred shares and 4,223 Solexa A ordinary shares held by Amadeus II D GmbH & Co KG; and 66,666 Solexa B preferred shares and 12,667 Solexa A ordinary shares held by Amadeus II Affiliates LP. Dr. Hauser shares the power to vote and control the disposition of shares held by Amadeus II A LP, Amadeus II B LP, Amadeus II C LP, Amadeus II D GmbH & Co KG and Amadeus II Affiliates LP. Dr. Hauser disclaims beneficial ownership of such shares, except to the extent of his pro-rata interest therein.

- (15) Includes 567,805 Solexa B preferred shares and 1,254,085 Solexa A ordinary shares held by Oxford Bioscience Partners IV L.P. and 5,697 Solexa B preferred shares and 12,582 Solexa A ordinary shares held by mRNA Fund II L.P. Mr. Carthy is a General Partner of OBP Management IV L.P., which is the general partner of Oxford Bioscience Partners IV L.P. and mRNA Fund II L.P. Mr. Carthy may be deemed to share voting and investment power of the shares held by Oxford Bioscience Partners IV L.P. and mRNA Fund II L.P. Mr. Carthy disclaims beneficial ownership of such shares, except to the extent of his pro-rata interest therein.
- (16) Includes 326,152 Solexa B preferred shares and 989,535 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.1; 138,906 Solexa B preferred shares and 421,439 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.2; 37,018 Solexa B preferred shares and 112,311 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.3; 5,032 Solexa B preferred shares and 15,266 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II Strategic Partners L.P.; 9,379 Solexa B preferred shares and 28,458 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II Group Co-Investment Scheme; and 40,172 Solexa B preferred shares and 121,880 Solexa A ordinary shares held by SV (nominees) Limited as Nominee to Schroder Ventures Investments Limited. Mr. Daniel, a director of Solexa, is a Venture Partner of Schroder Ventures Life Sciences Advisers (UK) Limited which is an advisor to Schroder Venture Managers, Inc., the General Partner of the entities known collectively as Schroder Ventures International Life Sciences Fund II. Mr. Daniel has no beneficial ownership of the shares owned by Schroder Ventures International Life Sciences Fund II, except to the extent of his pro-rata interest therein.
- (17) Includes 20,000 Solexa ordinary shares issuable upon exercise of stock options held by Mr. Allen that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (18) Includes 48,050 Solexa ordinary shares issuable upon exercise of stock options held by Mr. Brown that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (19) Includes 4,444,444 Solexa B preferred shares (including Solexa B preferred shares held by entities affiliated with certain directors), 5,066,669 Solexa A ordinary shares (including Solexa A ordinary shares held by entities affiliated with certain directors), 1,928,596 Solexa ordinary shares (including Solexa ordinary shares held by entities affiliated with certain directors) and 1,461,331 Solexa ordinary shares issuable upon exercise of stock options that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.

Table of Contents**Security Ownership of Certain Beneficial Owners and Management of Solexa and Director Nominees of Lynx Following the Completion of the Transaction**

The following table sets forth certain information regarding the amount and percentage of the beneficial ownership of Lynx's common stock, giving effect to the transaction, by: (i) each Solexa shareholder who is known by Solexa to own beneficially more than five percent of the capital stock of Solexa as of December 28, 2004; (ii) each director of Solexa and each director of Solexa who is a nominee for director of Lynx to be appointed on the first closing date; and (iii) all of Solexa's current directors and executive officers as a group.

Name of Beneficial Owner	Beneficial Ownership	
	Number and Class of Shares	Percent of Class(1)
Entities affiliated with Abingworth Management Limited(2) 38 Jermyn Street London SW1Y 6DN Great Britain	8,974,259	25.51%
Entities affiliated with Amadeus Capital Partners Limited(3) Mount Pleasant House, 2 Mount Pleasant Huntingdon Road Cambridge CB3 ORN Great Britain	6,974,936	19.83%
Entities affiliated with OBP Management IV L.P.(4) 222 Berkeley St., St. 1650 Boston, Massachusetts 02116	4,987,515	14.18%
Entities affiliate with Schroder Venture Managers Inc.(5) c/o Church Street Hamilton HM 11 Bermuda	6,105,948	17.36%
Nick McCooke(6)	212,729	*
John West(7)	617,783	1.73%
Tim Rink(8)	79,773	*
Tony Smith(9)	177,274	*
Shankar Balasubramanian	188,354	*
Hermann Hauser(10) c/o Amadeus Capital Partners Limited Mount Pleasant House, 2 Mount Pleasant Huntington Road, Cambridge CB3 ORN Great Britain	6,974,936	19.83%
Mark Carthy(11) c/o OBP Management IV L.P. 222 Berkeley St., Suite 1650 Boston, Massachusetts 02116	4,987,515	14.18%
Tom Daniel(12) c/o Schroder Venture Managers Inc. Church Street Hamilton HM 11 Bermuda	6,105,948	17.36%
Genghis Lloyd-Harris		*
Steve Allen(13)	17,727	*
All directors and officers as a group (13 persons)(14)	28,336,299	78.22%

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* Less than one percent.

- (1) Percentage of beneficial ownership is based on 7,527,538 shares of Lynx common stock outstanding on December 28, 2004 plus 27,647,200 shares of common stock to be issued in this transaction (excluding the 1,852,800 Lynx share equivalents to be issued to Solexa optionholders), and 4,444,444 Solexa B preferred shares, 5,066,669 Solexa A ordinary shares and 2,338,138 Solexa ordinary shares outstanding as of December 28, 2004. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares in the share capital of Solexa subject to options currently exercisable or exercisable within 60 days of December 28, 2004, are deemed outstanding for computing the percentage of the person holding such options but are not deemed outstanding for computing the percentage of beneficial ownership of any other person. At the closing date of the transaction, each Solexa B preferred share will be converted into 2.61560 shares of Lynx common stock, each Solexa A ordinary share will be converted into 2.75326 shares of Lynx common stock and each Solexa ordinary share will be converted into 0.88637 of a share of Lynx common stock.
- (2) Includes 277,778 Solexa B preferred shares, 844,444 Solexa A ordinary shares and 1,656,096 Solexa ordinary shares held by Abingworth Bioventures II SICAV; 277,778 Solexa B preferred shares held by Abingworth Bioventures IIA LP; 269,325 Solexa B preferred shares and 423,911 Solexa A ordinary shares held by Abingworth Bioventures III A LP; 164,407 Solexa B preferred shares and 258,772 Solexa A ordinary shares held by Abingworth Bioventures III B LP; 98,481 Solexa B preferred shares and 155,006 Solexa A ordinary shares held by Abingworth Bioventures III C LP; and 4,292 Solexa B preferred shares and 6,756 Solexa A ordinary shares held by Abingworth Bioventures III Executives LP.
- (3) Includes 1,000,000 Solexa B preferred shares and 190,000 Solexa A ordinary shares held by Amadeus II A LP; 666,667 Solexa B preferred shares and 126,667 Solexa A ordinary shares held by Amadeus II B LP; 466,667 Solexa B preferred shares and 88,667 Solexa A ordinary shares held by Amadeus II CLP; 22,222 Solexa B preferred shares and 4,223 Solexa A ordinary shares held by Amadeus II D GmbH & Co KG; and 66,666 Solexa B preferred shares and 12,667 Solexa A ordinary shares held by Amadeus II Affiliates LP.
- (4) Includes 567,805 Solexa B preferred shares and 1,254,085 Solexa A ordinary shares held by Oxford Bioscience Partners IV L.P. and 5,697 Solexa B preferred shares and 12,582 Solexa A ordinary shares held by mRNA Fund II L.P.
- (5) Includes 326,152 Solexa B preferred shares and 989,535 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.1; 138,906 Solexa B preferred shares and 421,439 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.2; 37,018 Solexa B preferred shares and 112,311 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.3; 5,032 Solexa B preferred shares and 15,266 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II Strategic Partners L.P.; 9,379 Solexa B preferred shares and 28,458 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II Group Co-Investment Scheme; and 40,172 Solexa B preferred shares and 121,880 Solexa A ordinary shares held by SV (nominees) Limited as Nominee to Schroder Ventures Investments Limited.
- (6) Includes 220,000 Solexa ordinary shares issuable upon exercise of stock options held by Mr. McCooke that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004. Mr. McCooke resigned his position as Chief Executive Officer of Solexa on August 9, 2004.
- (7) Includes 696,981 Solexa ordinary shares issuable upon exercise of stock options held by Mr. West that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.

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- (8) Includes 50,000 Solexa ordinary shares issuable upon exercise of stock options held by Dr. Rink that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (9) Includes 200,000 Solexa ordinary shares issuable upon exercise of stock options held by Dr. Smith that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (10) Includes 1,000,000 Solexa B preferred shares and 190,000 Solexa A ordinary shares held by Amadeus II A LP; 666,667 Solexa B preferred shares and 126,667 Solexa A ordinary shares held by Amadeus II B LP; 466,667 Solexa B preferred shares and 88,667 Solexa A ordinary shares held by Amadeus II CLP; 22,222 Solexa B preferred shares and 4,223 Solexa A ordinary shares held by Amadeus II D GmbH & Co KG; and 66,666 Solexa B preferred shares and 12,667 Solexa A ordinary shares held by Amadeus II Affiliates LP. Dr. Hauser shares the power to vote and control the disposition of shares held by Amadeus II A LP; Amadeus II B LP, Amadeus II C LP, Amadeus II D GmbH & Co KG and Amadeus II Affiliates LP. Dr. Hauser disclaims beneficial ownership of such shares, except to the extent of his pro-rata interest therein.
- (11) Includes 567,805 Solexa B preferred shares and 1,254,085 Solexa A ordinary shares held by Oxford Bioscience Partners IV L.P. and 5,697 Solexa B preferred shares and 12,582 Solexa A ordinary shares held by mRNA Fund II L.P. Mr. Carthy is a General Partner of OBP Management IV L.P., which is the general partner of Oxford Bioscience Partners IV L.P. and mRNA Fund II L.P. Mr. Carthy may be deemed to share voting and investment power of the shares held by Oxford Bioscience Partners IV L.P. and mRNA Fund II L.P. Mr. Carthy disclaims beneficial ownership of such shares, except to the extent of his pro-rata interest therein.
- (12) Includes 326,152 Solexa B preferred shares and 989,535 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.1; 138,906 Solexa B preferred shares and 421,439 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.2; 37,018 Solexa B preferred shares and 112,311 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II L.P.3; 5,032 Solexa B preferred shares and 15,266 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II Strategic Partners L.P.; 9,379 Solexa B preferred shares and 28,458 Solexa A ordinary shares held by Schroder Ventures International Life Sciences Fund II Group Co-Investment Scheme; and 40,172 Solexa B preferred shares and 121,880 Solexa A ordinary shares held by SV (nominees) Limited as Nominee to Schroder Ventures Investments Limited. Mr. Daniel, a director of Solexa, is a Venture Partner of Schroder Ventures Life Sciences Advisers (UK) Limited which is an advisor to Schroder Venture Managers, Inc., the General Partner of the entities known collectively as Schroder Ventures International Life Sciences Fund II. Mr. Daniel has no beneficial ownership of the shares owned by Schroder Ventures International Life Sciences Fund II, except to the extent of his pro-rata interest therein.
- (13) Includes 20,000 Solexa ordinary shares issuable upon exercise of stock options held by Mr. Allen that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.
- (14) Includes 4,444,444 Solexa B preferred shares (including Solexa B preferred shares held by entities affiliated with certain directors), 5,066,669 Solexa A ordinary shares (including Solexa A ordinary shares held by entities affiliated with certain directors), 1,928,596 Solexa ordinary shares (including Solexa ordinary shares held by entities affiliated with certain directors) and 1,461,331 Solexa ordinary shares issuable upon exercise of stock options that are exercisable within 60 days of December 28, 2004 provided that the offer is completed and that a compulsory acquisition right in favor of Lynx has arisen pursuant to the Companies Act 1985 within 60 days of December 28, 2004.

Solexa and John West have entered into an executive employment agreement. Pursuant to this agreement, if Solexa closes a financing prior to August 29, 2005, and such financing causes the aggregate

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amount of shares underlying Mr. West's options to fall below five percent of the total outstanding capital stock of Solexa, then Solexa will immediately grant to Mr. West an option that will bring the aggregate amount of shares underlying all options held by Mr. West to equal five percent of the outstanding share capital of Solexa. In addition, if Solexa and Lynx complete the transactions contemplated by the acquisition agreement prior to August 29, 2005, and the transaction causes the aggregate amount of shares underlying Mr. West's options to fall below four percent of the total outstanding capital stock of the combined group, Mr. West is entitled to receive an option that will bring the aggregate amount of shares underlying all options held by Mr. West to equal four percent of the outstanding capital stock of Lynx. This agreement between Solexa and Mr. West is expected to be superceded by an employment agreement to be entered into between Lynx and Mr. West prior to, and effective upon, the first closing date. See the section entitled *Interests of Directors, Officers and Affiliates* on page 60.

Solexa Equity Compensation Plan Information

The following table provides certain information with respect to all of Solexa's equity compensation plans in effect as of December 31, 2003:

Plan Category(1)	(a) Number of Solexa Ordinary Shares to be Issued Upon Exercise of Outstanding Options	(b) Weighted- average Exercise Price of Outstanding Options	(c) Number of Solexa Ordinary Shares Remaining Available for Future Issuance under Equity Compensation Plans (excluding shares reflected in column (a)(2))
Equity compensation plans approved by security holders:			
Solexa Share Option Plan for Consultants	224,875	\$ 1.390	N/A
Solexa Limited Enterprise Management Incentive Plan	641,083	\$ 1.428	N/A
Solexa Unapproved Company Share Option Scheme	186,825	\$ 1.543	N/A
Total	1,052,783		257,592

- (1) All equity compensation plans of Solexa, namely, Solexa Share Option Plan for Consultants, the Solexa Limited Enterprise Management Incentive Plan and the Solexa Unapproved Company Share Option Scheme, were adopted with the approval of Solexa's security holders.
- (2) The Solexa ordinary shares remaining available for future issuance are held in a general pool and are designated as granted under any one of the Solexa plans by Solexa's board of directors on the date of grant. As a result, it is not possible at this time to determine or indicate the number of Solexa ordinary shares remaining available for future issuance under each individual Solexa plan.

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DESCRIPTION OF LYNX CAPITAL STOCK

The authorized capital stock of Lynx currently consists of 62,000,000 shares, 60,000,000 of which shall be common stock, par value \$0.01 per share and 2,000,000 of which shall be preferred stock, par value \$0.01. As of January 19, 2005, 7,529,038 shares of Lynx common stock were outstanding. Lynx currently has no preferred stock outstanding.

