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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-36156

VERACYTE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-5455398**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7000 Shoreline Court, Suite 250
South San Francisco, California 94080
(Address of principal executive offices, zip code)

(650) 243-6300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of November 1, 2014, there were 22,506,605 shares of common stock, par value $0.001 per share, outstanding.

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PART I. — FINANCIAL INFORMATION

Item 1. Financial Statements

VERACYTE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	September 30, 2014 (Unaudited)	December 31, 2013 (Derived from audited financial statements)
Assets		
Current assets:		
Cash and cash equivalents	$ 44,002	$ 71,220
Accounts receivable, net of allowance of $114 and $107 as of September 30, 2014 and December 31, 2013	1,180	1,143
Supplies inventory	3,350	2,567
Prepaid expenses and other current assets	1,711	1,477
Deferred tax asset	325	—
Restricted cash	100	—
Total current assets	50,668	76,407
Property and equipment, net	3,792	2,952
In-process research and development	16,000	—
Goodwill	1,057	—
Restricted cash	118	118
Other assets	179	153
Total assets	$ 71,814	$ 79,630
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 8,587	$ 5,294
Accrued liabilities	6,106	7,594
Deferred Genzyme co-promotion fee	1,897	2,500
Current portion of long-term debt	1,420	—
Total current liabilities	18,010	15,388
Long-term debt, net of current portion	3,587	4,899
Deferred tax liability	325	—
Deferred rent, net of current portion	186	286
Deferred Genzyme co-promotion fee, net of current portion	1,423	2,614
Total liabilities	23,531	23,187
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized, 0 shares issued and outstanding as of September 30, 2014 and December 31, 2013	—	—
Common stock, $0.001 par value; 125,000,000 shares authorized, 22,490,488 and 21,143,313 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	22	21

Additional paid-in capital	155,141	142,071
Accumulated deficit	(106,880)	(85,649)
Total stockholders' equity	48,283	56,443
Total liabilities and stockholders' equity	$ 71,814	$ 79,630

The accompanying notes are an integral part of these condensed consolidated financial statements.

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VERACYTE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

(In thousands, except share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenue	$ 9,838	$ 5,594	$ 25,991	$ 15,046
Operating expenses:				
Cost of revenue	4,168	3,132	11,741	9,136
Research and development	2,233	2,028	6,602	5,940
Selling and marketing	5,533	3,291	14,970	8,609
General and administrative	5,715	3,244	13,625	8,772
Total operating expenses	17,649	11,695	46,938	32,457
Loss from operations	(7,811)	(6,101)	(20,947)	(17,411)
Interest expense	(114)	(126)	(338)	(131)
Other income (expense), net	23	(76)	54	(2,146)
Net loss and comprehensive loss	$ (7,902)	$ (6,303)	$ (21,231)	$ (19,688)
Net loss per common share, basic and diluted	$ (0.37)	$ (6.59)	$ (0.99)	$ (22.87)
Shares used to compute net loss per common share, basic and diluted	21,648,660	955,890	21,346,565	860,957

The accompanying notes are an integral part of these condensed consolidated financial statements.

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VERACYTE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended	
	September 30, 2014	September 30, 2013
Operating activities		
Net loss	$ (21,231)	$ (19,688)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	833	717
Bad debt expense	67	184
Genzyme co-promotion fee amortization	(1,794)	(1,875)
Stock-based compensation	2,402	851
Amortization of debt discount and issuance costs	81	28
Interest on debt balloon payment	60	21
Change in value of preferred stock liability	—	2,070
Change in value of preferred stock warrant liability	—	77
Changes in operating assets and liabilities:		
Accounts receivable	(104)	(329)
Supplies inventory	(783)	(342)
Prepaid expenses and current other assets	(552)	(2,183)
Other assets	(46)	32
Accounts payable	3,298	3,813
Accrued liabilities and deferred rent	(1,427)	763
Net cash used in operating activities	(19,196)	(15,861)
Investing activities		

Purchases of property and equipment	(1,491)	(1,061)
Cash remitted for acquisition, net of cash received	(6,886)	—
Change in restricted cash	(100)	50
Net cash used in investing activities	(8,477)	(1,011)
Financing activities		
Proceeds from issuance of long-term debt, net of debt issuance costs	—	4,877
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	12,945
Commissions and issuance costs relating to the initial public offering	(129)	—
Proceeds from the exercise of common stock options	584	474
Net cash provided by financing activities	455	18,296
Net increase (decrease) in cash and cash equivalents	(27,218)	1,424
Cash and cash equivalents at beginning of period	71,220	14,002
Cash and cash equivalents at end of period	$ 44,002	$ 15,426

The accompanying notes are an integral part of these condensed consolidated financial statements.

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VERACYTE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Veracyte, Inc. (the "Company") was incorporated in the state of Delaware on August 15, 2006 as Calderome, Inc. Calderome operated as an incubator until early 2008. On March 4, 2008, the Company changed its name to Veracyte, Inc. Veracyte is a diagnostics company pioneering the field of molecular cytology to improve patient outcomes and lower healthcare costs. The Company specifically targets diseases that often require invasive procedures for an accurate diagnosis - diseases where many healthy patients undergo costly interventions that ultimately prove unnecessary. The Company improves the accuracy of diagnosis at an earlier stage of patient care by deriving clinically actionable genomic information from cytology samples collected in an outpatient setting. The Company's first commercial solution, the Afirma® Thyroid FNA Analysis, includes as its centerpiece the Gene Expression Classifier ("GEC"). The GEC helps physicians reduce the number of unnecessary surgeries by employing a proprietary 142-gene signature to preoperatively determine whether thyroid nodules previously classified by cytopathology as indeterminate can be reclassified as benign. The Company's operations are based in South San Francisco, California and Austin, Texas, and it operates in one segment in the United States.

On September 16, 2014, the Company acquired Allegro Diagnostics Corp. ("Allegro") via a merger with Full Moon Acquisition, Inc. ("Full Moon"), a wholly-owned subsidiary of the Company. Allegro was a privately-held company based in Maynard, Massachusetts, focused on the development of genomic tests to improve the preoperative diagnosis of lung cancer. Allegro merged with Full Moon ("Merger") with Allegro surviving the Merger as a wholly-owned subsidiary of the Company. See Note 3.

Basis of Presentation

The accompanying interim period condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and applicable rules and regulations of the SEC regarding interim financial reporting. The condensed consolidated financial statements include the accounts of the Company and Allegro. All intercompany accounts and transactions have been eliminated in consolidation. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet as of September 30, 2014, the condensed consolidated statements of operations and comprehensive loss and the condensed consolidated statements of cash flows for the three and nine months ended September 30, 2014 and 2013, are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of its financial position, operating results and cash flows for the periods presented. The condensed consolidated balance sheet at December 31, 2013 has been derived from audited financial statements. The results for the three and nine months ended September 30, 2014 are not necessarily indicative of the results expected for the full fiscal year or any other period.

The accompanying interim period condensed consolidated financial statements and related financial information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Use of Estimates

The preparation of the unaudited interim financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates include: revenue recognition; contractual allowances; allowance for doubtful accounts; the useful lives of property and equipment; the recoverability of long-lived assets; the determination of fair value of the Company's common stock prior to the Company's initial public offering ("IPO"), stock options, preferred stock liability; income tax uncertainties, including a valuation allowance for deferred tax assets; and contingencies. The Company bases these estimates on historical and anticipated results, trends, and various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities and recorded revenue and expenses that are not readily apparent from other sources. Actual results could differ from those estimates and assumptions.

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Concentrations of Credit Risk and Other Risks and Uncertainties

The Company's cash and cash equivalents are deposited with one major financial institution in the United States of America. Deposits in this institution may exceed the amount of insurance provided on such deposits. The Company has not experienced any losses on its deposits of cash and cash equivalents.

Several of the components of the Company's sample collection kit and test reagents are obtained from single-source suppliers. If these single-source suppliers fail to satisfy the Company's requirements on a timely basis, it could suffer delays in being able to deliver its diagnostic solution, a possible loss of revenue, or incur higher costs, any of which could adversely affect its operating results.

The Company is also subject to credit risk from its accounts receivable related to its sales of Afirma. The Company generally does not perform evaluations of customers' financial condition and generally does not require collateral. All of the Company's accounts receivables are derived from sales of Afirma in the United States and Canada.

Through September 30, 2014, all of the Company's revenues are derived from the sale of Afirma. The Company's solution to date has been delivered primarily to physicians in the United States. The Company's significant third-party payers and their related revenue as a percentage of total revenue are as follows:

	Nine Months Ended September 30,	
	2014	2013
Medicare	26%	33%
Aetna	11%	8%
United Healthcare	17%	17%
	54%	58%

Medicare revenues increased $1.8 million to $6.8 million in the nine months ended September 30, 2014 compared to $5.0 in the corresponding period in 2013. As the number of payers reimbursing for Afirma increases, the percentage of revenue derived from Medicare and other significant third-party payers has changed and will continue to change as a percentage of the Company's total revenue.

Accounts receivable from Medicare amounted to 82% and 78% of accounts receivable as of September 30, 2014 and December 31, 2013. No other third-party payer represented more than 10% of the Company's accounts receivable balances for these periods.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less from the date of purchase. Cash equivalents consist primarily of amounts invested in money market accounts.

Restricted Cash

The Company reserved $100,000 in cash to cover liabilities associated with the Merger. This restricted cash is included in current assets on the Company's condensed consolidated balance sheet.

The Company had long-term deposits of $118,000 as of September 30, 2014 and December 31, 2013, restricted from withdrawal and held by a bank in the form of collateral for letters of credit. The balance for each period consists of a letter of credit totaling $118,000 held as security for the lease of the Company's office space in South San Francisco, California. This restricted cash is included in long-term assets on the Company's condensed consolidated balance sheets.

Allowance for Doubtful Accounts

The Company estimates an allowance for doubtful accounts against its individual accounts receivable based on estimates of expected reimbursement consistent with historical payment experience in relation to the amounts billed. Bad debt expense is included in general and administrative expense on the Company's statements of operations and comprehensive loss. Accounts receivable are written off against the allowance when there is substantive evidence that the account will not be paid. If the financial condition of the Company's customers deteriorates, resulting in an impairment of their ability to make payment, additional allowances may be required.

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The balance of allowance for doubtful accounts as of September 30, 2014 and December 31, 2013, including charges to bad debt expense and write-offs, net of recoveries, was as follows:

	September 30, 2014	December 31, 2013
	(In thousands)	
Beginning balance	$ 107	$ 222
Charged to expense	67	109
Write-offs, net of recoveries	(60)	(224)
Ending balance	$ 114	$ 107

Supplies Inventory

Supplies inventory consists of test reagents and other consumables used in the sample collection kits and in cytopathology and GEC test processing and are valued at the lower of cost or market value. Cost is determined using actual costs on a first-in, first-out basis.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally between three and five years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the term of the lease. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is reflected in the statements of operations and comprehensive loss in the period realized.

Internal-use Software

The Company capitalizes costs incurred in the application development stage to design and implement the software used in the tracking and reporting of laboratory activity. Costs incurred in the development of application software are capitalized and amortized over an estimated useful life of three years on a straight line basis. The total cost, accumulated depreciation and net book value was $775,000, $291,000 and $484,000, respectively, as of September 30, 2014, and was $482,000, $195,000 and $287,000, respectively, as of December 31, 2013, and are included in property and equipment in the Company's condensed consolidated balance sheets. During the nine months ended September 30, 2014 and 2013, the Company capitalized $293,000 and $211,000, respectively, of software development costs. Amortization expense totaled $32,000 and $96,000 in the three and nine months ended September 30, 2014, respectively, and $36,000 and $74,000 in the three and nine months ended September 30, 2013, respectively.

Business Combination

The Company accounts for acquisitions using the acquisition method of accounting which requires the recognition of tangible and identifiable intangible assets acquired and liabilities assumed at their estimated fair values as of the business combination date. The Company allocates any excess purchase price over the estimated fair value assigned to the net tangible and identifiable intangible assets acquired and liabilities assumed to goodwill. Transaction costs are expensed as incurred in general and administrative expenses. Results of operations and cash flows of acquired companies are included in the Company's operating results from the date of acquisition.

Goodwill

Goodwill is reviewed for impairment on an annual basis or more frequently if events or circumstances indicate that it may be impaired. The Company's goodwill evaluation is based on both qualitative and quantitative assessments regarding the fair value of goodwill relative to its carrying value. The Company has determined that it operates in a single segment and has a single reporting unit associated with the development and commercialization of diagnostic products. In the event the Company determines that it is more likely than not the carrying value of the reporting unit is higher than its fair value, quantitative testing is performed comparing recorded values to estimated fair values. If impairment is present, the impairment loss is measured as the excess of the recorded goodwill over its implied fair value. The Company performs its annual evaluation of goodwill during the fourth quarter of each fiscal year.

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Intangible Assets

The Company's intangible assets are comprised of acquired in-process research and development ("IPR&D"). The fair value of IPR&D acquired through a business combination is capitalized as an indefinite-lived intangible asset until the completion or abandonment of the related research and development activities. IPR&D is not amortized but is tested for impairment annually or when events or circumstances indicate that the fair value may be below the carrying value of the asset. If and when development is complete, the associated assets would then be amortized over their estimated useful lives.

Impairment of Long-lived Assets

The Company annually reviews long-lived and indefinite lived assets other than goodwill for impairment or whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company recognizes an impairment loss when the total of estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Impairment, if any, would be assessed using discounted cash flows or other appropriate measures of fair value. There were no impairments for the nine months ended September 30, 2014 and 2013.

Goodwill is reviewed for impairment on an annual basis or more frequently if events or circumstances indicate that it may be impaired. The Company's goodwill evaluation is based on both qualitative and quantitative assessments regarding the fair value of goodwill relative to its carrying value. The Company has determined that it operates in a single segment and has a single reporting unit associated with the development and commercialization of diagnostic products. In the event the Company determines that it is more likely than not the carrying value of the reporting unit is higher than its fair value, quantitative testing is performed comparing recorded values to estimated fair values. If impairment is present, the impairment loss is measured as the excess of the recorded goodwill over its implied fair value. The Company performs its annual evaluation of goodwill during the fourth quarter of each fiscal year.

Bonus Accruals

The Company accrues for liabilities under discretionary employee and executive bonus plans. These estimated compensation liabilities are based on progress against corporate objectives approved by the Board of Directors, compensation levels of eligible individuals, and target bonus percentage levels. The Board of Directors and the Compensation Committee of the Board of Directors review and evaluate the performance against these objectives and ultimately determine what discretionary payments are made. As of September 30, 2014 and December 31, 2013, the Company accrued $469,000 and $1.1 million, respectively, for liabilities associated with these employee and executive bonus plans which are included in accrued liabilities in the Company's condensed consolidated balance sheets.

Fair Value of Financial Instruments

The carrying amounts of certain financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and accrued liabilities approximate fair value due to their relatively short maturities.

Revenue Recognition

The Company's revenue is generated from the provision of diagnostic services using the Afirma solution. The Company's service is completed upon the delivery of test results to the prescribing physician which triggers the billing for the service. The Company recognizes revenue related to billings for Medicare and commercial carriers on an accrual basis, net of contractual adjustments, when there is an agreement or a predictable pattern of collectability. Until a contract or agreement has been negotiated with a commercial carrier or governmental program, the Afirma solution may or may not be covered by these entities' existing reimbursement policies. In addition, patients do not enter into direct agreements with the Company that commit them to pay any portion of the cost of the tests in the event that their insurance declines to reimburse the Company.

For all services performed, the Company considers whether or not the following revenue recognition criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the fee is fixed or determinable; and collectability is reasonably assured.

Persuasive evidence of an arrangement exists and delivery is deemed to have occurred upon delivery of a patient report to the prescribing physician. The assessment of the fixed or determinable nature of the fees charged for diagnostic testing performed and the collectability of those fees require significant judgment by management. Management believes that these two criteria have been met when there is a contracted reimbursement rate and/or a predictable pattern of collectability with individual third-party payers and, accordingly, recognizes revenue upon delivery of the patient report. Some patients have out-of-pocket costs for amounts not covered by their insurance carrier, and the Company may bill the patient directly for these amounts in the form of co-payments and co-insurance in accordance with their insurance carrier and health plans. Some payers may not cover the Company's GEC as ordered by the prescribing physician under their reimbursement policies. The Company pursues reimbursement from such patients on a case-by-case basis.

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In the absence of contracted reimbursement or a predictable pattern and history of collectability, the Company believes that the fee is fixed or determinable and collectability is reasonably assured only upon receipt of third-party payer notification of payment or when cash is received and, accordingly, recognizes revenue at that time.

Cost of Revenue

Cost of revenue is expensed as incurred and includes material and service costs, cytopathology testing services performed by a third-party pathology group, stock-based compensation expense, direct labor costs, equipment and infrastructure expenses associated with testing samples, shipping charges to transport samples, and allocated overhead including rent, information technology, equipment depreciation and utilities.

Research and Development

Research and development costs are charged to operations as incurred. Research and development costs include, but are not limited to, payroll and personnel-related expenses, stock-based compensation expense, prototype materials, laboratory supplies, consulting costs, costs associated with setting up and conducting clinical studies at domestic and international sites, and allocated overhead including rent, information technology, equipment depreciation and utilities.

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company assesses all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. The Company's assessment of an uncertain tax position begins with the initial determination of the position's sustainability and is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and the Company will determine whether (i) the factors underlying the sustainability assertion have changed and (ii) the amount of the recognized tax benefit is still appropriate. The recognition and measurement of tax benefits requires significant judgment. Judgments concerning the recognition and measurement of a tax benefit may change as new information becomes available.

Stock-based Compensation

Stock-based compensation expense for equity instruments issued to employees is measured based on the grant-date fair value of the awards. The fair value of each employee stock option is estimated on the date of grant using the Black-Scholes option-pricing model. The Company recognizes compensation costs on a straight-line basis for all employee stock based compensation awards that are expected to vest over the requisite service period of the awards, which is generally the awards' vesting period. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Equity awards issued to non-employees are valued using the Black-Scholes option-pricing model and are subject to remeasurement as the underlying equity awards vest.

Net Loss per Common Share

Basic net loss per common share is calculated by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration of common stock equivalents. Diluted net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted-average number of common share equivalents outstanding for the period determined using the treasury stock method. Potentially dilutive securities consisting of convertible preferred stock and options to purchase common stock are considered to be common

stock equivalents and were excluded from the calculation of diluted net loss per common share because their effect would be anti-dilutive for all periods presented.

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Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The updated standard becomes effective for the Company in the first quarter of fiscal 2017. The Company has not yet selected a transition method and is currently evaluating the potential effect of the updated standard on its financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force).* The amendments in this ASU provide guidance on the financial statements presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. An unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward with certain exceptions, in which case such an unrecognized tax benefit should be presented in the financial statements as a liability. The amendments in this ASU do not require new recurring disclosures and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company adopted this guidance during the first quarter of 2014 and such adoption did not have a material impact on the Company's condensed consolidated financial statements.

2. Net Loss Per Common Share

The following table presents the calculation of basic and diluted net loss per common share for the three and nine months ended September 30, 2014 and 2013 (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net loss	$ (7,902)	$ (6,303)	$ (21,231)	$ (19,688)
Shares used to compute net loss per common share, basic and diluted	21,648,660	955,890	21,346,565	860,957
Net loss per common share, basic and diluted	$ (0.37)	$ (6.59)	$ (0.99)	$ (22.87)

The following outstanding shares of common stock equivalents have been excluded from diluted net loss per common share for the nine months ended September 30, 2014 and 2013 because their inclusion would be anti-dilutive:

	Nine Months Ended September 30,	
	2014	2013
Shares of common stock issuable upon conversion of preferred stock	—	14,997,312
Shares of common stock subject to outstanding options	3,090,577	2,355,579
Warrants to purchase convertible preferred stock	—	24,801
Total shares of common stock equivalents	3,090,577	17,377,692

3. Business Combination

On September 16, 2014, the Company acquired Allegro via a merger with Full Moon, a wholly-owned subsidiary of the Company. Allegro was a privately-held company based in Maynard, Massachusetts, focused on the development of genomic tests to improve the preoperative diagnosis of lung cancer. Allegro merged with Full Moon with Allegro surviving the Merger as a wholly-owned subsidiary of the Company. At the effective time of the Merger, each share of the common stock of Full Moon issued and outstanding immediately prior to the effective time of the Merger was automatically converted into one share of common stock of Allegro and represented the only outstanding common stock of Allegro at the effective time of the Merger; all previously issued and outstanding shares of common stock of Allegro were canceled. The Series A preferred stock of Allegro issued and outstanding immediately prior to the effective time of the Merger was canceled and automatically converted into the right to receive a total of 964,377 shares of the Company's common stock and $2.7 million in cash. Outstanding indebtedness of Allegro totaling $4.3 million was settled in cash by the Company on the effective date of the Merger. All outstanding stock options under Allegro's equity incentive plan were canceled.