Common Stock

The holders of shares of Lynx common stock are entitled to one vote per share on all matters to be voted on by Lynx stockholders. Except as otherwise provided by law, all action taken by the holders of a majority of the voting power represented at any meeting at which a quorum is present shall be valid and binding upon Lynx. Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

The holders of shares of Lynx common stock are entitled to receive, if, as and when declared by Lynx's board of directors, dividends at the rate determined by Lynx's board of directors at any regular or special meeting, subject to payment of dividends on outstanding shares of Lynx preferred stock, if any. In the event of dissolution, liquidation or winding up of Lynx, after distribution to the holders of Lynx preferred stock of amounts to which they may be preferentially entitled, if any, the holders of Lynx common stock are entitled to share ratably in the assets of Lynx legally available for distribution to Lynx's stockholders. The holders of Lynx common stock have no preemptive, subscription, conversion or redemption rights, and Lynx common stock is not subject to any sinking fund provisions or liability to further calls or to assessments by Lynx.

Preferred Stock

Lynx's board of directors currently has authority by resolution to issue up to 2,000,000 shares of preferred stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designations, preferences, and relative, participating, optional, or other rights and such qualifications, limitations or restrictions thereof, without any further vote or action by the stockholders. Thus, any series may, if so determined by Lynx's board of directors, have disproportionately high voting rights or class voting rights, be convertible into or exchangeable for Lynx common stock or another security of Lynx, be redeemable, carry the right to specified participating dividends (which may be fixed or adjustable and which may be cumulative) and have such other relative rights, preferences and limitations as Lynx's board of directors shall determine. Issuance of authorized but unissued shares of Lynx common stock or Lynx preferred stock (including issuance upon conversion of any convertible preferred stock) could cause a dilution of the book value of Lynx common stock and (in the case of Lynx common stock and Lynx preferred stock with voting rights) would dilute the voting power of the then-current voting stockholders of Lynx. In addition, the issuance of Lynx preferred stock, while providing desired flexibility in connection with possible financings, acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock of Lynx, thereby delaying, deferring or preventing a change in control of Lynx.

Transfer Agent and Registrar

The transfer agent and registrar for Lynx common stock is EquiServe Trust Company, N.A.

Listing

Lynx common stock is currently listed on the NASDAQ SmallCap Market under the symbol LYNX. For a description of the application for initial listing of Lynx common stock upon the completion of the transaction, see the section entitled *Listing of Lynx Common Stock on the NASDAQ SmallCap Market* on page 62.

Table of Contents**COMPARISON OF RIGHTS OF HOLDERS OF LYNX COMMON STOCK AND SOLEXA SHARES**

Lynx is incorporated in the State of Delaware, United States and the rights of Lynx stockholders are currently governed by the DGCL and by Lynx's certificate of incorporation and Lynx's bylaws. Solexa is registered in England and Wales and the rights of Solexa shareholders are currently governed by English law, Solexa's articles of association and the shareholders' agreement between Solexa and its shareholders. After the completion of the transaction, shareholders of Solexa will become stockholders of Lynx, and will become subject to the certificate of incorporation and the bylaws of Lynx.

The following is a summary of the material differences between the rights of Lynx stockholders and the rights of Solexa shareholders. While Lynx and Solexa believe that this summary covers the material differences between the two, this summary may not contain all of the information that is important to you. This summary is not intended to be a complete discussion of the respective rights of Lynx stockholders and Solexa shareholders and it is qualified in its entirety by reference to Delaware law, English law, and the various documents of Lynx and Solexa referenced in this summary. You should carefully read this entire proxy statement/prospectus and the other documents referenced in this proxy statement/prospectus for a more complete understanding of the differences between being a stockholder of Lynx and being a shareholder of Solexa. Lynx has filed with the SEC certain documents referred to herein and will send copies of these documents to you upon your request. See the section entitled *Where You Can Find More Information* on page 181.

	Lynx	Solexa
Capitalization	<p>The authorized capital stock of Lynx consists of 60,000,000 shares of common stock, par value of \$0.01 per share, and 2,000,000 shares of preferred stock, par value of \$0.01 per share.</p> <p>As of January 19, 2005, there were approximately 7,529,038 shares of Lynx common stock outstanding held of record by approximately 1,600 persons. Lynx currently has no preferred stock outstanding. Lynx's shares of common stock are listed on the NASDAQ SmallCap Market under the symbol LYNX.</p>	<p>The authorized share capital of Solexa consists of £34,849.07 divided into 4,444,444 B preferred shares, 5,066,669 A ordinary shares and 4,428,513 ordinary shares each with a nominal value of £0.0025 each.</p> <p>As of January 19, 2005, the issued share capital of Solexa was 4,444,444 B preferred shares, 5,066,669 A ordinary shares and 2,338,138 ordinary shares. As of January 19, 2005, there were 19 holders of Solexa B preferred shares, 18 holders of Solexa A ordinary shares, and 10 holders of Solexa ordinary shares.</p>
Number of Directors	<p>Delaware law provides that a corporation must have at least one director and that the number of directors shall be fixed by or in the manner provided in the bylaws. Lynx's bylaws provide that the authorized number of directors shall consist of not less than six and no more than nine directors. The current number of directors of Lynx is fixed at nine.</p>	<p>Under the Companies Act, a private English company must have at least one director. Subject to this, a company's articles of association may specify a minimum or maximum number of directors.</p> <p>Solexa's articles of association provide that, unless determined otherwise by ordinary resolution of Solexa's shareholders in a general meeting, the number of directors (other than alternate directors) shall be not more than nine. Solexa currently has nine directors.</p>

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	<u>Lynx</u>	<u>Solexa</u>
Election and Term of Directors	Lynx's bylaws provide that, except in the event of vacancies, directors are elected at each annual meeting for a term of one year.	<p>Under Solexa's articles of association, Solexa's board of directors can appoint further directors, subject to the maximum of nine.</p> <p>Shareholders are able to requisition a general meeting and can propose the election of a new director by ordinary resolution.</p> <p>Under the terms of the shareholders' agreement between Solexa's shareholders and Solexa, certain investor and founder shareholders have additional rights to appoint directors to the Solexa board.</p> <p>Pursuant to the shareholders' agreement, each Solexa shareholder undertakes to procure that without the prior written consent of the holders of at least 66% of the B preferred and A ordinary shares taken together, Solexa shall not, inter alia, permit the appointment of directors, other than an investor appointed director.</p>
Removal of Directors	Under Delaware law, directors may be removed from office, with or without cause, by a majority stockholder vote, though in the case of the corporation whose board is classified, stockholders may effect such removal only for cause, unless otherwise provided in the certificate of incorporation. Lynx's bylaws provide that any director may be removed with or without cause at a special meeting of stockholders called for that purpose.	<p>Under the Companies Act, shareholders may remove a director without cause by ordinary resolution, irrespective of any provisions of the company's articles of association or service contract the director has with the company, provided that 28 clear days' notice of the resolution is given to the company and certain procedural requirements under the Companies Act are followed.</p> <p>(Clear days do not include the date of service of the notice nor the date of the general meeting.)</p> <p>Solexa's articles of association provide that Solexa, by a majority of the remaining directors by notice in writing, may remove a director before the expiration of the director's term and may appoint another director instead (subject to a maximum number of nine directors). Solexa's articles of association also provide that the office of a director shall be vacated if: (a) the director becomes prohibited by law from being a director; (b) the director becomes bankrupt or makes any general</p>

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	<u>Lynx</u>	<u>Solexa</u>
Vacancies on the Board of Directors	<p>Delaware law and Lynx’s bylaws provide that vacancies on a corporation’s board of directors, including those caused by an increase in the number of directors, may be filled by a majority of the remaining directors, though less than a quorum.</p>	<p>arrangement with the director’s creditors; (c) by a court order; (d) the director resigns; (e) the director has been absent from meetings of the board of directors held during a 6 months period without permission of the other directors and the director’s alternate director (if any) has not attended such meetings and the directors resolve that the director’s office be vacated; or (f) if the director is removed from office by written notice signed by a majority of the director’s co-directors.</p> <p>Under the terms of the shareholders’ agreement the shareholders who have additional rights to appoint directors to Solexa’s board, also have the right to remove and replace those directors by written notice to Solexa which takes effect on delivery of the notice to the registered office or at any board meeting.</p> <p>Under English law, shareholders may, by ordinary resolution and by giving notice of not less than 14 and not more than 35 clear days before the meeting to the company of their intention, appoint a person to be a director:</p> <p style="padding-left: 40px;">to fill a vacancy; or</p> <p style="padding-left: 40px;">to become an additional director, subject to any maximum provided in the company’s articles of association.</p> <p>Solexa’s board of directors has the power to appoint a director by a majority of the remaining directors subject to a maximum of nine directors.</p>
Stockholder Action by Written Consent	<p>Delaware law and Lynx’s bylaws provide that any action required or permitted to be taken at a meeting of stockholders may be taken without a meeting if a written consent to the action is signed by stockholders holding at least a majority of the voting power. If a different proportion of voting power is required for an action at a meeting, then that proportion of written consents is also required.</p>	<p>Under English law, the consent in writing of all shareholders of a private company is required in order to approve, without a meeting, a matter requiring shareholder approval.</p>

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	<u>Lynx</u>	<u>Solexa</u>
Amendment to Organizational Documents	<p>Under Delaware law and Lynx’s certificate of incorporation, the certificate of incorporation may be amended by the affirmative vote of the holders of a majority of the outstanding stock entitled to vote and a majority of the outstanding stock of each class entitled to vote as a class.</p> <p>Lynx’s bylaws provide that Lynx reserves the right to amend, alter, change or repeal any provision contained in the certificate of incorporation in the manner prescribed by statute, and all rights conferred upon the stockholders in the certificate of incorporation are granted subject to this right.</p> <p>Delaware law provides that a corporation’s stockholders entitled to vote have the power to amend bylaws, although the corporation’s certificate of incorporation may give the board of directors the power to amend bylaws as well.</p> <p>Lynx’s certificate of incorporation provides that the board of directors may amend, supplement or repeal the bylaws. Lynx’s bylaws provide that any repeal or modification of the bylaws shall be prospective and shall not affect the right under the bylaws in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of Lynx. Other than provisions relating to the prospective effect of any amendment, the bylaws may be amended or repealed and new bylaws be adopted by the stockholders entitled to vote.</p>	<p>Under English law, shareholders have the power to amend:</p> <p style="padding-left: 40px;">the objects, or purpose, clause in a company’s memorandum of association; and</p> <p style="padding-left: 40px;">subject to any specific conditions contained in the memorandum, any provisions of the company’s articles of association,</p> <p>by special resolution, subject to, in the case of amendments to the objects clause of the memorandum of association, the right of dissenting shareholders to apply to the court to cancel the amendments within 21 days of the passing of the resolution.</p> <p>The shareholders’ agreement governs part of the relationship between Solexa and its shareholders and can only be amended by unanimous consent. In the event of any conflict between the shareholders’ agreement and Solexa’s articles of association, the shareholders’ agreement shall prevail as between the shareholders and the shareholders shall procure such amendment to the memorandum or articles of association as is reasonably necessary to remove such conflict.</p> <p>In addition to the above, pursuant to the shareholders’ agreement, each of Solexa’s shareholders undertakes to procure that without the prior written consent of the holders of at least 66% of the B preferred and A ordinary shares (taken together) Solexa shall not, inter alia, propose to amend nor effect amendments to the memorandum and articles of association.</p> <p>Under English law, the board of directors is not authorized to change the memorandum or articles of association.</p> <p>Amendments affecting the rights of the holders of any class of shares may, depending on the rights attached to the class and the nature of the amendments, also require approval by extraordinary</p>

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	<u>Lynx</u>	<u>Solexa</u>
General Meeting of Stockholders	<p>Delaware law and Lynx’s bylaws provide that the annual meeting of stockholders shall be held at such place, on such date and at such time as may be designated from time to time by the board of directors.</p>	<p>resolution of the classes affected in separate class meetings.</p> <p>The Companies Act requires an annual general meeting to be held in each year and not more than 15 months to elapse between the date of one annual general meeting and that of the next.</p> <p>The Companies Act allows a private company to opt to elect to dispense with the holding of annual general meetings. Solexa has not done so.</p>
Special Meeting of Stockholders	<p>Under Delaware law, special meetings of the stockholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws.</p> <p>Lynx’s bylaws provide that special meetings of the stockholders may only be called by the board of directors pursuant to a resolution adopted by the majority of the total number of authorized directors.</p>	<p>Under English law, an extraordinary general meeting of shareholders may be called by:</p> <p style="padding-left: 40px;">the board of directors;</p> <p style="padding-left: 40px;">if there are not sufficient directors within the U.K. to call a general meeting, any director or member of the company; or</p> <p style="padding-left: 40px;">shareholders holding at least one-tenth of the paid-up capital of the company carrying voting rights at general meetings.</p> <p>Extraordinary resolutions are relatively unusual and are confined to matters out of the ordinary course of business, such as the variation of rights attached to any class of shares in a company.</p> <p>Special resolutions generally involve proposals to change the name of the company or amend its memorandum or articles of association.</p> <p>All other proposals relating to the ordinary course of the company’s business, such as the election of directors, increasing the authorized share capital, granting directors authority to allot shares and, if required, transactions such as mergers, acquisitions and disposals, are the subject of an ordinary resolution.</p>

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	<u>Lynx</u>	<u>Solexa</u>
Notice of Stockholder Meetings	Under Delaware law and Lynx’s bylaws, written notice of any meeting of the stockholders must be given to each stockholder entitled to vote at the meeting not less than 10 nor more than 60 days before the date of the meeting and shall specify the place, date, hour, and purpose or purposes of the meeting.	<p>The notice requirements for an ordinary resolution, an extraordinary resolution and a special resolution are as follows:</p> <p style="padding-left: 40px;">ordinary resolution 14 clear days’ notice;</p> <p style="padding-left: 40px;">extraordinary resolution 14 clear days’ notice; and</p> <p style="padding-left: 40px;">special resolution 21 clear days’ notice.</p> <p>Notwithstanding the foregoing notice requirements, 21 clear days’ notice must be given for an annual general meeting and any resolutions to be proposed at the meeting. In addition, certain matters (such as the removal of directors) require special notice, which is 28 clear days’ notice.</p> <p>In addition, general meetings may be called upon shorter notice if:</p> <p style="padding-left: 40px;">in the case of an annual general meeting, all the shareholders who are permitted to attend and vote agree to the shorter notice period; or</p> <p style="padding-left: 40px;">in the case of an extraordinary general meeting, a majority in number of the shareholders and shareholders holding at least 95% by nominal value of the shares which can be voted at the meeting so agree.</p> <p>(See also Special Meeting of Stockholders above).</p>
Delivery and Notice Requirements of Stockholder Nominations and Proposals	Lynx’s bylaws provide that for a stockholder proposal to be brought properly before an annual meeting, the stockholder must notify the corporate secretary of Lynx not less than 120 days in advance of the date of Lynx’s proxy statement is released to stockholders in connection with the previous year’s annual meeting of stockholders. However, in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year’s proxy statement, then notice must be received a reasonable time before the solicitation is made.	(See Special Meetings of Stockholder and Notice of Stockholder Meetings above)