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The acquisition of Allegro is expected to accelerate the Company's molecular diagnostics business into the pulmonology diagnostics market. Allegro's lung cancer test is designed to help physicians determine which patients with lung nodules who have had a non-diagnostic bronchoscopy result are at low risk for cancer and can thus be safely monitored with CT scans rather than undergoing invasive procedures.

The Merger was accounted for using the acquisition method of accounting with the Company treated as the accounting acquirer. The purchase price was preliminarily allocated based on the estimated fair value of the assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments, such as adjustments related to working capital, to arrive at the final purchase price allocation. The Company expects the purchase price allocation to be completed within six months of the acquisition date.

The Company incurred approximately $500,000 in acquisition-related costs related to the Merger, which primarily consisted of legal, accounting and valuation-related expenses. In addition, the Company incurred $1.2 million related to transaction bonuses and severance payments to former Allegro

employees associated with the Merger. These expenses were recorded in general and administrative expense in the accompanying condensed consolidated statements of operations and comprehensive loss. Total expenses and net loss associated with the acquired Allegro business in the Company's condensed consolidated statements of operations and comprehensive loss were not separately identifiable due to the integration with the Company's operations.

The acquisition consideration was comprised of (in thousands):

Stock	$	10,078
Cash		2,725
Payment of outstanding indebtedness		4,290
Total acquisition consideration	$	17,093

The stock consideration of $10.1 million was determined based on the closing price of the Company's common stock on September 16, 2014 ($10.45 per share).

The fair value of the assets acquired and liabilities assumed at the closing date of the Merger are summarized below (in thousands):

Cash and cash equivalents	$	29
Prepaid expenses		3
Other current assets		13
In-process research and development		16,000
Goodwill		1,057
Accrued liabilities		(9)
Total net assets acquired	$	17,093

The fair value of IPR&D was determined using the multi-period excess earnings method of the income approach, which estimates the economic benefits of the IPR&D over multiple time periods by identifying the cash flows associated with the use of the asset, based on forecasts prepared by management, and deducting a periodic charge reflecting a fair return for the use of contributory assets. The forecasted cash flows were discounted based on a discount rate of 18.5%. The discount rate represents the Company's weighted average return on assets and was benchmarked against the internal rate of return and cost of capital of guideline publicly traded companies. The fair value of the IPR&D was capitalized as of the closing date of the Merger and is subsequently accounted for as an indefinite-lived intangible asset, tested for impairment at least annually, until completion or abandonment of the associated research and development efforts. Once complete, amortization of the acquired IPR&D asset into earnings will commence. The Company estimates that the acquired IPR&D asset will have a useful life of less than 20 years after taking into consideration expected use of the asset, legal or regulatory provisions that may limit or extend the life of the asset, as well as the effects of obsolescence and other economic factors.

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Goodwill, which represents the purchase price in excess of the fair value of net assets acquired, is not expected to be deductible for income tax purposes. This goodwill is reflective of the value derived from the expected acceleration of the Company's entry into the pulmonology market.

Pro Forma Financial Information (Unaudited)

The following pro forma financial information is based on the historical financial statements of the Company and presents the Company's results as if the Merger had occurred as of January 1, 2013 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue	$ 9,838	$ 5,594	$ 25,991	$ 15,046
Net loss	$ (6,454)	$ (8,218)	$ (20,948)	$ (23,022)

The pro forma results present the combined historical results of operations with adjustments to reflect one-time charges including:

- The reversal of costs related to transaction bonuses and other payments to employees and acquisition-related expenses directly related to the Merger of $2.2 million for the three months and the nine months ended September 30, 2014; and
- The elimination of interest expense related to Allegro indebtedness of $228,000 and $2.3 million for the three and nine month periods ended September 30, 2014, respectively, and $198,000 and $4.5 million for the three and nine months ended September 30, 2013, respectively.

The pro forma information presented does not purport to present what the actual results would have been had the Merger actually occurred on January 1, 2013, nor is the information intended to project results for any future period.

4. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30, 2014	December 31, 2013
Accrued compensation expenses	$ 1,482	$ 1,962
Accrued Genzyme co-promotion fees	3,211	4,915
Accrued other	1,413	717
Accrued liabilities	$ 6,106	$ 7,594

5. Fair Value Measurements

The Company records its financial assets and liabilities at fair value. The carrying amounts of certain financial instruments of the Company, including cash and cash equivalents, prepaid expenses and other current assets, accounts payable and accrued liabilities, approximate fair value due to their relatively short maturities. The carrying value of debt approximates its fair value because the interest rate approximates market rates that the Company could obtain for debt with similar terms. The accounting guidance for fair value provides a framework for measuring fair value, clarifies the definition of fair value, and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

- Level I: Inputs which include quoted prices in active markets for identical assets and liabilities.

- Level II: Inputs other than Level I that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level III: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of the Company's financial assets, which consist only of money market funds, was $42.6 million and $70.0 million as of September 30, 2014 and December 31, 2013, respectively, and are Level I assets as described above.

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6. Commitments and Contingencies

Operating Leases

The Company leases its headquarters and South San Francisco laboratory facilities under a non-cancelable lease agreement that expires March 31, 2016. The Company provided security deposits in the form of irrevocable standby letters of credit secured with restricted cash deposits at the Company's primary bank. The Company deposited $118,000 in restricted cash accounts as collateral for the lease which is included in restricted cash in the Company's condensed consolidated balance sheets as of September 30, 2014 and December 31, 2013.

The Company also leases laboratory space in Austin, Texas. The lease expires on July 31, 2018. The Company provided a cash security deposit of $75,000, which is included in other assets in the Company's balance sheet as of September 30, 2014 and December 31, 2013.

Future minimum lease payments under non-cancelable operating leases as of September 30, 2014 are as follows (in thousands):

Year Ending December 31,	Amount
October through December 31, 2014	$ 237
2015	989
2016	413
2017	222
2018	130
Total minimum lease payments	$ 1,991

The Company recognizes rent expense on a straight-line basis over the non-cancelable lease period. Facilities rent expense was $213,000 and $214,000 for the three months ended September 30, 2014 and 2013, respectively, and $639,000 and $658,000 for the nine months ended September 30, 2014 and 2013, respectively.

Volume Purchase Agreement

The Company had non-cancelable purchase obligations to contract manufacturers and suppliers for approximately $64,000 at September 30, 2014, all of which is estimated to be payable before December 31, 2014.

Contingencies

From time to time, the Company may be involved in legal proceedings arising in the ordinary course of business. The Company believes there is no litigation pending that could have, individually or in the aggregate, a material adverse effect on the Company's financial position, results of operations or cash flows.

7. Debt

In June 2013, the Company entered into a loan and security agreement with a financial institution to fund its working capital and other general corporate needs. The agreement provided for term loans of $10.0 million in aggregate. The Company drew down $5.0 million in funds under the agreement in June 2013, and did not draw the remaining $5.0 million on or before the expiration date of March 31, 2014. The carrying value of the debt approximates its fair value because the interest rate approximates market rates that the Company could obtain for debt with similar terms. The Company's long-term debt obligation is a Level III liability. Level III inputs include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. The Company is required to repay the outstanding principal in 30 equal installments beginning 18 months after the date of the borrowing and is due in full in June 2017. The loan bears interest at a rate of 6.06% per annum. The loan carries prepayment penalties of 2.25% and 1.5% for prepayment within one and two years, respectively, of the loan origination and 0.75% thereafter.

As of September 30, 2014 and December 31, 2013, the net debt obligation was as follows (in thousands):

	September 30, 2014	December 31, 2013
Debt and unpaid accrued end-of-term payment	$ 5,102	$ 5,042
Unamortized note discount	(95)	(143)
Net debt obligation	$ 5,007	$ 4,899
Current portion of long-term debt	$ 1,420	$ —
Long-term debt, net of current portion	$ 3,587	$ 4,899

The obligation includes an end-of-term payment of $223,000, representing 4.45% of the total outstanding principal balance, which accretes over the life of the loan as interest expense. As a result of the debt discount and the end-of-term payment, the effective interest rate for the loan differs from the contractual rate.

Interest expense on the debt was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Nominal interest	$ 78	$ 78	$ 230	$ 81
Amortization of debt discount	16	16	48	17
End of term payment interest	20	20	60	21
Total	$ 114	$ 114	$ 338	$ 119

The Company's obligations under the loan and security agreement are secured by a security interest in substantially all of its assets, excluding its intellectual property and certain other assets. The loan and security agreement contains customary conditions related to borrowing, events of default, and covenants, including covenants limiting the Company's ability to dispose of assets, undergo a change in control, merge with or acquire other entities, incur debt, incur liens, pay dividends or other distributions to holders of its capital stock, repurchase stock and make investments, in each case subject to certain exceptions. The agreement also allows the lender to call the debt in the event there is a material adverse change in the Company's business or financial condition. There are no financial covenants in the loan and security agreement.

8. Convertible Preferred Stock Warrant

In June 2013, in conjunction with the execution of the loan and security agreement, as discussed in Note 7, the Company issued to the lender a warrant to purchase up to 49,602 shares of Series C convertible preferred stock with an exercise price of $7.56 per share. Upon the draw down of the $5.0 million term loan, the related warrant became exercisable for 24,801 shares. In November 2013, in connection with the Company's IPO, the warrant automatically became exercisable for 24,801 shares of common stock at an exercise price of $7.56 per share. The lender exercised the warrant with respect to 24,801 shares through a cashless exercise in March 2014, resulting in the issuance of 13,739 shares of the Company's common stock.

9. Stockholders' Equity

Common Stock

The Company's Restated Certificate of Incorporation authorizes the Company to issue 125,000,000 shares of common stock with a par value of $0.001 per share. The holder of each share of common stock shall have one vote for each share of stock. The common stockholders are also entitled to receive dividends whenever funds and assets are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all series of convertible preferred stock outstanding. No dividends have been declared as of September 30, 2014.