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	<u>Lynx</u>	<u>Solexa</u>
	<p>Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder’s meeting, stockholders must provide notice as required by the regulations promulgated under the Exchange Act. The notice must specify certain information as set forth in Lynx’s bylaws.</p> <p>Lynx’s bylaws further provide that nomination of persons for election to Lynx’s board of directors may be made at a meeting of stockholders by or at the direction of the board of directors or by any stockholder of Lynx entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in the preceding paragraph and specifies certain information as set forth in Lynx’s bylaws.</p>	
Proxy	<p>Under Delaware law and pursuant to Lynx’s bylaws, at any meeting of the stockholders of Lynx, a stockholder may designate another person to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.</p>	<p>Under Solexa’s articles of association, an instrument appointing a proxy must be in writing and must be signed by the appointer, or his attorney or, if a corporation, by an officer or attorney duly authorized. The proxy instrument must be deposited at the company’s registered office not less than 48 hours before a poll.</p> <p>Under Solexa’s articles of association, a proxy can vote both on a poll and on a show of hands.</p>
Preemptive rights	<p>Under Delaware law, absent express provision in a corporation’s certificate of incorporation, a stockholder does not, by operation of law, possess preemptive rights to subscribe to additional issuances of the corporation’s stock.</p> <p>Lynx’s certificate of incorporation does not provide that stockholders possess any preemptive right to subscribe to additional issuances of its capital stock.</p>	<p>Under English law the directors of a company can only allot shares with the prior authorization of the shareholders. This authorization can only be granted for up to a maximum of five years at a time. The directors can only be authorized to allot shares up to the maximum authorized share capital of the company.</p> <p>Under the Companies Act, the issue for cash of:</p> <ul style="list-style-type: none"> equity securities, being those which, with respect to dividends or capital, carry a right to participate beyond a specified amount; or rights to subscribe for, or convert, into equity securities;

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	Lynx	Solexa
Dividends	<p>Under Delaware law, a corporation may pay dividends out of surplus or net profits for the current or preceding fiscal year, provided that the capital of the corporation is not less than the aggregate amount of the capital represented by the corporation's outstanding stock of all classes having a preference upon distribution of assets.</p> <p>Lynx has never paid cash dividends on its common stock.</p>	<p>must be offered first to the existing equity shareholders in proportion to the respective nominal value of their holdings, unless a special resolution to the contrary has been passed by shareholders in a general meeting, or the articles of association provide otherwise.</p> <p>Solexa's articles of association provide, in addition, that except in the case of a transfer permitted by the articles of association, any person proposing to transfer any shares in the company shall be required, before effecting such transfer, to give notice to the company. All such shares shall by notice in writing be offered by the company to all existing members (other than the holder of the shares) to be sold to the acceptors of the offer in proportion to their existing holdings of shares.</p> <p>Pursuant to the shareholders' agreement, each Solexa shareholder undertakes to procure that without the prior written consent of the holders of at least 66% of the B preferred and A ordinary shares taken together, Solexa shall not, inter alia, allot or issue any share capital.</p> <p>An English company may pay dividends on its ordinary shares, subject to the prior rights of holders of preferred shares, only out of its distributable profits, broadly defined as accumulated, realized profits less accumulated, realized losses, and not out of share capital, which includes share premiums, which are equal to the excess of the consideration for the issue of shares over the aggregate nominal amount of such shares. Amounts credited to the share premium account, however, may be used to pay up unissued shares which may then be distributed to shareholders in proportion to their holdings as bonus shares.</p> <p>Solexa's articles of association provides for B preferred shareholders to be paid a fixed dividend in priority to A ordinary shareholders and ordinary shareholders at a rate of eight percent per annum and for any unpaid B preferred dividend to accrue.</p>

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	Lynx	Solexa
Liability of Director and Officer	<p>Delaware law permits a corporation's certificate of incorporation to include a provision eliminating or limiting the personal liability of a director to the corporation and its stockholders for damages arising from a breach of fiduciary duty as a director. However, no provision can limit the liability of a director for:</p> <ul style="list-style-type: none"> any breach of the director's duty of loyalty to the corporation or its stockholders; acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; intentional or negligent payment of unlawful dividends or stock purchases or redemptions; or any transaction from which the director derives an improper personal benefit. 	<p>After provision has been made for the B preferred shareholder dividends to be paid in each financial year, Solexa's articles of association provide for A ordinary shareholders to be paid a dividend of eight percent per annum in priority to the ordinary shareholders and for any unpaid A ordinary shareholder dividend to accrue.</p> <p>Solexa's articles of association provide for the ordinary shareholders to be paid a dividend after the necessary provisions have been made for the B preferred and A ordinary shareholders if the directors resolve to do so.</p> <p>In addition to the above, pursuant to the shareholders agreement each of Solexa's shareholders undertakes to procure that without the prior written consent of the holders of at least 66% of the B preferred and A ordinary shares (taken together) Solexa shall not, inter alia, propose or make any dividend.</p> <p>To date, Solexa has not paid cash dividends on its outstanding share capital and does not intend to pay cash dividends in the foreseeable future.</p> <p>English law does not permit a company to exempt any director, officer of the company or any person employed by the company as an auditor, from any liability arising from negligence, default, breach of duty or breach of trust against the company.</p>

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	Lynx	Solexa
Indemnification of Directors and Officers	<p>Lynx's certificate of incorporation provides a director shall not be liable to Lynx or its stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by Delaware law.</p> <p>Lynx's bylaws provide that Lynx shall indemnify its directors and executive officers to the fullest extent not prohibited by Delaware law or other applicable law, though the extent of indemnification may be modified through individual contracts. Lynx shall not be required to indemnify any director or executive officer in connection with any proceeding initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the board of directors, or (iii) such indemnification is provided by Lynx, in its sole discretion, pursuant to Delaware law.</p> <p>Lynx's bylaws provide that Lynx may indemnify its other officers, employees and agents as set forth in Delaware law.</p> <p>Expenses incurred by directors and executive officers in connection with proceedings shall be paid by Lynx as incurred and before final disposition of the proceedings upon receipt of an undertaking by or on behalf of such person to repay the amount if it is determined ultimately that such person is not entitled to be indemnified by Lynx. No advance of expenses shall be made to an executive officer if the board of directors reasonably and promptly determines that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of Lynx.</p> <p>Delaware law and Lynx's bylaws provide that Lynx has the power to purchase insurance on behalf of any person required or permitted to be indemnified pursuant to the bylaws.</p>	<p>English law does not permit a company to indemnify:</p> <ul style="list-style-type: none"> a director or officer of the company; or any person employed by the company as an auditor; <p>against any liability arising from negligence, default, breach of duty or breach of trust against the company, except that indemnification is allowed for liabilities incurred in proceedings in which:</p> <ul style="list-style-type: none"> judgment is entered in favor of the director or officer, or the director or officer is acquitted; or the director or officer is held liable, but the court finds that he/she acted honestly and reasonably and that relief should be granted. <p>The Companies Act enables companies to purchase and maintain insurance for directors and officers against liabilities arising from negligence, default, breach of duty or breach of trust against the company.</p> <p>Solexa's articles of association do provide that:</p> <ul style="list-style-type: none"> every director, auditor, secretary or other officer of the company shall be indemnified against all liability incurred in the execution of his duties; and the company may purchase insurance against any such liability. <p>See also Liability of Directors and Officers above.</p>

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	<u>Lynx</u>	<u>Solexa</u>
Voting Rights	<p>Delaware law and Lynx's bylaws provide that each stockholder is entitled to one vote for each share of capital stock held by such stockholder.</p>	<p>Under English law, unless the articles of association provide otherwise, a shareholder entitled to vote at a shareholders' meeting is entitled to one vote on a show of hands regardless of the number of shares he or she holds; provided, however, that any group of five ordinary shareholders (or a lesser number if provided in the articles of association) and any shareholder representing at least 10% of the total voting rights (or a lower percentage if provided in the articles of association) has the statutory right to demand a vote by a poll, which means that each ordinary shareholder would be entitled to one vote for each ordinary share held by the shareholder.</p> <p>Solexa's articles of association provide that the following, present in person or by proxy and entitled to vote, may demand a poll (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll): (a) the chairman of a meeting, (b) any shareholder, (c) shareholders representing at least 1/10 of the total voting rights of all shareholders having a right to vote at the meeting, or (d) shareholders holding shares conferring a right to vote at the meeting and for which an aggregate sum has been paid up equal to at least 1/10 of the total sum paid up on all the shares conferring such right.</p> <p>Under English law, the voting rights of shareholders are regulated by a company's articles of association. In addition, ordinary resolutions may, if a poll is not demanded, be decided on a show of hands and must be approved by at least a majority of the shareholders present and voting at a meeting. If a poll is demanded, the resolution conducted on a poll must be approved by holders of at least a majority of the votes cast at the meeting. Both special and extraordinary resolutions require the affirmative vote of at least 75% of the votes cast at the meeting. Proxies may vote on a poll vote.</p>

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Solexa's articles of association further provide that:

Every B preferred shareholder present in person or proxy (or if a corporation by duly authorized representative or proxy) shall have;

one vote on a show of hands; and

on a poll, every B preferred shareholder present shall have one vote for each ordinary share into which the B preferred shares held by such holder are convertible in accordance with Article 2.2(d) of Solexa's articles of association.

Every A ordinary shareholder present in person or by proxy (or if a corporation by duly authorized representative or proxy) shall have;

one vote on a show of hands; and

on a poll, one vote for each A ordinary share held by him; and

Every holder of ordinary shares present in person or by proxy (or if a corporation by duly authorized representative or by proxy) shall have;

one vote on a show of hands; and

on a poll, one vote for each ordinary share held by him.

Solexa's articles of association specify a quorum of two shareholders, present in person or by proxy or represented by a duly authorized representative and entitled to vote.

Solexa's shareholders' agreement restricts the shareholders' voting rights by providing that, without a written consent from at least 66% of the B preferred and A ordinary shareholders (taken together), the shareholders will exercise their voting rights to procure that the company does not effect or propose certain matters.

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	<u>Lynx</u>	<u>Solexa</u>
Appraisal Rights	<p>Delaware law provides that stockholders have the right, in some circumstances, to dissent from certain corporate reorganizations and to instead demand payment of the fair cash value of their shares.</p> <p>Unless a corporation’s certificate of incorporation provide otherwise, dissenters do not have rights of appraisal with respect to a merger or consolidation by a corporation, if the shares of the corporation are either:</p> <ul style="list-style-type: none"> listed on a national securities exchange; designated as a national market system security on an interdealer quotation system by the NASD; or held by at least 2,000 stockholders of record; <p>unless the stockholders receive in exchange for their shares anything other than cash in lieu of fractional shares, shares of the surviving corporation, shares of any other corporation that are publicly listed or held by more than 2,000 stockholders, or a combination of the foregoing.</p> <p>Stockholders of a corporation surviving a merger do not have appraisal rights if no vote of the stockholders of the surviving corporation is required to approve the merger.</p> <p>Appraisal rights are not available to Lynx stockholders with respect to the transaction.</p>	<p>Under English law, shareholders do not generally have appraisal rights, as the concept is understood under Delaware law, and Solexa’s articles of association do not contain any appraisal rights.</p> <p>Under a scheme of reconstruction under Section 110 of the Insolvency Act 1986 of England and Wales, a shareholder can require the liquidator to abstain from carrying the reconstruction resolution into effect, or to purchase such shareholder’s interest at a price agreed or determined by arbitration.</p> <p>Additionally, any shareholder who complains that the affairs of the company are being conducted, or that the directors’ powers are being exercised, in a manner unfairly prejudicial to such shareholder or some part of the shareholders (including such shareholder), or in disregard of such shareholder’s proper interests as a shareholder, may apply to the High Court in England for relief. If the High Court finds the complaint to be justified, it may exercise its discretion as to the appropriate remedy, which may include an order for the purchase of the shares on such terms, including as to price, as the High Court may determine.</p> <p>Under the Companies Act, a group of shareholders may be able to bring a derivative action in the name of the company against other shareholders if they consider that wrongdoing has occurred against the company.</p>
Certain Business Combination Restrictions	<p>Delaware law provides that if a person acquires 15% or more of the voting stock of a Delaware corporation such person is an interested stockholder and may not engage in certain business combinations with the corporation for a period of three years from the time such person acquired 15% or more of the corporation’s voting stock. The statute contains certain exceptions to this prohibition. If, for</p>	<p>Under the Companies Act, the company must obtain prior shareholder consent to any transaction of substantial value between the company and any director or person connected with any director.</p> <p>Pursuant to the shareholders’ agreement, each Solexa shareholder undertakes to procure that without the prior written consent of the holders of at least 66% of</p>

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	<u>Lynx</u>	<u>Solexa</u>
	<p>example, the board of directors approves the acquisition of stock or the transaction prior to the time that the person becomes an interested stockholder, or if the interested stockholder owns at least 85% of the outstanding voting stock of the corporation at the time the transaction commences (excluding voting stock owned by directors who are also officers and certain employee stock plans), or if the transaction is approved by the board of directors and by the affirmative vote at a meeting of stockholders of 2/3 of the holders of the outstanding voting stock which is not owned by the interested stockholder, then the three year prohibition concerning a business combination is not applicable.</p> <p>A Delaware corporation can elect in its certificate of incorporation or bylaws not to be governed by this particular Delaware law. Lynx has not made that election.</p>	<p>the B preferred and A ordinary shares taken together, Solexa shall not, inter alia, acquire or dispose of the whole or part of the undertaking of another person or of Solexa, or negotiate the disposal of shares in Solexa, except when such a disposal is a company building merger as such term is described in Company Building Merger below.</p>
Stock Class Rights	<p>Under Delaware law, any change to the rights of holders of the shares of common stock of Lynx would require an amendment to Lynx's certificate of incorporation.</p> <p>Delaware law provides that the holders of shares of a class or series shall be entitled to vote as a class upon a proposed amendment if the amendment will increase or decrease the authorized shares of the class or series; increase or decrease the par value of the shares of the class or series; alter or change the powers, preferences or special rights of the shares of the class or series so as to affect them adversely.</p> <p>Under Lynx's certificate of incorporation, Lynx has the right to issue shares of common stock as well as shares of preferred stock.</p> <p>The shares of authorized common stock shall be identical in all respects and have equal rights and privileges. Without action by the stockholders, such shares of common stock may be issued by Lynx</p>	<p>Solexa's shareholders' agreement provides that without a written consent from at least 66% of the B preferred and A ordinary shareholders (taken together) the shareholders will exercise their voting rights to procure that the company does not effect or propose certain matters.</p> <p>(See also Amendment of Governing Instruments above in relation to the need for class consent in certain circumstances.)</p>

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	<p>from time to time for such consideration as may be fixed by the board of directors; provided, however, that such consideration shall not be less than par value. Any and all shares so issued, the full consideration for which has been paid or delivered, shall be deemed fully paid stock non-assessable.</p> <p>The board of directors shall have the authority to issue the shares of the preferred stock from time to time on such terms and conditions as it may determine, and to divide the preferred stock into one or more classes or series and in connection with the creation of any such class or series to fix by the resolution or resolutions providing for the issue of shares thereof the designations, powers, preferences and relative participating, optional or other special rights of such class or series, and the qualifications, limitations, or restrictions thereof, to the full extent now or hereafter permitted by law. The number of authorized shares of preferred stock may be increased or decreased (but not below the number then outstanding) by the affirmative vote of the holders of a majority of the common stock.</p>	
Rights of Purchase and Redemption	<p>Under Delaware law, any corporation may purchase, redeem and dispose of its own shares, except that it may not purchase or redeem these shares if the capital of the corporation is impaired at the time or would become impaired as a result of the redemption, provided that if a corporation redeems its stock, immediately following any such redemption, the corporation must have outstanding one or more shares of one or more classes which shares together must have full voting power.</p> <p>However, at any time, a corporation may purchase or redeem any of its shares which are entitled upon any distribution of assets to a preference over another class of its stock if these shares will be retired upon acquisition or redemption, thereby reducing the capital of the corporation.</p> <p>The NASDAQ requires that publicity be</p>	<p>Under English law, a company may issue redeemable shares if authorized by its articles of association, subject to any conditions stated therein.</p> <p>A company may purchase its own shares, including any redeemable shares, if the purchase is authorized by its memorandum and articles of association and has been approved by a special resolution. A company may redeem or repurchase shares only if the shares are fully paid and if any payment in respect of the redemption is otherwise than out of</p>
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	<u>Lynx</u>	<u>Solexa</u>
	<p>given and prior notice be sent to the NASDAQ of any material information which would reasonably be expected to affect the value of the securities or influence investors decisions, such as redemption of the securities. The NASDAQ rules provide that upon receipt of such notice trading may be suspended.</p>	<p>distributable profits or the proceeds of a fresh issue of shares.</p> <p>Solexa s articles of association authorize the issue of redeemable shares, subject to the Companies Act and with the sanction of a special resolution, and the purchase of its own shares, subject to and in accordance with the Companies Act and to any rights conferred on the holders of any class of shares.</p> <p>Pursuant to the shareholders agreement each of Solexa s shareholders undertakes to procure that without the prior written consent of the holders of at least 66% of the B preferred and A ordinary shares (taken together) Solexa shall not, inter alia redeem any shares.</p>
Stockholder Vote on Certain Transactions	<p>Generally, under Delaware law, unless the certificate of incorporation provides for the vote of a larger portion of the stock, completion of a merger, consolidation, sale, lease or exchange of all or substantially all of a corporation s assets or dissolution requires:</p> <ul style="list-style-type: none"> the approval of the board of directors; and approval by the vote of the holders of a majority of the outstanding stock or, if the certificate of incorporation provides for more or less than one vote per share, a majority of the votes of the outstanding stock of a corporation entitled to vote on the matter. <p>Lynx s certificate of incorporation does not require a vote of a larger portion of the stock.</p> <p>Under the rules of the NASDAQ, acquisitions involving the following require shareholder approval:</p> <ul style="list-style-type: none"> any director, officer or substantial shareholder of the issuer has a five percent or greater interest (or such persons collectively have a 10% or greater interest), in the company or assets to be 	<p>The Companies Act provides for schemes of arrangement, which are arrangements or compromises between a company and any class of shareholders or creditors and used in certain types of reconstructions, amalgamations, capital reorganizations or takeovers. These arrangements require:</p> <ul style="list-style-type: none"> the approval at a special meeting convened by order of the court, of a majority in number of shareholders or creditors representing 75% in value of the capital held by, or debt owed to, the class of shareholders or creditors, or class thereof present and voting, either in person or by proxy; and the approval of the court. <p>Solexa s shareholders agreement provides that without a written consent from at least 66% of the B preferred and A ordinary shareholders (taken together) the shareholders will exercise their voting rights to procure that the company does not effect or propose certain matters.</p>

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	<u>Lynx</u>	<u>Solexa</u>
	<p>acquired or in the consideration to be paid in the transaction and the issuance of common stock could result in an increase in outstanding common shares or voting power of five percent or more; or</p> <p>where, due to the issuance of additional shares of common stock, or securities convertible into or exercisable for common stock, other than a public offering for cash:</p> <p>the common stock has, or will have upon issuance, voting power equal to or in excess of 20% of the voting power outstanding before the issuance of such stock or securities; or</p> <p>the number of shares of common stock to be issued is or will be equal to or in excess of 20% of the number of shares of common stock outstanding before the issuance of such stock or securities.</p>	
Right of Inspection	<p>Delaware law allows any stockholder to inspect the corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts of those materials during normal business hours; provided, however, that, the stockholder makes a written request under oath stating the purpose of such stockholder's inspection, and the inspection is for a purpose reasonably related to the person's interest as a stockholder.</p> <p>Lynx's bylaws provide that as long as there are 100 or more holders of record of Lynx shares, the board of directors shall cause an annual report to be sent to each stockholder not later than 120 days after the close of Lynx's fiscal year and at least 15 days prior to the next annual meeting of stockholders.</p>	<p>Except when disclosed under the provisions of the Companies Act, the register, index of names of shareholders and certain other registers of an English company may be inspected during business hours:</p> <p>without payment, by its shareholders; or</p> <p>for a small fee by any other person.</p> <p>In such cases, the documents may be copied for a small fee.</p>
Standard of Conduct for Directors	<p>Delaware law does not contain specific provisions setting forth the standard of conduct of a director. The scope of the fiduciary duties of directors is generally determined by the courts of the State of Delaware. In general, directors have a duty to act without self-interest, on a well-informed basis and in a manner they</p>	<p>Under English law, a director has a fiduciary duty to act in a company's best interest. This duty includes obligations:</p> <p>not to create an actual or potential conflict between the director's duty to the company and duties to any other person or the director's personal interests; and</p>

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	<u>Lynx</u>	<u>Solexa</u>
	<p>reasonably believe to be in the best interest of the stockholders.</p>	<p>to exercise the director's powers only in accordance with the memorandum and articles of association of the company.</p> <p>In addition, a director must exercise reasonable care and skill.</p>
Stockholder Suits	<p>Under Delaware law, a stockholder may initiate a derivative action to enforce a right of a corporation if the corporation fails to enforce the right itself. The complaint must:</p> <p style="padding-left: 20px;">state that the plaintiff was a stockholder at the time of the transaction of which the plaintiff complains or that the plaintiff's shares thereafter devolved on the plaintiff by operation of law; and</p> <p style="padding-left: 20px;">allege with particularity the efforts made by the plaintiff to obtain the action the plaintiff desires from the directors and the reasons for the plaintiff's failure to obtain the action; or</p> <p style="padding-left: 20px;">state the reasons for not making the effort.</p> <p>Additionally, the plaintiff must remain a stockholder through the duration of the derivative suit. The action will not be dismissed or compromised without the approval of the Delaware Court of Chancery.</p>	<p>While English law only permits a shareholder to initiate a derivative action on behalf of the company in limited circumstances, the Companies Act permits a shareholder whose name is on the register of shareholders of the company to apply for a court order:</p> <p style="padding-left: 20px;">when the company's affairs are being or have been conducted in a manner unfairly prejudicial to the interests of all or some shareholders, including the shareholder making the claim; or</p> <p style="padding-left: 20px;">when any act or omission of the company is or would be so prejudicial.</p> <p>A court has wide discretion in granting relief, and may authorize civil proceedings to be brought in the name of the company by a shareholder on terms that the court directs. Except in these limited circumstances, English law does not generally permit class action lawsuits by shareholders on behalf of the company, or on behalf of other shareholders.</p>
Anti-Takeover Measures	<p>Under Delaware law, directors generally have a duty to act without self-interest, on a well-informed basis and in a manner they reasonably believe to be in the best interests of the stockholders.</p> <p>Nevertheless, a Delaware court will generally apply a policy of judicial deference to board of directors decisions to adopt anti-takeover measures in the face of a potential takeover where the directors are able to show that:</p> <p style="padding-left: 20px;">they had reasonable grounds for believing that there was a danger to corporate</p>	<p>Under English law, directors of a company have a fiduciary duty to take only those actions which are in the interests of the company. Generally, anti-takeover measures are not actions which fall within this category.</p> <p>Pursuant to the shareholders' agreement each of Solexa's shareholders undertakes to procure that without the prior written consent of the holders of at least 66% of the B preferred and A ordinary shares (taken together) Solexa shall not, inter alia, acquire or dispose of the whole or part of any undertaking or merge nor propose to</p>

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	<u>Lynx</u>	<u>Solexa</u>
	<p>policy and effectiveness from an acquisition proposal; and</p> <p>the board action taken was reasonable in relation to the threat posed.</p>	<p>do so other than in specific circumstances.</p>
Disclosure of Interests	<p>Acquirors of common stock are subject to disclosure requirements under Section 13(d)(1) of the Exchange Act and Rule 13d-1 thereunder, which provide that any person who becomes the beneficial owner of more than five percent of the outstanding common stock of Lynx must, within ten days after such acquisition file a Schedule 13 with the SEC disclosing specified information.</p>	<p>All companies registered in England and Wales are required to maintain a register of directors' interests which can be inspected during business hours at the company's registered office by any member (without payment) and by any member of the public for a small fee.</p> <p>Directors' other directorships must be disclosed in the annual return.</p>
Limitations On Enforceability Of Civil Liabilities Under U.S. Federal Securities Laws	<p>Lynx is a U.S. company incorporated under the laws of Delaware. U.S. investors generally can initiate lawsuits in the United States against Lynx and its directors and officers and can enforce lawsuits based on U.S. federal securities laws in U.S. courts.</p> <p>Directors and officers of Lynx are governed by rules under the Exchange Act that may require directors and officers to forfeit to Lynx any short swing profits realized from purchases and sales, as determined under the Exchange Act and the rules thereunder, of Lynx equity securities.</p>	<p>Solexa is an English company located in the United Kingdom. Most of the officers of Solexa are residents of the United Kingdom and not the United States. A large portion of the assets of Solexa and its directors and officers are located outside of the United States. As a result, U.S. investors may find it difficult, in a lawsuit based on the civil liability provisions of the U.S. federal securities laws, to:</p> <ul style="list-style-type: none"> effect service within the United States upon Solexa and the directors and officers of Solexa located outside the United States; enforce in U.S. courts or outside the United States judgments obtained against those persons in U.S. courts; enforce in U.S. courts judgments obtained against those persons in courts in jurisdictions outside the United States; and enforce against those persons in the United Kingdom, whether in original actions or in actions for the enforcement of judgments of U.S. courts, civil liabilities based solely upon the U.S. federal securities laws.
Reporting	<p>Under the Exchange Act proxy rules, Lynx must comply with notice and disclosure</p>	<p>As a foreign private limited company, Solexa is not subject to the Exchange Act</p>

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	<u>Lynx</u>	<u>Solexa</u>
	<p>requirements relating to the solicitation of proxies for stockholder meetings.</p> <p>As a U.S. public company, Lynx must file with the SEC, among other reports and notices:</p> <ul style="list-style-type: none"> an annual report on Form 10-K within 90 days after the end of each fiscal year; quarterly reports on Form 10-Q within 45 days after the end of each of the first three fiscal quarters of each year; and current reports on Form 8-K within 4 business days after the occurrence of important corporate events. 	<p>proxy rules. However, Solexa is governed by the Companies Act.</p> <p>Under English law, Solexa must deliver, inter alia, the following documents to Companies House for filing by the registrar of companies for England and Wales:</p> <ul style="list-style-type: none"> annual accounts and report, ten months after the end of the relevant accounting period; an annual return, within 28 days after the date to which it is made up; forms 288 noting the resignation and appointment of directors and secretary, within 14 days of the date of the change; auditors' notice of resignation, within 14 days of the company's receipt of such notice; copies of all special and extraordinary resolutions passed by the company, within 15 days of the date the resolution was passed; a form 123 on any increase in the share capital of the company; and a form 88(2) on the allotment of shares in the capital of the company.
Return of Assets	<p>Lynx currently only has common stock outstanding. In the event of dissolution, liquidation or winding up of Lynx, the holders of Lynx common stock are entitled to share ratably in the assets of Lynx legally available for distribution to Lynx's stockholders.</p>	<p>Solexa's articles of association provide that on a return of assets and in specified circumstances, the holders of B preferred shares shall be entitled to be paid out of the surplus assets of Solexa remaining after payment of its liabilities, an amount equal to the greater of 1.5 times the subscription price paid for each B preferred share and the amount to be received if the B preferred shares were converted into ordinary shares at the then current B preferred conversion rate (in each case plus any arrears of dividends). Thereafter, the holders of A ordinary shares would be entitled in priority to the holders of ordinary shares to be paid an amount equal to the greater of the subscription price paid</p>