As of September 30, 2014 and December 31, 2013, the Company had reserved shares of common stock for issuance as follows:

	September 30, 2014	December 31, 2013
Options issued and outstanding	3,090,577	2,359,287
Options available for grant under stock option plans	1,533,190	1,787,802
Common stock warrants issued and outstanding	—	24,801
Total	4,623,767	4,171,890

Preferred Stock

The Company's Restated Certificate of Incorporation authorizes the Company to issue 5,000,000 shares of preferred stock with a par value of $0.001 per share. No shares were issued and outstanding at September 30, 2014 or December 31, 2013.

10. Stock Incentive Plans

The following table summarizes activity under the Company's stock option plans (aggregate intrinsic value in thousands):

	Shares Available for Grant	Stock Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual	Aggregate Intrinsic Value

				Life (Years)	
Balance - December 31, 2013	1,787,802	2,359,287	$ 3.07	7.84	$ 26,964
Additional options authorized	845,732	—			
Granted	(1,248,342)	1,248,342	14.47		
Canceled	147,998	(147,998)	8.21		
Exercised	—	(369,054)	1.59		
Balance - September 30, 2014	1,533,190	3,090,577	$ 7.61	8.06	$ 12,370
Options exercisable - September 30, 2014		1,766,445	$ 3.19	7.08	$ 11,678
Options vested and expected to vest - September 30, 2014		2,948,498	$ 7.32	8.00	$ 12,296

The aggregate intrinsic value was calculated as the difference between the exercise price of the options to purchase common stock and the fair market value of the Company's common stock of $9.75 per share as of September 30, 2014.

Outstanding and exercisable stock options at September 30, 2014 are summarized as follows:

	Options Outstanding		Options Vested and Exercisable	
Exercise Price	Number	Weighted-Average Remaining Contractual Life (in Years)	Number	Weighted-Average Remaining Contractual Life (in Years)
$0.08	47,750	3.88	47,750	3.88
$0.80	131,514	5.45	131,514	5.45
$2.36	342,267	6.10	333,541	6.10
$2.40	153,469	4.89	139,821	4.69
$2.68	549,014	7.50	520,942	7.50
$4.00	426,514	8.28	390,744	8.28
$6.04	195,082	8.71	165,105	8.71
$7.92	9,000	8.95	2,438	8.95
$10.45	75,000	9.96	—	—
$12.06	22,300	9.95	—	—
$12.12	39,625	9.01	34,590	9.01
$12.64-18.24	1,099,042	9.48	—	—
$0.08-18.24	3,090,577	8.06	1,766,445	7.08

The weighted-average fair value of stock options granted was $9.74 and $3.73 per share for the nine months ended September 30, 2014 and 2013, respectively.

The weighted-average fair value of stock options vested was $2.84 and $2.24 per share for the nine months ended September 30, 2014 and 2013, respectively. The aggregate estimated grant date fair value of employee options to purchase common stock vested during the nine months ended September 30, 2014 and 2013 was $1.1 million and $1.2 million, respectively.

The weighted-average fair value of stock options exercised was $1.06 and $0.98 per share for the nine months ended September 30, 2014 and 2013, respectively. The intrinsic value of stock options exercised was $3.0 million and $3.5 million for the nine months ended September 30, 2014 and 2013, respectively.

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Stock-based Compensation

The following table summarizes stock-based compensation expense related to stock options for the three and nine months ended September 30, 2014 and 2013, and are included in the unaudited statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Cost of revenue	$ 17	$ 10	$ 40	$ 23
Research and development	184	67	446	170
Selling and marketing	200	46	485	123
General and administrative	634	238	1,431	535
Total	$ 1,035	$ 361	$ 2,402	$ 851

As of September 30, 2014, the Company had $10.0 million of unrecognized compensation expense related to unvested stock options, which is expected to be recognized over an estimated weighted-average period of 3.2 years.

The estimated grant date fair value of employee stock options was calculated using the Black-Scholes option-pricing model, based on the following assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Weighted-average volatility	72.84-75.29%	80.57%	72.84-78.54%	80.42 - 81.41%
Weighted-average expected term (years)	6.08	6.08	5.50-6.08	5.0 - 6.08
Risk-free interest rate	1.87-2.04%	2.11%	1.66-2.04%	0.88 - 2.11%
Expected dividend yield	0%	0%	0%	0%

Stock-based compensation related to stock options granted to non-employees is recognized as the stock options are earned. The fair value of the stock options granted is calculated at each reporting date using the Black-Scholes option-pricing model with the following assumptions: expected life is equal to the remaining contractual term of the award as of the measurement date ranging from 8.18 years to 9.01 years as of September 30, 2014 and 7.97 years to 9.18 years as of September 30, 2013; risk free rate is based on the U.S. Treasury Constant Maturity rate with a term similar to the expected life of the option at the measurement date ranging from 2.34% to 2.42% as of September 30, 2014 and 2.22% to 2.47% as of September 30, 2013; expected dividend yield of 0%; and volatilities ranging from 73.24% to 73.96% as of September 30, 2014 and 78.81% to 79.54% as of September 30, 2013.

11. Genzyme Co-promotion Agreement

In January 2012, the Company and Genzyme Corporation ("Genzyme") executed a co-promotion agreement for the co-exclusive rights and license to promote and market the Company's Afirma thyroid diagnostic solution in the United States and in 40 named countries. In exchange, the Company received a $10.0 million upfront co-promotion fee from Genzyme in February 2012. The Company may receive an additional $3.0 million in payments, $600,000 for each country outside of the United States in which the Company obtains marketing authorization and achieves a specified level of reimbursement, for up to five countries. Under the terms of the agreement, Genzyme will receive a percentage of cash receipts that the Company has received related to Afirma as co-promotion fees. The percentage was 50% in 2012, 40% from January 2013 through February 2014, and 32% beginning in March 2014 and thereafter. Genzyme will also spend up to $500,000 for qualifying clinical development activities in countries that require additional testing for approval. This obligation expired in July 2014. The agreement expires in January 2027 and either party may terminate the agreement at any time and with six months prior notice.

On August 12, 2014, the Company signed a binding Letter of Agreement with Genzyme to amend the co-promotion agreement. Under the amendment, the co-promotion fees Genzyme would receive as a percentage of U.S. cash receipts would be reduced from 32% to 15% beginning January 1, 2015, and the earliest either party could terminate the agreement for convenience would be June 30, 2016. The Company entered into an Amended and Restated U.S. Co-Promotion Agreement with Genzyme in November 2014, which will be effective on January 1, 2015. See Note 14. Through August 11, 2014, the Company amortized the $10.0 million upfront co-promotion fee over a four-year period, which was management's best estimate of the life of the agreement, in part because after that period either party could terminate the agreement without penalty. Effective August 12, 2014, the Company extended the amortization period from January 2016 to June of 2016, the modified earliest period either party may terminate the agreement without penalty. The Company accounted for the change in accounting estimate prospectively.

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The Company incurred $3.2 million and $2.3 million in co-promotion expense in the three months ended September 30, 2014 and 2013, respectively, and $8.7 million and $6.0 million in the nine months ended September 30, 2014 and 2013, respectively, which is included in selling and marketing expenses in the condensed consolidated statements of operations and comprehensive loss. The Company's outstanding obligation to Genzyme totaled $8.7 million and $6.7 million at September 30, 2014 and December 31, 2013, respectively. Of the $8.7 million obligation at September 30, 2014, $5.5 million is included in accounts payable and $3.2 million is included in accrued liabilities in the Company's condensed consolidated balance sheets. Of the $6.7 million obligation at December 31, 2013, $1.8 million is included in accounts payable and $4.9 million is included in accrued liabilities in the Company's condensed consolidated balance sheets.

The Company amortized $544,000 and $625,000 of the $10.0 million up-front co-promotion fee in the three months ended September 30, 2014 and 2013, respectively, and $1.8 million and $1.9 million in the nine months ended September 30, 2014 and 2013, respectively, which is reflected as a reduction to selling and marketing expenses in the statements of operations and comprehensive loss. The unamortized balance of the co-promotion fee is reflected on the Company's condensed consolidated balance sheets as follows (in thousands):

	September 30, 2014	December 31, 2013
Current liabilities:		
Deferred Genzyme co-promotion fee	$ 1,897	$ 2,500
Long-term liabilities:		
Deferred Genzyme co-promotion fee, net of current portion	1,423	2,614
Total	$ 3,320	$ 5,114

12. Thyroid Cytology Partners

In 2010, the Company entered into an arrangement with Pathology Resource Consultants, P.A. ("PRC") to set up and manage a specialized pathology practice to provide testing services to the Company. There is no direct monetary compensation from the Company to PRC as a result of this arrangement. The Company's service agreement is with the specialized pathology practice, Thyroid Cytopathology Partners ("TCP"), and is effective through December 31, 2015, unless terminated earlier, and renews annually thereafter. Under the service agreement, Veracyte pays TCP based on a fixed price per test schedule, which is reviewed periodically for changes in market pricing. Subsequent to December 2012, an amendment to the service agreement allows TCP to use a portion of Veracyte's facility in Austin, Texas. The Company does not have an ownership interest in or provide any form of financial or other support to TCP. The Company has concluded that TCP represents a variable interest entity and that the Company is not the primary beneficiary as it does not have the ability to direct the activities that most significantly impact TCP's economic performance. Therefore, the Company does not consolidate TCP. All amounts paid to TCP under the service agreement are expensed as incurred and included in cost of revenue in the condensed consolidated statements of operations and comprehensive loss. The Company incurred $978,000 and $816,000 in cytopathology testing and evaluation services expenses with TCP in the three months ended September 30, 2014 and 2013, respectively, and $2.8 million and $2.3 million in the nine months ended September 30, 2014 and 2013, respectively. The Company's outstanding obligations to TCP for cytopathology testing services were $669,000 and $588,000 as of September 30, 2014 and December 31, 2013, respectively, and are included in accounts payable in the Company's condensed consolidated balance sheets.

TCP reimburses the Company for a proportionate share of the Company's rent and related operating expense costs for the leased facility. TCP's portion of rent and related operating expense costs for the shared space at the Austin, Texas facility was $22,000 and $63,000 for the three and nine months ended September 30, 2014, respectively, and $16,000 and $20,000 for the three and nine months ended September 30, 2013, respectively, and is included in other income (expense) in the Company's statements of operations and comprehensive loss.

13. Income Taxes

The Company did not record a provision or benefit for income taxes during the three and nine months ended September 30, 2014 and 2013, respectively. The Company continues to maintain a valuation allowance for its U.S. federal and state deferred tax assets.