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	Lynx	Solexa
Company Building Merger	There are no equivalent provisions under Lynx's certificate of incorporation and bylaws.	<p>for each of the A ordinary shares and the amount that they would receive if they converted their shares into ordinary shares on a one to one basis (in each case plus any arrears of dividends). Thereafter, the holders of ordinary shares shall be entitled to be paid either in proportion to the amount paid up on subscription or, if the B preferred shares and A ordinary shares have been converted into ordinary shares, then on a pro-rata basis between all the ordinary shares.</p> <p>Upon a company building merger, whereby the shareholders of Solexa would receive at least 40% of the nominal share capital and at least 40% of the voting control in the surviving or succeeding entity, then firstly, at the election of at least 66% of the holders of B preferred shares, the holders of B preferred shares shall either receive such number of securities in the surviving entity as is determined by multiplying the subscription price paid for the B preferred shares plus arrears of dividends accrued on or after January 1, 2005 by the number of outstanding B preferred shares and by 1.25 and dividing the result by the per share price of the equity securities issued in such company building merger, or have their B preferred shares converted into such number of ordinary shares equal to the B preferred conversion rate multiplied by 1.25. Thereafter, at the election of 51% of the A ordinary shareholders, the holders of A ordinary shares shall either receive such number of securities in the surviving entity as is determined by multiplying the subscription price paid for the A ordinary shares plus arrears of dividends accrued on or after January 1, 2005 by the number of outstanding A ordinary shares and dividing the result by the per share price of the equity securities issued in such company building merger, or have their A ordinary shares converted into ordinary shares at a rate of one ordinary share per each A ordinary shares held. Thereafter, the remaining equity securities of the surviving entity shall be distributed to the ordinary shareholders pro-rata.</p>
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	<u>Lynx</u>	<u>Solexa</u>
Conversion	<p>Holders of Lynx common stock do not have conversion rights under Lynx’s certificate of incorporation and bylaws.</p>	<p>Solexa’s articles of association provide that the holders of the B preferred shares and A ordinary shares shall have certain rights as regards conversion. The holders of B preferred shares and A ordinary shares have provided an undertaking in the company support agreement not to convert such shares into ordinary shares.</p>
Shareholder Redemption of Shares	<p>Holders of Lynx common stock do not have redemption rights under Lynx’s certificate of incorporation and bylaws.</p>	<p>As regards redemption, on or after July 31, 2010 or in the event of any repudiatory breach by Solexa of the articles of association and/or shareholders’ agreement, any holder of B preferred shares may request in writing that the company redeem such shares for either a cash amount equivalent to the greater of either the subscription paid by that shareholder or the fair value of the B preferred shares being redeemed, in either case plus arrears of dividends.</p>
Compulsory Transfer of Shares	<p>There are no equivalent provisions under the Delaware law or in Lynx’s certificate of incorporation and bylaws.</p>	<p>Solexa’s articles of association provide that a Solexa shareholder’s shares can be compulsorily transferred in accordance with the pre-emption on transfer procedure described in Pre-emptive Rights above in the following circumstances:</p> <ul style="list-style-type: none"> if another person becomes entitled to an individual shareholder’s shares due to bankruptcy; in respect of a corporate shareholder, if a liquidator, administrator or administrative receiver is appointed over it or a material part of its assets; if a share remains registered in the name of a deceased shareholder for longer than one year after the shareholder’s death; in respect of a corporate shareholder, if there is a change of control of the shareholder and if required by the directors; or if a drag-along right occurs. See Enforced Participation in a Sale of Shares to a Third Party below. <p>In addition to the above circumstances, a</p>

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	<u>Lynx</u>	<u>Solexa</u>
Voluntary Participation in a Sale of Shares to a Third Party	There are no equivalent provisions under Lynx's certificate of incorporation and bylaws.	<p>director or employee of or consultant to Solexa (with specific limited exceptions) who ceases to hold that position or a former director or employee of or consultant to Solexa who acquires shares after the termination of his employment by way of exercise of options acquired during the period of his employment will be required to sell his shares.</p> <p>Solexa's articles of association provide that in the event that a shareholder is proposing to transfer more than 10% in nominal amount of the ordinary shares held by that shareholder or any B preferred or A ordinary shares (other than in circumstances where a transfer notice has been given in accordance with the articles of association and the transferor is permitted to transfer some or all of his shares to a third party), then, as a condition to the transfer of such shares, such purchaser shall offer to buy an equivalent proportion from certain specific other shareholders depending on the class of shares being transferred.</p>
Enforced Participation in a Sale of Shares to a Third Party	There are no equivalent provisions under Lynx's certificate of incorporation and bylaws.	<p>If the holders of at least 66% of the B preferred and A ordinary shareholders (taken together as one class) intend to sell their shares to a purchaser who has made a bona fide offer at arm's length terms for the entire issued share capital, then Solexa must give notice to all other shareholders that their shares are to be compulsorily purchased on the same terms as those offered to the 66% of B preferred and A ordinary shareholders and the other shareholders must sell their shares on those same terms.</p> <p>Under the Companies Act, where an offeror has acquired, or contracted to acquire no less than 90% in nominal value of the shares or class of shares to which the offer relates, they can seek to compulsorily acquire all the remaining shares of the relevant class.</p>
Anti-Dilution Provisions	There are no equivalent provisions under Lynx's certificate of incorporation and bylaws.	In the event that Solexa shall issue any additional shares without consideration or for a consideration, per share, less than the B preferred conversion price in effect on the date of such issue, then the B Preferred conversion price shall be

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	<u>Lynx</u>	<u>Solexa</u>
Access to Financial Information	See Rights of Inspection above.	adjusted in accordance with a specified formula. Under the shareholders agreement, Solexa agrees to prepare monthly management accounts. Each of the holders of B preferred shares and A ordinary shares, and the directors appointed by them, are entitled to examine the books and accounts of Solexa upon reasonable notice.
Certain other Restrictions on Share Transfers	<p>Holders of Lynx common stock are not currently subject to any restrictions on share transfers under Lynx's certificate of incorporation and bylaws. However, Lynx's bylaws provide that Lynx shall have the power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of Lynx to restrict the transfer of shares of stock of Lynx of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.</p>	<p>The shareholders agreement provides that those shareholders who held their shares prior to July 30, 2004 will not agree to any transfer, mortgage, charge or other disposal of the whole or part of their individual interest in, or grant any options or other rights over, any shares except (i) with the written consent of at least 66% of the B preferred and A ordinary shareholders (taken together as one class); or (ii) where required to do so by Solexa's articles of association or the shareholders agreement.</p> <p>In addition to the above, the shareholders who held their shares prior to July 30, 2004 agree that they will not effect any such disposal to any person who is not a party to the shareholders agreement without first obtaining an undertaking from the transferee to be bound by the terms of the shareholders agreement.</p>

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements give effect to the proposed transaction between Solexa and Lynx. Because Solexa's shareholders will own approximately 80% of the shares of Lynx common stock after the acquisition, Solexa's designees to the combined company's board of directors will represent a majority of the combined company's directors and Solexa's senior management will represent a majority of the senior management of the combined company, Solexa is deemed to be the acquiring company for accounting purposes. Accordingly, the purchase price is allocated among the fair values of the assets and liabilities of Lynx, while the historical results of Solexa are reflected in the results of the combined company. The transaction will be accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations. Under the purchase method of accounting, the total estimated purchase price, calculated as described in Note 1 to these unaudited pro forma condensed combined financial statements, is allocated to the net tangible and intangible assets acquired and liabilities assumed in connection with the transaction, based on their estimated fair values as of the completion of the transaction. Management has made a preliminary allocation of the estimated purchase price to the tangible and intangible assets acquired and liabilities assumed based on various preliminary estimates. A final determination of these estimated fair values, which cannot be made prior to the completion of the transaction, will be based on the actual net tangible and intangible assets of Lynx that exist as of the date of completion of the transaction.

The unaudited pro forma condensed combined balance sheet as of September 30, 2004 gives effect to the proposed transaction as if it occurred on September 30, 2004 and combines the historical balance sheets of Solexa and Lynx at September 30, 2004. The Solexa balance sheet information was derived from its unaudited September 30, 2004 balance sheet included herein. The Lynx consolidated balance sheet information was derived from its unaudited September 30, 2004 consolidated balance sheet included in its Report on Form 10-Q for the quarter ended September 30, 2004 incorporated herein by reference.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2003 is presented as if the transaction was consummated on January 1, 2003 and combines the historical results of Solexa and Lynx for the year ended December 31, 2003. The historical results of Solexa were derived from its audited December 31, 2003 statement of operations included herein. The historical results of Lynx were derived from its consolidated statement of operations included in its Annual Report on Form 10-K, as amended, for its fiscal year ended December 31, 2003 incorporated herein by reference.

The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2004 is presented as if the transaction was consummated on January 1, 2003 and combines the historical results of Solexa and Lynx for the nine months ended September 30, 2004. The historical results of Solexa were derived from its unaudited September 30, 2004 statement of operations included herein. The historical results of Lynx for the nine months ended September 30, 2004 were derived from its consolidated statement of operations included in its Report on Form 10-Q for the quarter ended September 30, 2004 incorporated herein by reference.

The unaudited pro forma condensed combined financial statements have been prepared by Solexa and Lynx management for illustrative purposes only and are not necessarily indicative of the condensed consolidated financial position or results of operations in future periods or the results that actually would have been realized had Solexa and Lynx been a combined company during the specified periods. The pro forma adjustments are based on the preliminary information available at the time of the preparation of this document. The unaudited pro forma condensed combined financial statements, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the historical consolidated financial statements of Solexa for the year ended December 31, 2003 included herein and the unaudited condensed consolidated financial statements of Solexa for the nine months ended September 30, 2004 included herein, the historical consolidated financial statements of Lynx included in its Annual Report on Form 10-K, as amended, for its year ended December 31, 2003 incorporated herein by reference and the unaudited condensed historical consolidated financial statements of Lynx included in its Form 10-Q for its quarter ended September 30, 2004 incorporated herein by reference.

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Further, the unaudited pro forma condensed combined financial statements do not include any adjustments for liabilities resulting from integration planning, as management of Solexa and Lynx are in the process of making these assessments and estimates of these costs are not currently known. Management currently does not expect to record any significant liabilities related to integration planning or to incur significant restructuring charges as a result of the proposed transaction. Also, since the final intrinsic value associated with deferred stock compensation will be calculated at the closing date of the proposed transaction, the amount allocated to this item could change materially depending on the price of Lynx common stock or the number of Lynx unvested options outstanding as of the time of the closing of the proposed transaction.

All intercompany balances and transactions between Solexa and Lynx, consisting primarily of a loan from Solexa to Lynx, as of the dates and for the periods of these pro forma condensed combined financial statements have been eliminated in the unaudited pro forma condensed combined financial statements. Certain reclassification adjustments have been made to conform Solexa's historical reported balances to Lynx's financial statement basis of presentation.

These unaudited pro forma condensed combined financial statements have been prepared based on preliminary estimates of fair values. Amounts preliminarily allocated to intangible assets with definite lives may change, which could result in a material change in amortization of intangible assets. Therefore, the actual amounts recorded as of the completion of the transaction may differ materially from the information presented in these unaudited pro forma condensed combined financial statements. In addition to the receipt of the final valuation, the impact of future integration activities, the timing of completion of the transaction and other changes in Lynx's net tangible and intangible assets that occur prior to completion of the transaction could cause material differences in the information presented.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET****OF SOLEXA LIMITED AND LYNX THERAPEUTICS, INC.
As of September 30, 2004**

	Solexa	Lynx Therapeutics	Pro Forma Adjustments	Pro Forma Combined
(In thousands)				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 12,244	\$ 1,625	\$ 900 a	\$ 14,769
Restricted cash		73		73
Accounts receivable	144	733		877
Inventory		965		965
Other current assets	1,015	326	(13)o (803)j	525
	<u>13,403</u>	<u>3,722</u>	<u>84</u>	<u>17,209</u>
Property and equipment, net	936	8,393		9,329
Intangible assets, net	1,887	2,327	2,400 c (2,327)d	4,287
Goodwill			10,866 b	10,866
Other non-current assets		256		256
Note receivable from Lynx	2,000		(2,000)o	
	<u>\$ 18,226</u>	<u>\$ 14,698</u>	<u>\$ 9,023</u>	<u>\$ 41,947</u>
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable	\$ 677	\$ 884	\$	\$ 1,561
Accrued compensation	136	359		495
Accrued professional fees		718		718
Deferred revenues		759	(759)e	
Equipment loans – current portion	21	197		218
Other accrued liabilities	876	94	397 j (13)o	1,354
	<u>1,710</u>	<u>3,011</u>	<u>(375)</u>	<u>4,346</u>
Deferred revenues		4,437	(1,709)e	2,728
Note payable to Solexa		2,000	(2,000)o	
Equipment loans, less current portion	10			10
Other non-current liabilities		907		907
B redeemable convertible preferred shares	13,593		900 a (14,493)k	
Stockholders' equity:				
A convertible ordinary shares	19		(19)k	
Common stock		124,100	(124,100)f 276 g 76 k	352
Ordinary shares	9		(9)k	
Additional paid-in capital	21,382		15,607 g 688 h 14,445 k	52,122
Deferred compensation			(21)i	(21)

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Accumulated other comprehensive income	2,456	17	(17)f	2,456
Accumulated deficit	(20,953)	(119,774)	119,774 f	(20,953)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total stockholders' equity	2,913	4,343	26,700	33,956
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 18,226	\$ 14,698	\$ 9,023	\$ 41,947
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED**

**STATEMENT OF OPERATIONS
OF SOLEXA LIMITED AND LYNX THERAPEUTICS, INC.
For the Year Ended December 31, 2003**

	<u>Solexa</u>	<u>Lynx Therapeutics</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
	(In thousands, except per share amounts)			
Net revenues:				
Technology access and services fees	\$ 7	\$ 15,840	\$	\$ 15,847
License fees from related party		760	(760)l	
Collaborative research and other		1,501		1,501
	<u>7</u>	<u>18,101</u>	<u>(760)</u>	<u>17,348</u>
Total revenues				
Operating costs and expenses:				
Cost of services fees and other		4,362		4,362
Research and development	5,639	12,178	405 m	18,222
General and administrative	1,087	6,773	10 i	7,870
Restructuring charge for workforce reduction		292		292
	<u>6,726</u>	<u>23,605</u>	<u>415</u>	<u>30,746</u>
Total operating costs and expenses				
Loss from operations	(6,719)	(5,504)	(1,175)	(13,398)
Interest income (expense), net	363	(158)		205
Other income (expense), net		(966)		(966)
	<u>(6,356)</u>	<u>(6,628)</u>	<u>(1,175)</u>	<u>(14,159)</u>
Net loss before provision for (benefit from) income taxes and equity in net loss of related party				
Provision for (benefit from) income taxes	(707)	202		(505)
Equity in net loss of related party		1,930		1,930
	<u>(5,649)</u>	<u>(8,760)</u>	<u>(1,175)</u>	<u>(15,584)</u>
Net loss				
Basic and diluted net loss per share	\$ (0.77)	\$ (1.80)		\$ (0.48)
	<u>7,338</u>	<u>4,854</u>	27,647 q	<u>32,501</u>
Shares used in computation of basic and diluted net loss per share				

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED**

**STATEMENT OF OPERATIONS
OF SOLEXA LIMITED AND LYNX THERAPEUTICS, INC.
For the Nine Months Ended September 30, 2004**

	Solexa	Lynx Therapeutics	Pro Forma Adjustments	Pro Forma Combined
	(In thousands, except per share amounts)			
Net revenues:				
Technology access and services fees	\$ 72	\$ 3,948	\$	\$ 4,020
License fees from related party		570	(570)l	
Collaborative research and other		117		117
Total revenues	72	4,635	(570)	4,137
Operating costs and expenses:				
Cost of services fees and other		3,885		3,885
Research and development	4,774	7,397	304 m	12,475
General and administrative	2,122	5,387	8 i	7,389
Restructuring charge for workforce reduction		118	(128)n	118
Total operating costs and expenses	6,896	16,787	184	23,867
Loss from operations	(6,824)	(12,152)	(754)	(19,730)
Interest income (expense), net	226	(38)	(13)o	188
Other income (expense), net		90	13 o	90
Net loss before provision for income taxes	(6,598)	(12,100)	(754)	(19,452)
Provision for income taxes		1		1
Net loss	(6,598)	(12,101)	(754)	(19,453)
Dividends on Solexa A and B shares	479		(479)p	
Net loss attributable to common stockholders	(7,077)	(12,101)	(275)	(19,453)
Basic and diluted net loss per share	\$ (1.08)	\$ (1.70)		\$ (0.56)
Shares used in computation of basic and diluted net loss per share	6,565	7,125	27,647 q	34,772

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

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**NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED FINANCIAL STATEMENTS**

1. Basis of Presentation

On September 28, 2004, Solexa and Lynx announced a definitive agreement pursuant to which Lynx will issue 27.6 million shares of its common stock in exchange for all of Solexa's outstanding B redeemable convertible preferred shares, A convertible ordinary shares and ordinary shares and may issue options to purchase 1.9 million shares of Lynx common stock in exchange for all outstanding Solexa share options, for a total of 29.5 million shares of Lynx common stock. Because Solexa shareholders will own approximately 80% of the shares of Lynx after the transaction, Solexa's designees to the combined company's board of directors will represent a majority of the combined company's board of directors and Solexa's senior management will represent a majority of the senior management of the combined company, Solexa is deemed to be the acquiring company for accounting purposes and the transaction will be accounted for as a reverse acquisition under the purchase method of accounting for business combinations in accordance with accounting principles generally accepted in the United States.

As of September 30, 2004, Lynx had 7,527,538 shares of common stock outstanding. Based on the average of the closing prices for a range of trading days (September 24, 2004 through September 30, 2004, inclusive) around and including the announcement date of the proposed transaction, the fair value of the outstanding Lynx shares is \$2.11 per share or approximately \$15.9 million. The total preliminary estimated purchase price of \$19.8 million includes the estimated fair value of the Lynx common stock of approximately \$15.9 million, the estimated fair value of Lynx outstanding stock options of approximately \$0.7 million, the estimated fair value of a loan from Solexa to Lynx of approximately \$2.0 million and estimated direct transaction costs of approximately \$1.2 million.

The estimated purchase price and the allocation of the estimated purchase price discussed below are preliminary because the proposed transaction has not yet been completed. The actual purchase price will be based on the Lynx shares and options to purchase Lynx shares outstanding on the closing date of the transaction. The final allocation of the purchase price will be based on Lynx's assets and liabilities on the closing date.

The preliminary estimated total purchase price of the proposed transaction is as follows (in thousands):

Lynx common stock	\$ 15,883
Estimated fair value of options assumed	688
Loan from Solexa to Lynx	2,000
Estimated direct transaction costs	1,200
	<hr/>
Total preliminary estimated purchase price	\$ 19,771
	<hr/>

Under the purchase method of accounting, the total preliminary estimated purchase price as shown in the table above is allocated to the Lynx net tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the date of the completion of the transaction. Management of Solexa and Lynx has allocated the preliminary estimated purchase price based on preliminary estimates based on various factors as described in the introduction to these unaudited pro forma condensed combined

Table of Contents**NOTES TO UNAUDITED PRO FORMA****CONDENSED COMBINED FINANCIAL STATEMENTS (Continued)**

financial statements. The allocation of the preliminary estimated purchase price, the estimated useful lives and related first-year amortization associated with certain assets is as follows (in thousands):

	<u>Amount</u>	<u>First Year Amortization</u>	<u>Estimated Useful Life (Years)</u>
Preliminary estimated purchase price allocation:			
Net tangible assets (net of liabilities)	\$ 6,484	\$	
Patents and developed core technology	2,400	405	4-10 years
Goodwill	10,866		
Deferred compensation related to Lynx options	21		
	<u> </u>	<u> </u>	
Total preliminary estimated purchase price	<u>\$ 19,771</u>	<u>\$ 405</u>	

Management evaluated Lynx's projects currently under development and determined that no value was attributable to in-process research and development.

Patents and developed core technology relate to all of Lynx's products and services that have reached technological feasibility. Developed core technology represents a combination of Lynx's processes, patents and trade secrets developed through years of experience in the development and application of novel genomics analysis solutions. This proprietary knowledge base can be leveraged by Lynx to develop new technology and improved products and manufacturing processes. Lynx expects to amortize the patents and developed core technology on a straight-line basis over estimated lives of four to ten years.

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, goodwill will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that the management determines that the value of goodwill has become impaired, Lynx will incur an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made.

2. Pro Forma Adjustments

Pro forma adjustments are necessary to reflect the estimated purchase price, to adjust amounts related to Lynx's net tangible and identifiable intangible assets to a preliminary estimate of their fair values, to reflect the amortization expense related to the estimated amortizable intangible assets and deferred stock compensation, to eliminate intercompany balances and transactions and to reflect the issuance of additional Series B redeemable convertible preferred shares by Solexa in October 2004.

Certain reclassifications have been made to conform Solexa's historical reported balances to Lynx's financial statement basis of presentation.

The unaudited pro forma condensed combined financial statements do not include any adjustments for liabilities resulting from integration planning, as management of Solexa and Lynx are in the process of making these assessments, and estimates of these costs are not currently known. Management currently does not expect to record any significant liabilities related to integration planning as a result of the proposed transaction.

In addition, management currently does not expect to incur significant restructuring charges upon completion of the proposed transaction for costs associated with exiting activities of Solexa.

The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

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(a) To reflect Solexa's issuance of 277,778 Series B preferred shares for net proceeds of \$0.9 million in October 2004

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- (b) To record the preliminary estimate of goodwill determined in the preliminary purchase price allocation
- (c) To record the preliminary estimate of the fair value of patents and developed core technology determined in the preliminary purchase price allocation
- (d) To eliminate the existing intangible assets of Lynx
- (e) To record the fair value of Solexa's legal performance obligations under Lynx's existing contracts and to eliminate any remaining deferred revenue
- (f) To eliminate Lynx's historical common stock, accumulated deficit and accumulated other comprehensive income
- (g) To record the estimated fair value of Lynx common stock to be issued in the transaction
- (h) To record the estimated fair value of Lynx stock options
- (i) To record the intrinsic value (and related amortization expense) of unvested outstanding stock options of Lynx employees
- (j) To reflect Solexa's estimated direct costs related to the proposed transaction as part of the purchase price
- (k) To reflect the conversion of all outstanding Solexa shares to Lynx common stock and adjust common stock to reflect the par value of shares outstanding
- (l) To eliminate amortization of deferred revenue. See entry (e)
- (m) To record amortization expense associated with intangible assets resulting from the preliminary purchase price allocation
- (n) To reverse amortization expense related to Lynx's pre-transaction intangible assets
- (o) To eliminate the intercompany loan from Solexa to Lynx and related interest amounts
- (p) To reverse dividends on Solexa A and B shares
- (q) Pro forma combined basic and diluted net loss per share is based on the weighted average shares outstanding of Lynx plus 27.6 million common shares issued in the proposed transaction

3. Non-recurring Expenses

Lynx will incur certain non-recurring expenses in connection with the transaction. These expenses, which are not reflected in the accompanying unaudited pro forma condensed combined financial statements, are currently estimated as follows (in thousands):

Financial advisors' fee	\$1,600
Accounting and legal fees	670
Stamp tax	575
Printing and distribution costs	200
Other	55
	<hr/>

\$3,100

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**CHAPTER THREE PROPOSAL 2 FOR THE ANNUAL MEETING OF
STOCKHOLDERS**

**APPROVAL OF ISSUANCE OF LYNX COMMON STOCK IN CONNECTION WITH
THE PROPOSED FINANCING**

General

On October 26, 2004, Lynx's board of directors unanimously found it to be advisable and in the best interests of Lynx to seek stockholder approval for (i) the sale, issuance or potential issuance, in connection with one or more capital raising transactions raising an aggregate consideration of not more than \$10,000,000 (excluding amounts receivable by Lynx upon exercise of any warrants issued pursuant to any such capital raising transaction), of up to 10,000,000 shares of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt or warrants convertible into or exercisable for Lynx common stock) to investors who will likely include affiliates of certain individuals who will be appointed to Lynx's board of directors on the first closing date, upon such terms as Lynx's board of directors, or a committee thereof, may deem to be in the best interests of Lynx and its stockholders, and at an effective price of not less than 80% of the last closing price of the Lynx common stock as reported on the NASDAQ SmallCap Market prior to the pricing of the securities to be issued pursuant to any such capital raising transaction and (ii) the change of control, if any, of Lynx which may occur as a result of such sale, issuance or potential issuance in order to comply with the requirements of NASDAQ Marketplace Rule 4350. Any such capital raising transaction would occur, if at all, on or prior to the first closing date, but no later than 3 months after Lynx receives the Lynx stockholders' approval of the proposal. The securities issued pursuant to any such capital raising transaction may consist of (1) shares of Lynx common stock, (2) securities convertible into or exercisable for shares of Lynx common stock, including convertible debt or warrants, or (3) units consisting of combinations of two or more of such securities.

Lynx is seeking stockholder approval for the potential issuance of securities pursuant to a capital raising transaction in order to comply with the requirements of NASDAQ Marketplace Rule 4350. NASDAQ Marketplace Rule 4350(i)(1)(A) requires stockholder approval prior to the issuance of securities to officers or directors of the issuer at a price below the book or market value of the common stock. Each of the potential investors is a Solexa shareholder and is affiliated with certain individuals who will be appointed to Lynx's board of directors on the first closing date as follows: certain entities affiliated with Abingworth Management Limited where Dr. Lloyd-Harris is an employee; certain entities affiliates with OBP Management IV L.P. are affiliated with Mr. Carthy; certain entities affiliated with Schroder Venture Managers are affiliated with Mr. Daniel; and certain entities affiliated with Amadeus Capital Partners Limited are affiliated with Dr. Hauser. Lynx is seeking stockholder approval to ensure compliance with the rule and allow participation by entities affiliated with each of Abingworth Management Limited, OBP Management IV L.P., Schroder Venture Managers and Amadeus Capital Partners Limited. For a description of the number and percent of outstanding shares of Lynx common stock that such Solexa shareholders will own following the completion of the offer as well as information regarding such Solexa shareholders' affiliation with certain director nominees who will be appointed to Lynx's board of directors following the first closing date, see the section entitled *Information About Solexa Security Ownership of Certain Beneficial Owners and Management of Solexa* on page 84.

NASDAQ Marketplace Rule 4350(i)(1)(D) requires stockholder approval prior to the sale or issuance or potential issuance of shares of common stock (or of securities convertible into or exercisable for shares of common stock) in a transaction other than a public offering (as defined by NASDAQ), where the number of shares of common stock issued or to be issued is equal to 20% or more of a company's outstanding common stock or 20% or more of the voting power of the company outstanding before the issuance, and where the effective sale price of the common stock is less than the greater of the book or market value of the common stock. The effective price of Lynx common stock to be sold and issued in the proposed financing will be not less than 80% of the last closing price of the Lynx common stock as reported on the NASDAQ SmallCap Market prior to the pricing of such securities and, as such, the proposed financing may require stockholder consent pursuant to NASDAQ Marketplace Rule 4350(i)(1)(D).

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Lynx is also seeking stockholder approval for the potential change of control of Lynx which may occur as a result of the proposed financing in order to comply with the requirements of NASDAQ Marketplace Rule 4350(i)(1)(B). NASDAQ Marketplace Rule 4350(i)(1)(B) requires stockholder approval prior to the sale or issuance of shares of common stock (or of securities convertible into or exercisable for shares of common stock) in a transaction which results in a change of control (as defined by NASDAQ) of Lynx. At present, several of Solexa's shareholders, who are affiliated with certain individuals who will be appointed to Lynx's board of directors on the first closing date, have expressed preliminary interest in participating in the proposed financing. Following the completion of the offer, these shareholders will hold a substantial percentage of the outstanding shares of Lynx. If such shareholders participate in the proposed financing, one or more of such shareholders may acquire, or have the right to acquire, 20% or more of the common stock or voting power of Lynx. For a description of the potential change in control, see the section entitled *Potential Change of Control of Lynx in Connection with the Proposed Financing* on page 127.

NASDAQ requires that any company that solicits stockholder approval for purposes of complying with the requirements of NASDAQ Marketplace Rule 4350 in connection with the potential issuance of securities where the specific terms of such securities have not been determined at the time of such solicitation, specify in the proxy statement used to solicit such stockholder approval (1) the maximum aggregate consideration that may be received by such company in connection with the potential issuance of such securities, (2) if such securities are going to be sold and issued at a price that is less than the trading price of the common stock on the date of the pricing of such securities, the maximum amount of such discount, (3) the maximum number of shares issued or issuable, (4) the purpose of the transaction and (5) the period of time during which the potential issuance of such securities may be made by such company.

While Lynx will need to raise capital to continue to finance its operations, Lynx's board of directors has not yet determined the specific terms of any securities that Lynx would issue in connection with the capital raising transaction. Lynx's board of directors anticipates, however, that the terms of any such securities would be such that the issuance of such securities would be subject to NASDAQ Marketplace Rule 4350. In order to comply with NASDAQ Marketplace Rule 4350, Lynx is seeking stockholder approval for this proposal so that Lynx's board of directors, or a committee thereof, will have the flexibility to effect the capital raising transaction at such time as they deem it to be in the best interests of Lynx and its stockholders without delays arising from the need to obtain stockholder approval at such time. Such a delay could jeopardize Lynx's ability to maintain its business and operations.

Approval of this proposal will, subject to the limitations set forth in the proposal, give Lynx's board of directors, or a committee thereof, discretion to determine the amount, type and terms of securities to be issued by Lynx in the proposed financing and the identity of the investor to whom such securities will be issued. Subject to the limitations set forth in this proposal, Lynx's board of directors, or a committee thereof, will have discretion to determine any applicable dividend or interest rates, conversion or exercise prices, voting rights, redemption prices and other terms to the proposed financing. If securities convertible into or exercisable for Lynx common stock are issued, then stockholder approval of this proposal also will constitute approval of the issuance of shares of Lynx common stock upon exercise of such securities, and no additional approval will be solicited. In no event will the number of shares of Lynx common stock issued by Lynx in connection with any and all capital raising transactions subject to this proposal and the number of shares of Lynx common stock subject to securities that are convertible into or exercisable for shares of Lynx common stock and that are issued by Lynx in connection with any and all of such capital raising transactions, exceed 10,000,000 shares of Lynx common stock in the aggregate.