At September 30, 2014, the Company had $1.3 million of unrecognized tax benefits, none of which, if recognized, would affect the effective tax rate as most of the unrecognized tax benefit is deferred tax assets currently offset by a valuation allowance.

The Company has not recognized any interest and penalties related to uncertain tax positions as part of the income tax provision.

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The Company files annual income tax returns in the United States only. A number of years may elapse before an uncertain tax position is audited and finally resolved. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, the Company believes that its reserves for income taxes reflect the most likely outcome. The Company adjusts these reserves, as well as the related interest, in light of changing facts and circumstances. Settlement of any particular position could require the use of cash. As of September 30, 2014, changes to the Company's uncertain tax positions in the next twelve months that are reasonably possible are not expected to have a significant impact on the Company's financial position or results of operations.

14. Subsequent Events

Amended and Restated Genzyme Co-promotion Agreement

On November 7, 2014, the Company entered into an Amended and Restated U.S. Co-Promotion Agreement ("Amended Agreement") with Genzyme. Under the Amended Agreement, the co-promotion fees Genzyme will receive as a percentage of U.S. cash receipts will be reduced from 32% to 15% beginning January 1, 2015, and the earliest either party can terminate the agreement for convenience is June 30, 2016.

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

The following discussion and analysis of financial condition and results of operations should be read together with the condensed consolidated financial statements and the related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q, and with our audited financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2013.

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this report, the words "expects," "anticipates," "intends," "estimates," "plans," "believes," "continuing," "ongoing," and similar expressions are intended to identify forward-looking statements. These are statements that relate to future events and include, but are not limited to, the factors that may impact our financial results; our expectations regarding revenue; our expectations with respect to our future research and development, general and administrative and selling and marketing expenses and our anticipated uses of our funds; our expectations regarding capital expenditures; our anticipated cash needs and our estimates regarding our capital requirements; our need for additional financing; potential future sources of cash; our business strategy and our ability to execute our strategy; our ability to achieve and maintain reimbursement from third-party payers at acceptable levels; our belief that our published evidence provides a basis for inclusion of our Afirma GEC test in treatment guidelines; the estimated size of the global market for Afirma and our potential pulmonology products; the potential benefits of the Afirma solution and any future products we may develop to patients, physicians and payers, including our first planned product in pulmonology; the factors we believe drive demand for and reimbursement of our tests; our ability to sustain or increase demand for our tests; our intent to expand into other clinical areas; our ability to develop new tests, including tests for lung cancer and interstitial lung disease, and the timeframes for development or commercial launch; our dependence on and the terms of our agreements with Genzyme and TCP, and on other strategic relationships, and the success of those relationships; our ability to conclude the renegotiation of our contract with Genzyme; our beliefs regarding our laboratory capacity; the applicability of clinical results to actual outcomes; our expectations regarding our international expansion, including entering new international markets and the timing thereof; the occurrence, timing, outcome or success of clinical trials or studies; the ability of our tests to impact treatment decisions; our beliefs regarding our competitive position; our compliance with federal, state and international regulations; the potential impact of regulation of our tests by the FDA or other regulatory bodies; the impact of new or changing policies, regulation or legislation, or of judicial decisions, on our business; our ability to comply with the requirements of being a public company; the impact of seasonal fluctuations and economic conditions on our business; our belief that we have taken reasonable steps to protect our intellectual property; the impact of accounting pronouncements and our critical accounting policies, judgments, estimates, models and assumptions on our financial results; and anticipated trends and challenges in our business and the markets in which we operate.

Forward-looking statements are based on our current plans and expectations and involve risks and uncertainties which could cause actual results to differ materially. These risks and uncertainties include, but are not limited to, those risks discussed in Part II, Item 1A of this report, as well as risks and uncertainties related to: our limited operating history and history of losses since inception; our ability to increase usage of and reimbursement for the Afirma GEC and any other tests we may develop, including our first planned product in pulmonology; our dependence on a limited number of payers for a significant portion of our revenue; the complexity, time and expense associated with billing and collecting for our test; current and future laws, regulations and judicial decisions applicable to our business, including potential regulation by the FDA or by regulatory bodies outside of the United States; changes in legislation related to the U.S. healthcare system; our dependence on strategic relationships, collaborations and co-promotion arrangements; unanticipated delays in research and development efforts; our ability to develop and commercialize new products and the timing of commercialization; our ability to successfully enter new product or geographic markets; our ability to conduct clinical studies and the outcomes of such clinical studies; the applicability of clinical results to actual outcomes; trends and challenges in our business; our ability to compete against third parties; our ability to protect our intellectual property; and our ability to obtain capital when needed. These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to update any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

When used in this report, all references to "Veracyte," the "Company," "we," "our" and "us" refer to Veracyte, Inc.

Veracyte, Afirma, the Veracyte logo and the Afirma logo are our registered trademarks. We also refer to trademarks of other corporations or organizations in this report.

This report contains statistical data and estimates that we obtained from industry publications and reports. These publications typically indicate that they have obtained their information from sources they believe to be reliable, but do not guarantee the accuracy and completeness of their information. Some data contained in this report is also based on our internal estimates.

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Overview

We are a diagnostics company pioneering the field of molecular cytology, focusing on genomic solutions that resolve diagnostic ambiguity and enable physicians to make more informed treatment decisions at an early stage in patient care. By improving preoperative diagnostic accuracy, we aim to help patients avoid unnecessary invasive procedures while reducing healthcare costs. Our first commercial solution, the Afirma Thyroid FNA Analysis, or Afirma, centers on the proprietary Gene Expression Classifier, or GEC, to resolve ambiguity in diagnosis and is becoming a new standard of care in thyroid nodule assessment. The GEC helps physicians reduce the number of unnecessary surgeries by approximately 50% by employing a proprietary 142-gene signature to preoperatively identify benign thyroid nodules among those deemed indeterminate by cytopathology alone. We have demonstrated the clinical utility and cost effectiveness of the GEC in multiple studies published in peer-reviewed journals and established the clinical validity of the GEC in a study published in *The New England Journal of Medicine* in 2012. Since we commercially launched Afirma in January 2011, we have received nearly 130,000 FNA samples for evaluation using Afirma and performed over 25,000 GECs to resolve indeterminate cytopathology results.

We are expanding our molecular cytology franchise into other clinical areas of unmet need, focusing first on difficult-to-diagnose lung diseases, where current diagnostic ambiguity frequently requires invasive, risky and costly procedures to obtain a definitive diagnosis. Through our recent acquisition of Allegro Diagnostics Corp., or Allegro, we plan to introduce our first pulmonology product in the second half of 2015, aimed at improving the risk stratification of patients with lung nodules that are suspicious for cancer. Our proprietary technology has been developed to help physicians determine which patients with non-diagnostic bronchoscopy results can be safely monitored with routine CT scans versus an invasive surgical biopsy. Our second pulmonology pipeline product is intended to help patients with suspected interstitial lung diseases, or ILDs, — specifically, idiopathic pulmonary fibrosis (IPF) — obtain an accurate diagnosis without surgery. ILDs present a significant challenge for diagnosis today without invasive surgical biopsy, leaving many patients with ambiguous diagnoses that can lead to suboptimal or even harmful treatment. We are developing a genomic test, which we currently plan to commercialize in 2016, to improve the diagnosis of IPF from the other ILDs in order to help physicians choose appropriate treatment pathways.

On August 12, 2014, we signed a binding Letter of Agreement to amend the co-promotion agreement, and on November 7, 2014, we entered into an Amended and Restated U.S. Co-Promotion Agreement, with Genzyme that will reduce the co-promotion fee percentage beginning January 1, 2015 and defines June 30, 2016 as the earliest date either party can terminate the agreement for convenience. The parties also signed a Letter of Agreement to negotiate exclusively with each other, an Ex-U.S. Co-Promotion Agreement, during the period from signing until December 12, 2014. During that period, the parties have agreed to negotiate terms and conditions for the promotion of the GEC test in six initial countries and other countries agreed to from time to time.

We increased the list price billed for the GEC from $4,275 to $4,875 per test in January 2014, while the list price billed for routine cytopathology remained at $490 per test. We obtained Medicare coverage for the GEC effective in January 2012 and contracted reimbursement at an agreed upon rate of $3,200. We received positive coverage determinations from UnitedHealthcare and Cigna in 2013 and recently signed contracts with these payers establishing in-network allowable rates for both our GEC and cytopathology tests. We have also received positive coverage determinations from numerous other commercial payers and, to date, the GEC is covered by payers representing more than 135 million covered lives. Contracted and reimbursement rates vary by payer.

We recognized revenue of $9.8 million and $26.0 million in the three and nine months ended September 30, 2014, an increase of $4.2 million and $10.9 million, or 76% and 73%, respectively, compared to the same periods in 2013. We incurred a net loss of $7.9 million and $21.2 million for the three and nine months ended September 30, 2014 compared to a net loss of $6.3 million and $19.7 million in the same periods in 2013. As of September 30, 2014, we had an accumulated deficit of $106.9 million.

Factors Affecting Our Performance

The Number of FNAs We Receive and Test

The growth in our business is tied to the number of FNAs we receive and the number of GECs performed. Approximately 93% of FNAs we receive are for the Afirma solution, which consists of cytopathology, and if the cytopathology result is indeterminate, the GEC is performed. The remaining approximate 7% of FNAs are received from centers performing cytopathology in their institution where the cytopathology result is indeterminate and we perform the GEC only. The rate at which adoption occurs in these two settings will cause these two percentages to fluctuate over time. Generally 8%-12% of the FNA samples we receive for cytopathology have insufficient cellular material from which to render a cytopathology diagnosis. We only bill the technical component, including slide preparation, for these tests. For results that are benign or suspicious/malignant by cytopathology, we bill for these services when we issue the report to the physician. If the cytopathology result is indeterminate, defined as atypia/follicular lesions of undetermined significance (AUS/FLUS) or suspicious for FN/HCN, we perform the GEC. Historically, approximately 14%-17% of samples we have received for the Afirma solution have yielded indeterminate results by cytopathology. Approximately 5%-10% of the samples for GEC testing have insufficient ribonucleic acid, or RNA, from which to render a result. The GEC can be reported as Benign, Suspicious or No Result. We bill for the GEC Benign and GEC Suspicious results only. After the GEC is completed, we issue the cytopathology report for the indeterminate results as well as the GEC report, and then bill for both of these tests. We incur costs of collecting and shipping the FNAs and a portion of the costs of performing tests where we cannot ultimately issue a patient report. Because we cannot bill for all samples received, the number of FNAs received does not directly correlate to the total number of patient reports issued and the amount billed.