The maximum aggregate consideration that may be received by Lynx in connection with the potential issuance of securities pursuant to any and all capital raising transactions subject to this proposal shall not exceed \$10,000,000 (excluding amounts receivable by Lynx upon exercise of any warrants issued pursuant to such capital raising transactions). In the event that the price of Lynx common stock to be sold and issued pursuant to any such capital raising transaction is less than the last closing price of Lynx common stock as reported by NASDAQ SmallCap Market prior to the time of issuance, the discount from such last closing price shall in no event exceed 20%. The actual discount, if any, will be determined by Lynx's board of directors, or a committee thereof, and will depend upon market conditions and negotiations between Lynx and

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the investors at the time of such capital raising transaction. In the case of any securities issued pursuant to any such capital raising transaction that are convertible into or exercisable for Lynx common stock, the limitations described above in this paragraph with respect to any pricing discount will apply to the exercise price or the conversion price of any such securities. If the securities issued pursuant to any such capital raising transaction are units consisting of Lynx common stock or debt convertible into shares of Lynx common stock, on the one hand, and warrants exercisable for shares of Lynx common stock, on the other hand, the mere issuance of such warrants as part of such units will not be deemed to constitute a discount from the price of the Lynx common stock or the conversion price of such convertible debt.

Any capital raising transaction subject to this proposal would likely result in a significant increase in the number of shares of Lynx common stock outstanding, and, as a result, current stockholders would own a smaller percentage of the outstanding Lynx common stock and, accordingly, a smaller percentage interest in the voting power, liquidation value and book value of Lynx. The sale or resale of any Lynx common stock issued pursuant to such capital raising transaction could cause the market price of the Lynx common stock to decline.

The foregoing description of the reasons for the financing are included for informational purposes to Lynx stockholders in connection with this proxy solicitation and do not constitute an offer to sell or a solicitation of an offer to buy any securities of Lynx. Lynx cannot guarantee that any financing will be completed (or, if so, what the terms or timing may be) and, accordingly, cannot be certain that it will receive any proceeds from any potential financing. The types of securities to be sold and issued in the financing and the terms thereof, including, among other things, any applicable dividend or interest rates, conversion or exercise prices, voting rights, redemption prices, will be subject to market conditions and negotiations with investors.

Potential Change in Control of Lynx in Connection with the Proposed Financing

NASDAQ Marketplace Rule 4350(i)(1)(B) requires stockholder approval prior to the sale or issuance of shares of common stock (or of securities convertible into or exercisable for shares of common stock) in a transaction which results in a change of control (as defined by NASDAQ) of Lynx. Under the NASDAQ rules, a change of control of Lynx will generally occur when an investor or group of investors acquires, or obtains the right to acquire, 20% or more of the common stock (or securities convertible into or exercisable for common stock) or the voting power of an issuer on a post-transaction basis.

At present, certain entities that are affiliated with certain individuals who will be appointed to Lynx's board of directors on the first closing date, have expressed preliminary interest in participating in the proposed financing. These entities are (i) entities affiliated with Abingworth Management Limited, which are Abingworth Bioventures II SICAV, Abingworth Bioventures II A LP, Abingworth Bioventures III A LP, Abingworth Bioventures III B LP, Abingworth Bioventures III C LP and Abingworth Bioventures III Executives LP; (ii) entities affiliated with Amadeus Capital Partners, which are Amadeus II A, Amadeus II B, Amadeus II C, Amadeus II D GmbH & Co KG and Amadeus II Affiliates Fund LP; (iii) entities affiliated with OBP Management IV L.P., which are Oxford Bioscience Partners IV L.P. and mRNA Fund II LP; and (iv) entities affiliated with Schroder Venture Managers Inc., which are Schroder Ventures International Life Sciences Fund II Strategic Partners L.P., Schroder Ventures International Life Sciences Fund II L.P.1, Schroder Ventures International Life Sciences Fund II L.P.2, Schroder Ventures International Life Sciences II L.P.3, Schroder Ventures International Life Sciences Fund II Group Co-Investment Scheme and SV (Nominee) Limited as Nominee to Schroder Ventures Investments Limited. While there can be no assurance that any such entity will actually participate in any such financing, Lynx is requesting that its stockholders approve the proposed financing to ensure compliance with the rule and allow participation by the foregoing entities affiliated with each of Abingworth Management Limited, OBP Management IV L.P., Schroder Venture Managers and Amadeus Capital Partners Limited. Following the completion of the offer, these Solexa shareholders will hold a substantial percentage of the outstanding shares of Lynx. If such shareholders participate in the proposed financing, one or more of such shareholders may acquire, or have the right to acquire, 20% or more of the common stock or voting power of Lynx. Accordingly, Lynx is seeking stockholder approval to ensure compliance with this aspect of NASDAQ Marketplace Rule 4350. For a description of the number and percent of outstanding shares of Lynx common stock that

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such shareholders will own following the consummation of the offer as well as information regarding such shareholders' affiliation with certain individuals who will be appointed to Lynx's board of directors following the first closing date, see the section entitled *Information About Solexa Security Ownership of Certain Beneficial Owners and Management of Solexa* on page 84.

Use of Proceeds

The funds that may be raised are expected to be used for general corporate purposes, more specifically, the research, development and market launch of a new instrument and biochemistry platform to be sold to customers for use in their own research laboratories.

Manner of Offering

Lynx has not made any selling or underwriting arrangements to complete a capital raising transaction. Lynx anticipates that any securities sold and issued in a capital raising transaction would not be registered under the Securities Act, but would be accompanied by resale registration rights.

Timing

If Lynx's stockholders approve this proposal, the NASDAQ rules would permit Lynx to complete the capital raising transactions subject to this proposal at any time on or prior to the first closing date, but no later than 3 months after Lynx receives the Lynx stockholder approval of the proposal. Approval of proposal 1, the proposal to approve the issuance of Lynx common stock and the resulting change of control of Lynx, is not contingent on Lynx stockholder approval of this proposal 2; however, if Lynx's stockholders do not approve proposal 1, the investors may determine in their sole discretion not to proceed with the capital raising transaction under this proposal 2, even though proposal 2 is approved by Lynx's stockholders.

Overall Effect of the Proposal

If the proposal is approved by the stockholders, Lynx, in compliance with the NASDAQ rules, could complete the sale or issuance of up to 10,000,000 shares of its common stock (including shares issuable upon conversion or exercise of convertible debt or warrants exercisable for or convertible into Lynx common stock) in one or more capital raising transactions at a discount to market price and to book value of the Lynx common stock, in an offering that is not a public offering as defined by NASDAQ and in a transaction involving investors who will likely include affiliates of certain individuals who will be appointed to Lynx's board of directors on the first closing date that may result in a change of control of Lynx. This approval would not limit Lynx's ability to do a public offering, as defined by NASDAQ, or to issue or sell a number of shares of Lynx common stock (including shares issuable upon conversion or exercise of convertible debt, warrants or other securities exercisable for or convertible into Lynx common stock) that is less than 20% of the outstanding shares on terms that might or might not be similar to those in this proposal.

The issuance of Lynx's common stock in capital raising transactions subject to this proposal is not intended to have an anti-takeover effect and is not part of a plan by management to institute anti-takeover measures. Except for the transactions contemplated by the acquisition agreement, Lynx does not have knowledge of any effort to accumulate Lynx's securities or to obtain control of Lynx by means of a merger, tender offer, solicitation in opposition to management or otherwise.

Advantages and Disadvantages of the Proposal

If Lynx is able to complete one or more capital raising transactions as described, it will be able to continue to operate beyond March 2005. However, issuing a large number of additional shares of Lynx common stock will dilute the percentage of Lynx common stock owned by all existing stockholders, decrease the percentage interest of all existing stockholders in the voting power, liquidation value and book value of Lynx and increase the number of voting shares necessary to meet the voting requirements imposed by state law with respect to a merger, tender offer, proxy contest or other business combination involving Lynx. Such

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increase in the number of voting shares would also increase the costs associated with launching or obtaining approval of any such merger, tender offer, proxy contest or other business combination involving Lynx.

Required Vote

To be approved by the stockholders, the proposal to approve the issuance of the Lynx securities and the potential change of control must receive the affirmative votes of a majority of the votes cast, in person or by proxy, at the meeting. Abstentions and broker non-votes will have no effect.

Management and Lynx's board of directors Recommend a Vote in Favor of Proposal 2.

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**CHAPTER FOUR OTHER INFORMATION FOR
THE ANNUAL MEETING OF LYNX STOCKHOLDERS**

PROPOSAL 3 FOR THE ANNUAL MEETING OF LYNX STOCKHOLDERS

ELECTION OF DIRECTORS

There are six nominees for the nine director positions presently authorized pursuant to the terms of Lynx's bylaws. Sydney Brenner and Richard Woychik have informed Lynx's board of directors that, for personal reasons, they do not intend to stand for re-election and their terms will expire at the Lynx annual meeting. Effective December 15, 2004, Kevin P. Corcoran resigned from his positions as the president, chief executive officer and a member of the board of directors of Lynx. Lynx's board of directors intends to reduce the number of director positions from nine to six effective at the Lynx annual meeting.

Proxies may not be voted for a greater number of persons than the number of nominees named. Each director shall be elected at the annual meeting of Lynx stockholders and will hold office until the next annual meeting of stockholders and until his or her successor is elected or qualified or until the director's death, resignation or removal. Each nominee listed below is currently a director of Lynx who was previously elected by the stockholders. It is Lynx's policy to invite all directors to attend the Annual Meeting. All Lynx's directors except for Sydney Brenner, Richard Woychik and Leroy Hood attended the 2003 annual meeting of stockholders.

Directors are elected by a plurality of the votes properly cast in person or by proxy. The six nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the six nominees named below. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, the shares of a Lynx stockholder will be voted for the election of such substitute nominee as Lynx's management may propose. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve.

Nominees

The following is a brief biography of each nominee for director:

Name	Age	Principal Occupation/ Position Held with Lynx
Craig C. Taylor(1)(2)(3)	54	Chairman of the board of directors
Leroy Hood, M.D., Ph.D.	66	Director
James C. Kitch(2)(3)	57	Director
Marc D. Kozin(1)(3)	43	Director
James V. Mitchell	53	Director
David C. U Prichard, Ph.D.(1)	56	Director

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Nominating and Corporate Governance Committee.

Craig C. Taylor was elected Chairman of the board of directors of Lynx in December 2000, has served as a director of Lynx since March 1994 and served as Acting Chief Financial Officer from July 1994 to April 1997. He has been active in venture capital since 1977, when he joined Asset Management Company, a venture capital firm. He is a general partner of AMC Partners 89 L.P., which serves as the general partner of Asset Management Associates 1989 L.P., a private venture capital partnership. He currently serves as a director of Pharmacyclics, Inc., a biotechnology company, and several private companies.

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Leroy Hood, M.D., Ph.D., has served as a director of Lynx since May 2000. In December 1999, he founded the Institute for Systems Biology, a private nonprofit research institute, and currently serves as the

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President and a director. From 1992 to 1999, he was the chair of the Molecular Biotechnology Department at the University of Washington and the William Gates III Professor of Biomedical Sciences. Dr. Hood received an M.D. from John Hopkins Medical School and a Ph.D. from the California Institute of Technology. He has been a member of the National Academy of Sciences and the American Academy of Arts and Sciences since 1982. He currently serves as a director of Paradigm Genetics, a biotechnology company.

James C. Kitch has served as a director of Lynx since February 1993 and as Secretary of Lynx from February 1992 to December 1997. Since 1979, Mr. Kitch has been a partner at Cooley Godward LLP, a law firm, which has provided legal services to Lynx.

Marc D. Kozin has served as a director of Lynx since July 2002. Since 1996, Mr. Kozin has served as President of the North American practice for L.E.K. Consulting LLC, a business consulting company. In this position, he leads L.E.K.'s life science strategic planning services. Mr. Kozin received a B.A. in Economics from Duke University and an M.B.A. from The Wharton School, University of Pennsylvania. He also serves as a member of the Board of Governors at New England Medical Center.

James V. Mitchell has served as a director of Lynx since March 2003. Mr. Mitchell co-founded Meier Mitchell & Company, a company active in the venture lending area, in 1984 and sold the company in 1999. He subsequently served as President of GATX Ventures, a wholly-owned subsidiary of GATX Financial and Vice President of GATX Financial, a specialized finance and leasing company that acquired Meier Mitchell & Company, until October 2002. Mr. Mitchell received a B.A. in Economics from the University of California at Santa Barbara and an M.B.A. from The Wharton School, University of Pennsylvania.

David C. U Prichard, Ph.D. has served as a director of Lynx since March 2001. Dr. U Prichard currently serves as the President of Druid Consulting LLC, a pharmaceutical and biotechnology consulting company, and as a Venture Partner at Apax Partners Ltd., a private equity fund company. From September 1999 to March 2003, he served as the Chief Executive Officer of 3-Dimensional Pharmaceuticals, Inc., a pharmaceutical company. From 1997 until 1999, he served as the President, Research and Development, for SmithKline Beecham Pharmaceuticals, a pharmaceutical company. Prior to joining SmithKline Beecham, from 1994 to 1997, Dr. U Prichard served as International Research Director of Zeneca Pharmaceuticals, Inc., and, from 1991 to 1994, he managed research groups in the U.S. and U.K. at ICI Pharmaceuticals, Inc. and Zeneca, both of which are pharmaceutical companies. Dr. U Prichard received a B.Sc. in Pharmacology from the University of Glasgow and a Ph.D. in Pharmacology from the University of Kansas. He currently serves as a director of Invitrogen Corp., a biotechnology company, Guilford Pharmaceuticals Corp., a pharmaceutical company and several private companies.

Management and Lynx's board of directors Recommend a Vote in Favor of Each Named Nominee.

Appointment of Directors Following the Transaction

The acquisition agreement provides that Lynx's board of directors will take all actions necessary such that, on the first closing date, Lynx's board of directors shall consist of Craig C. Taylor, Genghis Lloyd-Harris, Tom Daniel, Hermann Hauser, Mark Carthy and John West. In addition, Lynx and Solexa have agreed that Steve Allen and one or more other directors who shall be acceptable to Lynx's board of directors and Solexa's board of directors shall be appointed to Lynx's board of directors on the first closing date. For details of such persons who are expected to be appointed to Lynx's board of directors, see section entitled *Directors and Management of Lynx Following the Transaction* on page 63.

Independence of the Board of Directors

As required under the NASDAQ Stock Market listing standards, a majority of the members of a listed company's board of directors must qualify as independent, as affirmatively determined by the board of directors. Lynx's board of directors consults with Lynx's counsel to ensure that the board of directors' determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of the NASDAQ, as in effect time to time.