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Continued Adoption of and Reimbursement for Afirma

To date only a small number of payers have reimbursed us at full list price. Revenue growth depends on our ability to achieve broader reimbursement at increased levels from third-party payers and to expand our base of prescribing physicians. Because some payers consider the GEC experimental and investigational, we may not receive payment on many tests and payments may not be at acceptable levels compared to what we have billed. We expect our revenue growth will increase as more payers make a positive coverage decision and as payers enter into contracts with us, which should enhance our collections. To drive increased adoption of Afirma, we have increased our internal sales force in high-volume geographies domestically during 2014 and plan to continue to do so for the remainder of 2014 and into 2015, along with increasing our marketing efforts. If we are unable to expand the base of prescribing physicians at an acceptable rate, or if we are not able to execute our strategy for increasing reimbursement, we may not be able to effectively increase our revenue.

How We Recognize Revenue

A significant portion of our revenue is recognized when cash is received. Medicare and several small commercial payers are the only payers with agreed upon reimbursement rates or expected payments and a predictable history of collections, which allows us to recognize the related revenue on an accrual basis. We only recently signed contracts with two major commercial payers. Until we achieve a predictable pattern of collections and a consistent payment amount, we will recognize revenue upon the earlier of notification of payment or when cash is received. Additionally, as we commercialize new products, we will need to achieve a predictable pattern of collections and a consistent payment amount for each payer for each new product offering prior to being able to recognize the related revenue on an accrual basis. Because the timing and amount of cash payments received from payers is difficult to predict, we expect that our revenue will fluctuate significantly in any given quarter. In addition, even if we begin to accrue larger amounts of revenue related to Afirma, when we introduce new products, we do not expect we will be able to recognize revenue from new products on an accrual basis for some period of time. This may result in continued fluctuations in our revenue.

As of December 31, 2013, cumulative amounts billed at list price for tests processed which were not recognized as revenue upon delivery of a patient report because our accrual revenue recognition criteria were not met and for which we have not received either notification of payment or collected cash totaled $40.9 million. Of this amount, we collected $6.0 million in the nine months ended September 30, 2014.

As of September 30, 2014, cumulative amounts billed at list price for tests processed which were not recognized as revenue upon delivery of a patient report because our accrual revenue recognition criteria were not met and for which we have not received either notification of payment or collected cash totaled $75.1 million.

These amounts are cumulative as of the date referenced and include all amounts billed in prior periods that have not yet been paid or written off as uncollectible. It is difficult to predict future revenue from tests performed but where we have not been paid. Accordingly, we cannot provide any assurance as to when, if ever, or to what extent any of these amounts will be collected. Because we are in the early stages of commercialization of Afirma, we have had limited payment and collection history. Notwithstanding our efforts to obtain payment for these tests, payers may deny our claims, in whole or in part, and we may never receive revenue from any previously performed but unpaid tests. Revenue from these tests, if any, may not be equal to the billed amount due to a number of factors, including differences in reimbursement rates, the amounts of patient co-payments, the existence of secondary payers and claims denials.

We incur expense for tests in the period in which the test is conducted and recognize revenue for tests in the period in which our revenue recognition criteria are met. Accordingly, any revenue that we recognize as a result of cash collection for previously performed but unpaid Afirma tests will favorably impact our liquidity and results of operations in future periods.

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Impact of Genzyme Co-promotion Agreement

The $10.0 million fee we received from Genzyme under our co-promotion agreement is being amortized over the estimated useful life based on the provisions of the agreement, and is recorded as a reduction to selling and marketing expenses. We amortized $1.8 million and $1.9 million of the $10.0 million in the nine months ended September 30, 2014 and 2013, respectively, and these offsets to expense are included in selling and marketing expense in our condensed consolidated statement of operations. The co-promotion agreement requires that we pay a certain percentage of our cash receipts to Genzyme, which percentage decreases over time. The percentage was 40% from January 2013 through February 2014, and decreased to 32% in March 2014. Our co-promotion fees were $3.2 million and $8.7 million in the three and nine months ended September 30, 2014, compared to $2.3 million and $6.0 million in the same periods in 2013, and are included in selling and marketing expense in our condensed consolidated statement of operations.

On August 12, 2014, we signed a binding Letter of Agreement with Genzyme to amend the co-promotion agreement, and on November 7, 2014, we signed an Amended and Restated U.S. Co-Promotion Agreement, or Amended Agreement, with Genzyme. Under the Amended Agreement, the co-promotion fees Genzyme will receive as a percentage of cash receipts will be reduced from 32% to 15% beginning January 1, 2015, and the earliest either party may terminate the agreement for convenience is June 30, 2016. Further, we have agreed to assume more responsibilities for sales and marketing activities. The parties also signed a Letter of Agreement to negotiate exclusively with each other an Ex-U.S. Co-Promotion Agreement during the period from signing until December 12, 2014. During that period, the parties have agreed to negotiate terms and conditions for the promotion of the GEC test in six initial countries and other countries agreed to from time to time. Our agreement with Genzyme expires in 2027.

Development of Additional Products

We rely on sales of Afirma to generate all of our revenue. In May 2014, we commercially launched our Afirma Malignancy Classifiers, which we believe will enhance our Afirma Thyroid FNA Analysis as a comprehensive way to manage thyroid nodule patients and serve our current base of prescribing physicians. We also plan to pursue development of products for additional diseases to increase and diversify our revenue. For example, in September 2014 we acquired Allegro and with it their molecular diagnostic lung cancer test designed to help physicians determine which patients with lung nodules who have had a non-diagnostic bronchoscopy result are at low risk for cancer and can thus be safely monitored with CT scans rather than undergoing invasive procedures. Additionally, we are pursuing a solution for interstitial lung disease, or ILD, that will offer an alternative to surgery by developing a genomic signature to classify samples collected through less invasive bronchoscopy techniques. Accordingly, we expect to continue to invest heavily in research and development

in order to expand the capabilities of our solutions and to develop additional products. Our success in developing new products will be important in our efforts to grow our business by expanding the potential market for our products and diversifying our sources of revenue.

Timing of Our Research and Development Expenses

We deploy state-of-the-art and costly genomic technologies in our biomarker discovery experiments, and our spending on these technologies may vary substantially from quarter to quarter. We also spend a significant amount to secure clinical samples that can be used in discovery and product development as well as clinical validation studies. The timing of these research and development activities is difficult to predict, as is the timing of sample acquisitions. If a substantial number of clinical samples are acquired in a given quarter or if a high-cost experiment is conducted in one quarter versus the next, the timing of these expenses can affect our financial results. We conduct clinical studies to validate our new products as well as on-going clinical studies to further the published evidence to support our commercialized test, Afirma. As these studies are initiated, start-up costs for each site can be significant and concentrated in a specific quarter. Spending on research and development, for both experiments and studies, may vary significantly by quarter depending on the timing of these various expenses.

Historical Seasonal Fluctuations in FNA Volume and Collections

Our business is subject to fluctuations in the number of FNA samples received for both cytopathology and GEC testing throughout the year as a result of physician practices being closed for holidays or endocrinology and thyroid-related industry meetings which are widely attended by our prescribing physicians. Like other companies in our field, vacations by physicians and patients tend to negatively affect our volumes more during the summer months and during the end of year holidays compared to other times of the year. Additionally, we may receive fewer FNAs in the winter months due to severe weather if patients are not able to visit their doctor’s office. Our reimbursed rates and cash collections are also subject to seasonality. Medicare normally makes adjustments in its fee schedules at the beginning of the year which may affect our reimbursement. Additionally, patient deductibles generally reset at the beginning of each year which means that patients early in the year are responsible for a greater portion of the cost of our tests, and we have lower collection rates from individuals than from third-party payers. Later in the year, particularly in the fourth quarter, we experience improved payment results as third-party payers tend to clear pending claims toward year end. This trend historically has increased our cash collections in the fourth quarter. The effects of these seasonal fluctuations in prior periods may have been obscured by the growth of our business.

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Financial Overview

Revenue

We generate revenue from the sale of our Afirma solution. We generally invoice third-party payers upon delivery of a patient report to the prescribing physician. As such, we take the assignment of benefits and the risk of collection from the third-party payer and individual patients.

For tests performed where an agreed upon reimbursement rate and/or a predictable history of collections exists, such as in the case of Medicare, we recognize revenue upon delivery of a patient report to the prescribing physician based on the established billing rate less contractual and other adjustments to arrive at the amount that we expect to collect. We determine the amount we expect to collect based on a per payer, per contract or agreement basis, after analyzing payment history. The expected amount is typically lower than the agreed upon reimbursement amount due to several factors, such as the amount of patient co-payments, the existence of secondary payers and claim denials. In all other situations, as we do not have sufficient history of collection and are not able to determine a predictable pattern of payment, we recognize revenue upon the earlier of receipt of third-party payer notification of payment or when cash is received. Upon ultimate collection, the amount received from Medicare and commercial payers with a predictable pattern of payment is compared to previous estimates and the contractual allowance is adjusted accordingly. Our ability to increase our revenue will depend on our ability to penetrate the market, obtain positive coverage policies from additional third-party payers, obtain reimbursement and/or enter into contracts with additional third-party payers, and increase reimbursement rates for tests performed. Finally, should we recognize revenue from payers on an accrual basis and later determine the expected payments, collectability or other judgments underlying our decision to accrue revenue or the accrued amounts change, our financial results could be negatively impacted in future quarters.

Cost of Revenue

The components of our cost of revenue are materials and service costs, including cytopathology testing services, stock-based compensation expense, direct labor costs, equipment and infrastructure expenses associated with testing samples, shipping charges to transport samples, and allocated overhead including rent, information technology, equipment depreciation and utilities. Costs associated with performing tests are recorded as the test is processed regardless of whether and when revenue is recognized with respect to that test. As a result, our cost of revenue as a percentage of revenue may vary significantly from period to period because we do not recognize all revenue in the period in which the associated costs are incurred. We expect cost of revenue in absolute dollars to increase as the number of tests we perform increases. However, we expect that the cost per test will decrease over time due to the efficiencies we may gain as test volume increases and from automation, process efficiencies and other cost reductions. As we introduce new tests, initially our cost of revenue will be high and will increase disproportionately our aggregate cost of revenue until we achieve efficiencies in processing these new tests.

Research and Development

Research and development expenses include costs incurred to develop our technology, collect clinical samples and conduct clinical studies to develop and support our products. These costs consist of personnel costs, including stock-based compensation expense, prototype materials, laboratory supplies, consulting costs, costs associated with setting up and conducting clinical studies at domestic and international sites, and allocated overhead including rent, information technology, equipment depreciation and utilities. We expense all research and development costs in the periods in which they are incurred. We expect our research and development expenses will increase in absolute dollars in future periods as we continue to invest in research and development activities related to developing additional products and evaluating various platforms. We expect that in the next 12 months the increase in research and development expenses will be for the continued development and support of Afirma and other new products and programs under development, including our lung cancer and ILD programs. Specifically, we plan to increase the body of clinical evidence to support Afirma. We expect to incur R&D expenses associated with analytical verification and clinical utility studies to support the commercialization of our planned lung cancer test. In our ILD lung program, we expect to incur expenses associated with clinical validation studies.

Selling and Marketing

Selling and marketing expenses consist of personnel costs, including stock-based compensation expense, direct marketing expenses, consulting costs, and allocated overhead including rent, information technology, equipment depreciation and utilities. In addition, up-front co-promotion fees paid to Genzyme, net of amortization, are included in selling and marketing expenses. We expect our selling and marketing expenses for Afirma to remain flat over the next year as we expect that increases in personnel costs as we take on more sales and marketing responsibilities under the amended Genzyme agreement will be offset by the reduction in the rate we will pay Genzyme under the Amended Agreement. In 2015, we also expect to incur selling and marketing expense to commercialize our planned lung cancer test. Thus, we believe total selling and marketing expense will increase in 2015.

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General and Administrative

General and administrative expenses include executive, finance and accounting, human resources, billing and client services, and quality and regulatory functions. These expenses include personnel costs, including stock-based compensation expense, audit and legal expenses, consulting costs, costs associated with being a public company, and allocated overhead including rent, information technology, equipment depreciation and utilities. The three months ended September 30, 2014 also includes transaction costs related to the acquisition of Allegro, including charges for merger related severance and bonuses. We expect to incur additional expenses over the next 12 months as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the Securities and Exchange Commission and The NASDAQ Stock Market, additional insurance expenses, investor relations activities and other administrative and professional services. We also expect our general and administration expenses will increase in absolute dollars over the next 12 months as we expand our billing group to support anticipated increased demand for our tests, we hire more personnel in accounting and finance, and we incur increasing expenses related to the documentation of our internal controls in connection with compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

Interest Income

Interest income is from interest on our cash equivalents, and interest received from payers.

Interest Expense

Interest expense is attributable to our borrowings under the loan agreement entered into in June 2013.

Other Income (Expense), Net

Other income (expense), net is related primarily to the change in value of the preferred stock liability associated with our obligation to issue additional shares of Series C convertible preferred stock. In November 2012, we entered into a Series C convertible preferred stock purchase agreement. In connection with the initial closing, we agreed to issue to the purchasers, and the purchasers agreed to purchase, additional shares of the Series C convertible preferred stock within a specified timeframe. We determined that the liability to issue additional Series C convertible preferred stock at a future date was a freestanding instrument that should be accounted for as a liability. Accordingly, we recorded a liability related to this instrument at the time of the initial close in November 2012, and we remeasured the liability at each reporting period with the corresponding gain or loss from the adjustment recorded as other income (expense), net through the issuance of the final Series C tranche in June 2013.

Critical Accounting Polices and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our unaudited financial statements, which have been prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP. The preparation of the financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Revenue Recognition

Our revenue is generated from the provision of diagnostic services using the Afirma solution. Our service is completed upon the delivery of test results to the prescribing physician which triggers the billing for the service. We recognize revenue related to billings for Medicare and commercial payers on an accrual basis, net of contractual adjustments, when there is an agreement or a predictable pattern of collectability. Until a contract or agreement has been negotiated with a commercial carrier or governmental program, the Afirma solution may or may not be covered by these entities' existing reimbursement policies. In addition, patients do not enter into direct agreements with us that commit them to pay any portion of the cost of the tests in the event that their insurance declines to reimburse us.

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For all services performed, we consider whether or not the following revenue recognition criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the fee is fixed or determinable; and collectability is reasonably assured.

Persuasive evidence of an arrangement exists and delivery is deemed to have occurred upon delivery of a patient report to the prescribing physician. The assessment of the fixed or determinable nature of the fees charged for diagnostic testing performed and the collectability of those fees require significant

judgment by management. Management believes that these two criteria have been met when there is a contracted reimbursement rate and/or a predictable pattern of collectability with individual third-party payers and accordingly, we recognize revenue upon delivery of the patient report. Some patients have out-of-pocket costs for amounts not covered by their insurance carrier, and we may bill the patient directly for these amounts in the form of co-payments and co-insurance in accordance with their insurance carrier and health plans. Some payers may not cover the GEC as ordered by the prescribing physician under their reimbursement policies. We pursue reimbursement from such patients on a case-by-case basis.

In the absence of contracted reimbursement or a predictable pattern and history of collectability, we believe that the fee is fixed or determinable and collectability is reasonably assured only upon receipt of third-party payer notification of payment or when cash is received and accordingly, recognize revenue at that time.

Allowance for Doubtful Accounts

We estimate an allowance for doubtful accounts against our individual accounts receivable based on estimates of expected payment consistent with historical payment experience. Our allowance for doubtful accounts is evaluated on a regular basis and adjusted when trends or significant events indicate that a change in estimate is appropriate. Historically, the amounts of uncollectible individual accounts receivable that have been written off have been consistent with management's expectations. Accounts receivable are written off against the allowance when the appeals process is exhausted or when there is other substantive evidence that the account will not be paid. If the financial conditions of our customers were to deteriorate resulting in an impairment of their ability to make payments, additional allowances may be required.

Derivative Liability

We account for derivative financial instruments as either equity or liabilities based upon the characteristics and provisions of each instrument. We recorded the preferred stock liability incurred in connection with our Series C convertible preferred stock and the preferred stock warrant liability related to the issuance of a warrant for Series C convertible preferred stock, each as a derivative financial instrument liability at their fair value on the date of issuance, and we remeasured them on each subsequent balance sheet date. The changes in fair value were recognized as a gain or loss from the adjustment to other income (expense), net in the statements of operations and comprehensive loss. We estimated the fair value of this liability using option-pricing models that include assumptions for future financings, expected volatility, expected life, yield and risk-free interest rate. The preferred stock liability was extinguished in 2013. The warrant to purchase Series C convertible preferred stock was converted into a warrant to purchase our common stock as of the close of our initial public offering and was exercised through a cashless exercise in March 2014.

Deferred Tax Assets

We file U.S. federal income tax returns and tax returns in California, Texas and other states.

As of December 31, 2013, our gross deferred tax assets were $32.8 million. The deferred tax assets were primarily comprised of federal and state tax net operating loss and tax credit carryforwards. Utilization of the net operating loss and tax credit carryforwards may be subject to annual limitation due to historical or future ownership percentage change rules provided by the Internal Revenue Code of 1986, and similar state provisions. The annual limitation may result in the expiration of certain net operating loss and tax credit carryforwards before their utilization.

We are required to reduce our deferred tax assets by a valuation allowance if it is more likely than not that some or all of our deferred tax assets will not be realized. We must use judgment in assessing the potential need for a valuation allowance, which requires an evaluation of both negative and positive evidence. The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified. In determining the need for and amount of our valuation allowance, if any, we assess the likelihood that we will be able to recover our deferred tax assets using historical levels of income, estimates of future income and tax planning strategies. As a result of historical cumulative losses and, based on all available evidence, we believe it is more likely than not that our recorded net deferred tax assets will not be realized. Accordingly, we recorded a valuation allowance against all of our net deferred tax assets at December 31, 2013 and September 30, 2014. We will continue to maintain a full valuation allowance on our deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of this allowance.

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Stock-based Compensation

We recognize stock-based compensation cost for those shares underlying stock options that we expect to vest on a straight-line basis over the requisite service period of the award. We estimate the fair value of stock options using a Black-Scholes model, which requires the input of highly subjective assumptions, including the option's expected term and stock price volatility. In addition, judgment is also required in estimating the number of stock-based awards that are expected to be forfeited. Forfeitures are estimated based on historical experience at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future.

Results of Operations

Comparison of the three and nine months ended September 30, 2014 and 2013 (in thousands except FNA data) is as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
Statements of Operations Data:						
Revenue	$ 9,838	$ 5,594	76%	$ 25,991	$ 15,046	73%
Operating expenses:						
Cost of revenue	4,168	3,132	33%	11,741	9,136	29%
Research and development	2,233	2,028	10%	6,602	5,940	11%
Selling and marketing	5,533	3,291	68%	14,970	8,609	74%
General and administrative	5,715	3,244	76%	13,625	8,772	55%

Total operating expenses	17,649	11,695	51%	46,938	32,457	45%
Loss from operations	(7,811)	(6,101)	28%	(20,947)	(17,411)	20%
Interest expense	(114)	(126)	9%	(338)	(131)	159%
Other income (expense), net	23	(76)	131%	54	(2,146)	102%
Net loss and comprehensive loss	$ (7,902)	$ (6,303)	25%	$ (21,231)	$ (19,688)	8%
Other Operating Data:						
FNAs received	16,781	12,430	35%	47,612	35,611	34%

Revenue

Revenue increased $4.2 million and $10.9 million, or 76% and 73%, respectively, in each of the three and nine months ended September 30, 2014 compared to the same periods in 2013, primarily as a result of increased collections which resulted from realizing higher reimbursement rates from payers as well as from increased adoption of Afirma.

Cost of revenue

Cost of revenue increased $1.0 million and $2.6 million, or 33% and 29%, for the three and nine months ended September 30, 2014, respectively, compared to the same periods in 2013. These increases were primarily due to 31% and 30% increases in variable costs, including personnel costs, cytology pathology fees and consumable supplies, consistent with the increase in the number of FNAs received, offset in part by continuing refinements in our testing process and economies of scale related to the increase in FNAs processed. FNAs received increased by 4,351 and 12,001, or 35% and 34%, to 16,781 and 47,612 in the three and nine months ended September 30, 2014 compared to the same periods in 2013, respectively.