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Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and Lynx, its senior management and its independent auditors, Lynx's board of directors affirmatively has determined that all of Lynx's directors are independent within the meaning of the applicable NASDAQ listing standards, except for Mr. Corcoran, Lynx's former President and Chief Executive Officer.

Information Regarding the Board of Directors and Its Committees

As required under new NASDAQ listing standards, Lynx's independent directors will meet in regularly scheduled executive sessions at which only independent directors are present. Persons interested in communicating with the independent directors with their concerns or issues may address correspondence to a particular director, or to the independent directors generally, c/o Lynx Therapeutics, Inc. at 25861 Industrial Blvd., Hayward, California 94545. If no particular director is named, letters will be forwarded, depending on the subject matter, to the Chair of the Audit, Compensation or Governance and Nominating Committee.

Lynx's board of directors has three committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

Audit Committee

The Audit Committee of Lynx's board of directors oversees Lynx's corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent registered public accounting firm; determines the engagement of the independent registered public accounting firm; determines whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage a new independent registered public accounting firm; reviews and approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent registered public accounting firm on Lynx's engagement team as required by law; reviews the financial statements to be included in Lynx's annual report on Form 10-K and quarterly reports on Form 10-Q; and discusses with management and the independent registered public accounting firm the results of the annual audit and the results of the accounting firm's review of Lynx's quarterly financial statements.

Three directors comprise the Audit Committee: Messrs. Taylor and Kozin and Dr. U Prichard. The Audit Committee met four times during 2003. The Audit Committee has adopted an amended and restated Audit Committee charter in October 2004 that is attached as Annex E to this proxy statement/prospectus.

Lynx's board of directors annually reviews the NASDAQ listing standards definition of independence for Audit Committee members and has determined that all members of Lynx's Audit Committee are independent (as independence is currently defined in Rule 4350(d)(2)(A)(i) and (ii) of the NASDAQ listing standards). Lynx currently does not have an audit committee financial expert as defined in Item 401(h) of Regulation S-K. At this time, the board of directors believes that the interests of Lynx's stockholders can be adequately served for the time being by the current members but intends to add such an expert to the board of directors once a suitable candidate can be identified and recruited.

Compensation Committee

The Compensation Committee of Lynx's board of directors reviews and approves the overall compensation strategy and policies for the Company. The Compensation Committee reviews and approves corporate performance goals and objectives relevant to the compensation of Lynx's executive officers and other senior management; reviews and approves the compensation and other terms of employment of Lynx's Chief Executive Officer; reviews and approves the compensation and other terms of employment of the other executive officers; and administers the Company's stock option and purchase plans, pension and profit sharing plans, stock bonus plans, deferred compensation plans and other similar programs. The Compensation Committee also serves as the Stock Option Committee for the Lynx 1992 plan for employees of Lynx and in that capacity approves employee stock option grants.

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The Compensation Committee is currently composed of two non-employee directors: Messrs. Taylor and Kitch. The Compensation Committee acted by unanimous consent once during 2003. All members of the Compensation Committee are independent, as independence is currently defined in Rule 4200(a)(15) of the NASDAQ listing standards.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of Lynx's board of directors is responsible for identifying, reviewing and evaluating candidates to serve as directors of Lynx (consistent with criteria approved by the board of directors), reviewing and evaluating incumbent directors, or recommending to the board of directors for selection candidates for election to the board of directors, making recommendations to the board of directors regarding the membership of the committees of the board of directors, assessing the performance of the board of directors, and developing a set of corporate governance principles for Lynx. Lynx's Nominating and Corporate Governance Committee Charter can be found on Lynx's website at www.lynxgen.com. Three directors comprise the Nominating and Corporate Governance Committee: Messrs. Kitch, Kozin and Taylor. All members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the NASDAQ listing standards). The Nominating and Corporate Governance Committee was formed in October 2004.

The Nominating and Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Nominating and Corporate Governance Committee also intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of Lynx, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of Lynx's stockholders. However, the Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the board of directors, the operating requirements of Lynx and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee considers diversity, age, skills, and such other factors as it deems appropriate given the current needs of the board of directors and Lynx, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews such directors' overall service to Lynx during their term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the Nominating and Corporate Governance Committee also determines whether the nominee must be independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the board of directors. The Nominating and Corporate Governance Committee meets to discuss and consider such candidates' qualifications and then selects a nominee for recommendation to the board of directors by majority vote. To date, the Nominating and Corporate Governance Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates. To date, the Nominating and Corporate Governance Committee has not rejected a timely director nominee from a stockholder or stockholders holding more than five percent of Lynx's voting stock.

The Nominating and Corporate Governance Committee will consider director candidates recommended by Lynx stockholders. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether the candidate was recommended by a stockholder or not. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to

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the board of directors may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee at the following address: Lynx Therapeutics, Inc., 25861 Industrial Blvd., Hayward, California 94545, attention: Nominating and Corporate Governance Committee at least 120 days prior to the anniversary date of the mailing of Lynx's proxy statement for the last annual meeting of Stockholders. Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record owner of Lynx's stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

Meetings of the Board of Directors

During the fiscal year ended December 31, 2003, Lynx's board of directors held nine meetings. All directors except Dr. Hood and Dr. Brenner attended at least 75% of the aggregate of the meetings of the board of directors held during the period. In addition, all of the committee members, except Mr. Kozin, attended at least 75% of the aggregate of the meetings of the committees on which they served during the same period.

Stockholder Communications with the Board of Directors

Lynx's board of directors has adopted a formal process by which Lynx stockholders may communicate with the board or any of its directors. Lynx stockholders who wish to communicate with Lynx's board of directors may do so by sending a letter to Corporate Secretary, Lynx Therapeutics, Inc., 25861 Industrial Blvd., Hayward, California 94545. All communications will be compiled by the Corporate Secretary of Lynx and submitted to the board of directors or the individual directors on a periodic basis. These communications will be reviewed by one or more employees of Lynx designated by the board of directors, who will determine whether they should be presented to the board. The purpose of the screening is to allow Lynx's board of directors to avoid having to consider irrelevant or inappropriate communications (such as advertisements, solicitations and hostile communications). The screening procedures have been approved by a majority of the independent directors of the board.

Employee Communications with the Board of Directors

Each employee of Lynx has a responsibility to promptly report any suspected misconduct, illegal activities or fraud, including any questionable accounting, internal accounting controls, and auditing matters, or other violations of federal and state laws. To facilitate the reporting of employee complaints regarding suspected violations, the Audit Committee of Lynx's board of directors has adopted a Whistleblower Policy and has established procedures for (i) the submission by employees of suspected violations and (ii) the receipt, retention and treatment of these complaints.

Code of Conduct

Lynx's written Code of Conduct applies to all of Lynx's officers, directors and employees, including its executive officers. The Code of Conduct is available on Lynx's website at www.lynxgen.com. If Lynx makes any substantive amendments to the Code of Conduct or grants any waiver from a provision of the Code of Conduct to any executive officer or director, Lynx will promptly disclose the nature of the amendment or waiver on its website.

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REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS¹

The Audit Committee oversees Lynx's financial reporting process on behalf of Lynx's board of directors. Lynx's management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements for fiscal year 2003 with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee discussed with Lynx's independent registered public accounting firm, who is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of Lynx's accounting principles and such other matters as are required to be discussed with the Audit Committee by the Statement on Auditing Standards No. 61 (Communication With Audit Committees), as amended. In addition, the Audit Committee discussed with the independent registered public accounting firm its independence from management and Lynx. The Audit Committee received the written disclosures and the letter from the independent registered public accounting firm required by the Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussion With Audit Committees), as amended, and considered the compatibility of nonaudit services with the independent registered public accounting firm's independence.

The Audit Committee discussed with Lynx's independent registered public accounting firm the overall scope and plans for its audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of its examinations, its evaluations of Lynx's internal controls and the overall quality of Lynx's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to Lynx's board of directors, and the Board of Directors approved, that the audited financial statements be included in Lynx's Annual Report on Form 10-K for the year ended December 31, 2003, as amended, for filing with the SEC. The Audit Committee has selected and the Board of Directors has approved, subject to stockholder ratification, Ernst & Young LLP as Lynx's independent registered public accounting firm for the year ending December 31, 2004.

From the members of the Audit Committee:

Craig C. Taylor
Marc D. Kozin
David C. U Prichard, Ph.D.

¹ The material in this report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Lynx under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

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PROPOSAL 4 FOR THE ANNUAL MEETING OF LYNX STOCKHOLDERS

APPROVAL OF AMENDMENT TO LYNX S CERTIFICATE

**OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT
OF LYNX COMMON STOCK**

Overview

Lynx's board of directors has approved a proposal to amend Lynx's certificate of incorporation to effect a reverse stock split of all outstanding shares of Lynx common stock at an exchange ratio ranging from one-to-two to one-to-four. Lynx's board of directors has recommended that this proposal be presented to Lynx stockholders for approval. Lynx stockholders are now being asked to vote upon amendments to Lynx's certificate of incorporation to effect this reverse stock split whereby a number of outstanding shares of Lynx common stock between and including two and four, such number consisting only of whole shares, will be combined into one share of Lynx common stock. Pending stockholder approval, Lynx's board of directors will have the sole discretion pursuant to Section 242(c) of the DGCL to elect, as it determines to be in the best interests of Lynx and its stockholders, whether or not to effect a reverse stock split, and if so, the number of shares of Lynx common stock between and including two and four that will be combined into one share of Lynx common stock, at any time before the first anniversary of this annual meeting of stockholders. Lynx's board of directors believes that stockholder approval of amendments granting Lynx's board of directors this discretion, rather than approval of a specified exchange ratio, provides Lynx's board of directors with maximum flexibility to react to then-current market conditions and, therefore, is in the best interests of Lynx and its stockholders.

The text of the forms of proposed amendments to Lynx's certificate of incorporation is attached to this proxy statement/ prospectus as Annex C. By approving these amendments, stockholders will approve a series of amendments to Lynx's certificate of incorporation pursuant to which any whole number of outstanding shares between and including two and four would be combined into one share of Lynx common stock, and authorize Lynx's board of directors to file only one such amendment, as determined by Lynx's board of directors in the manner described herein, and to abandon each amendment not selected by Lynx's board of directors. Lynx's board of directors may also elect not to do any reverse split.

If approved by Lynx's stockholders, and following such approval, Lynx's board of directors determines that effecting a reverse stock split is in the best interests of Lynx and its stockholders, the reverse stock split will become effective upon filing one such amendment with the Secretary of State of the State of Delaware. The amendment filed thereby will contain the number of shares selected by Lynx's board of directors within the limits set forth in this proposal to be combined into one share of Lynx common stock.

If Lynx's board of directors elects to effect a reverse stock split following stockholder approval, the number of issued and outstanding shares of common stock would be reduced in accordance with an exchange ratio determined by Lynx's board of directors within the limits set forth in this proposal. Except for adjustments that may result from the treatment of fractional shares as described below, each stockholder will hold the same percentage of Lynx outstanding common stock immediately following the reverse stock split as such stockholder held immediately prior to the reverse stock split. Currently, Lynx is authorized to issue up to a total of 62,000,000 shares of capital stock, consisting of 2,000,000 shares of preferred stock and 60,000,000 shares of common stock. The amendment would not change the number of total authorized shares of Lynx capital stock. Thus, immediately following the reverse stock split, the total number of authorized shares of capital stock would remain at 62,000,000, consisting of 2,000,000 shares of preferred stock and 60,000,000 shares of common stock. The par value of Lynx common stock and preferred stock would remain unchanged at \$0.01 per share, as well. Based on the number of issued and outstanding shares of common stock as of January 19, 2005, a total of approximately 52,471,000 shares of common stock would be authorized but unissued and a total of approximately 2,446,000 shares of Lynx common stock would be unissued but reserved for issuance pursuant to outstanding warrants issued by Lynx, the Lynx 1992 plan and the Lynx 1998 Employee Stock Purchase Plan immediately prior to the reverse stock split, leaving approximately 50,025,000 shares of Lynx common stock unissued and not reserved, all of which are calculated without giving

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effect to shares of common stock to be issued in connection with the proposed offer and transaction described in proposal 1 hereof. Given the fact that the number of Lynx common shares to be issued in the proposed financing and the exchange ratio of the reverse stock split are not determinable until upon the closing of the proposed financing and the reverse stock split, Lynx cannot ascertain the exact number of shares of Lynx common stock that will be outstanding after the reverse stock split, the transaction and the proposed financing. It is estimated that a total between approximately 37,413,000 and 48,706,000 shares of Lynx common stock would be authorized but unissued after the completion of the reverse stock split, the transaction and the proposed financing, assuming the issuance of 10 million shares in the proposed financing and an exchange ratio of one-to-two and one-to-four, respectively, leaving between 35,263,000 and 47,632,000 shares of Lynx common stock unissued and not reserved, respectively. Lynx's board of directors does not have any definite plans with regard to the authorized but unissued shares of common stock of Lynx following the reverse stock split other than in connection with the proposed transaction with Solexa as further described in proposal 1 and the proposed financing described in proposal 2 hereof. The authorized but unissued shares of common stock of Lynx following the reverse stock split may also be used for fundraising purposes through the sale and issuance of Lynx capital stock.

Reasons for the Reverse Stock Split

Lynx's board of directors believes that a reverse stock split may be desirable for a number of reasons. First, Lynx's board of directors believes that a reverse stock split will allow Lynx to avoid having Lynx common stock delisted from the NASDAQ SmallCap Market as a result of the proposed transaction with Solexa. As more fully described in the section entitled *Listing of Lynx Common Stock on the NASDAQ SmallCap Market* on page 62, the NASDAQ staff has indicated to Lynx that the transaction, if completed, would constitute a reverse merger under the NASDAQ Marketplace Rule 4330(f). As a result, Lynx must apply for initial inclusion of its common stock for listing on the NASDAQ SmallCap Market following the transaction. In order to satisfy the NASDAQ initial listing requirements, including a \$4.00 per share price minimum bid price for the 90 trading days preceding the completion of the transaction, Lynx's board of directors has deemed it advisable to amend Lynx's certificate of incorporation to effect a reverse stock split. Second, Lynx's board of directors believes that a reverse stock split could improve the marketability and liquidity of Lynx common stock. Third, Lynx's board of directors believes that a reverse stock split is desirable in order to increase Lynx common stock price in the near term while Lynx continues to progress towards achieving its business objectives.

Lynx common stock is quoted on the NASDAQ SmallCap Market. In order for Lynx common stock to continue to be quoted on the NASDAQ SmallCap Market following the transaction, Lynx must satisfy certain initial listing standards established by NASDAQ. Among oth