Research and development

Comparison of the three and nine months ended September 30, 2014 and 2013 (in thousands) is as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
Research and development expense :						
Personnel related expense	$ 1,080	$ 918	18%	$ 3,146	$ 2,822	11%
Stock-based compensation expense	184	67	175%	446	170	162%
Direct R&D expense	568	190	199%	1,781	1,334	34%
Other expense	401	853	53%	1,229	1,614	24%
Total	$ 2,233	$ 2,028	10%	$ 6,602	$ 5,940	11%

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Research and development expense increased $205,000 and $662,000, or 10% and 11%, in each of the three and nine months ended September 30, 2014 compared to the same periods in 2013. Personnel related expense increases of $162,000 and $324,000 were primarily due to increases in headcount in the three and nine months ended September 30, 2014 as compared to the same periods in 2013. Stock-based compensation expense increases of $117,000 and $276,000 in the three and nine months ended September 30, 2014 were primarily due to option grants to new and existing employees. Direct R&D expense increases of $378,000 and $447,000 in the three and nine months ended September 30, 2014 as compared to the same periods in 2013 were due primarily to the timing of genome sequencing expenses and other laboratory expenses. Other expense decreases of $452,000 and $385,000 in the three and nine months ended September 30, 2014 as compared to the same periods in 2013 were due primarily to $530,000 in licensing fees to secure thyroid intellectual property in the three months ended September 30, 2013, partially offset by an increase in recruiting fees.

Selling and marketing

Comparison of the three and nine months ended September 30, 2014 and 2013 (in thousands) is as follows:

	Three Months Ended September 30,			Six Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
Selling and marketing expense:						
Genzyme co-promotion expense, net	$ 2,666	$ 1,697	57%	$ 6,895	$ 4,115	68%
Personnel related expense	1,895	931	104%	5,350	2,935	82%
Stock-based compensation expense	200	46	335%	485	122	298%
Direct marketing expense	337	363	7%	935	731	28%
Other expense	435	254	71%	1,305	706	85%
Total	$ 5,533	$ 3,291	68%	$ 14,970	$ 8,609	74%

Selling and marketing expense increased $2.2 million and $6.4 million, or 68% or 74%, for the three and nine months ended September 30, 2014 compared to the same periods in 2013, respectively. Genzyme net co-promotion expenses increased $969,000 and $2.8 million primarily due to growth in cash related revenues and collections, partially offset by a reduction in the co-promotion percentage rate payable to Genzyme in 2014 as compared to 2013. Personnel related expense increases of $964,000 and $2.4 million and stock-based compensation expense increases of $154,000 and $363,000 were primarily due to increases in headcount of our sales force in the three and nine months ended September 30, 2014 as compared to the same periods in 2013. Direct marketing costs decreased $26,000 in the three months ended September 30, 2014 and increased $204,000 in the nine months ended September 30, 2014 as compared to the same periods in 2013. The increase in the nine months was due primarily to increases in our marketing supplies and promotional expenses. Other expense increases of $181,000 and $599,000 in the three and nine months ended September 30, 2014 as compared to the same periods in 2013 were primarily due to an increase in information technology and facilities expenses that were related to selling and marketing activities.

General and administrative

Comparison of the three and nine months ended September 30, 2014 and 2013 (in thousands) is as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
General and administrative expense:						
Personnel related expense	$ 3,308	$ 1,598	107%	$ 7,116	$ 4,743	50%
Stock-based compensation expense	634	238	166%	1,431	535	167%
Professional fees expense	951	818	16%	2,991	1,770	69%
Rent and other facilities expense	371	364	2%	1,113	1,152	3%
Other expense	451	226	100%	974	572	70%
Total	$ 5,715	$ 3,244	76%	$ 13,625	$ 8,772	55%

General and administrative expense increased $2.5 million and $4.9 million, or 76% and 55%, for the three and nine months ended September 30, 2014 compared to the same periods in 2013 primarily due to costs related to the acquisition of Allegro which totalled approximately $1.8 million and increases associated with higher costs of operating as a public company. Personnel expense increases of $1.7 million and $2.4 million were primarily due to acquisition costs of $1.3 million for bonus and severance paid to Allegro employees, and the remaining increases were due to increases in headcount in the three and nine months ended September 30, 2014 as compared to the same periods in 2013. Stock-based compensation expense increases of $396,000 and $896,000 in the three and nine months ended September 30, 2014 were primarily due to option grants to new and existing employees. Professional fees and insurance expenses increased $133,000 and $1.2 million due to acquisition costs of $275,000 for audit, legal and valuation services, and the remaining increases were due to higher costs associated with operating as a public company. Other expense increases of $225,000 and $402,000 were due primarily to acquisition costs of $228,000 for consulting services in the three and nine months ended September 30, 2014.

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Interest expense

Interest expense incurred under our loan and security agreement was $114,000 and $338,000 for the three and nine months ended September 30, 2014 compared with $126,000 and $131,000 for the same periods in 2013. The debt agreement was entered into in June 2013.

Other income (expense), net

Other income (expense), net, increased $99,000 and $2.2 million from net expense of $76,000 and $2.1 million for the three and nine months ended September 30, 2013 to net income of $23,000 and $54,000 for the three and nine months ended September 30, 2014. The $23,000 and $54,000 of net income in the three and nine months ended September 30, 2014 consisted of sublease rental income and interest income, offset by debt financing costs. The $76,000 of net expense in the three months ended September 30, 2013 is primarily related to the increase in the fair value of the preferred stock warrant liability. The $2.1 million of net expense in the nine months ended September 30, 2013 is primarily related to the increase in the fair value of the preferred stock liability associated with our obligation to issue additional shares of Series C convertible preferred stock, and the increase in the fair value of the preferred stock warrant liability. The preferred stock liability was extinguished in June 2013.

Liquidity and Capital Resources

We have incurred net losses since inception. For the nine months ended September 30, 2014, and the year ended December 31, 2013, we realized a net loss of $21.2 million and $25.6 million, respectively, and we expect to incur additional losses in 2014 and in future years. As of September 30, 2014, we had an accumulated deficit of $106.9 million. To date, we have generated only limited revenue, and we may never achieve revenue sufficient to offset our expenses. As of September 30, 2014, we had $44.0 million in cash and cash equivalents. We believe our existing cash and cash equivalents as of September 30, 2014 and our revenue from the sale of Afirma will be sufficient to meet our anticipated cash requirements for at least the next 12 months.

Since inception, we have received $153.9 million in net proceeds from various sources to finance our operations, including net proceeds of $78.6 million from sales of our preferred stock, net proceeds of $59.2 million from our IPO, $10.0 million from the Genzyme co-promotion agreement, net borrowings of $4.9 million under our loan and security agreement, and $1.2 million from the exercise of stock options.

In June 2013, we entered into a loan and security agreement with a financial institution. This agreement provides for term loans of up to an aggregate of $10.0 million. On entering into the agreement, we drew down an initial $5.0 million term loan. We opted not to draw the remaining $5.0 million and the option to do so expired in March 2014. Amounts drawn under the loan and security agreement were used for working capital and general corporate purposes.

The term loan bears interest at a fixed rate equal to 6.06%. We are required to repay any outstanding principal amounts in 30 equal monthly installments beginning 18 months after the date of the borrowing. On the date of our final principal payment, we must also pay an end-of-term payment equal to 4.45% of the amount borrowed. We may, at our option, prepay the term loan borrowings by paying the lender a prepayment premium.

Our obligations under the loan and security agreement are secured by a security interest on substantially all of our assets, excluding our intellectual property and certain other assets. The loan and security agreement contains customary conditions to borrowing, events of default, and covenants, including covenants limiting our ability to dispose of assets, undergo a change in control, merge with or acquire other entities, incur debt, incur liens, pay dividends or other distributions to holders of our capital stock, repurchase stock and make investments, in each case subject to certain exceptions. The agreement also allows the lender to call the debt in the event there is a material adverse change in our business or financial condition. There are no financial covenants in the loan and security agreement.

In connection with the draw-down of the $5.0 million term loan under the loan and security agreement, we issued the lender a warrant to purchase 24,801 shares of our common stock upon completion of the IPO. The lender exercised the warrant through a cashless exercise in March 2014, resulting in the issuance of 13,739 shares of common stock at an exercise price of $7.56 per share.

On September 16, 2014, we acquired Allegro via a merger with Full Moon Acquisition, Inc., or Full Moon, our wholly-owned subsidiary. Allegro was a privately-held company based in Maynard, Massachusetts, focused on the development of genomic tests to improve the preoperative diagnosis of lung cancer. Allegro merged with Full Moon, or Merger, with Allegro surviving the Merger as our wholly-owned subsidiary. At the effective time of the Merger, each share of the common stock of Full Moon issued and outstanding immediately prior to the effective time of the Merger was automatically converted into one share of common stock of Allegro and represented the only outstanding common stock of Allegro at the effective time of the Merger; all previously issued and outstanding shares of common stock of Allegro were canceled. The Series A preferred stock of Allegro issued and outstanding immediately prior to the effective time of the Merger was canceled and automatically converted into the right to receive a total of 964,377 shares of our common stock and $2.7 million in cash. Outstanding indebtedness of Allegro totaling $4.3 million was settled in cash by us on the effective date of the Merger. All outstanding stock options under Allegro's equity incentive plan were canceled.

Our primary uses of cash are to fund our operations as we continue to grow our business. We expect to continue to incur operating losses in the near term as we expect to increase our operating expenses to support the growth of our business. We expect that our research and development expenses will increase as we continue to invest in thyroid studies, analytical verification and clinical utility studies of our planned lung cancer test, and clinical sample accruals and product development activities for the ILD program. We expect our general and administrative expenses will also continue to increase as billing and cash collection volumes increase and as we incur the costs of being a public company. In November 2014, we amended the co-promotion agreement with Genzyme. Under such Amended Agreement with Genzyme, we expect our selling and marketing expenses for Afirma to remain flat over the next year as we expect that our personnel costs will increase as we take on more sales and marketing responsibilities, but that these increases will be offset by the lower rate we are required to pay Genzyme under the Amended Agreement beginning in January 2015. We expect to incur additional selling and marketing expense as we prepare to commercialize our planned lung cancer test. Cash used to fund operating expenses is impacted by the timing of when we pay expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

We expect that our near- and longer-term liquidity requirements will continue to consist of selling and marketing expenses, research and development expenses, working capital, and general corporate expenses associated with the growth of our business. We believe our existing cash and cash equivalents as of September 30, 2014 and our revenue from the sale of Afirma will be sufficient to meet our anticipated cash requirements for at least the next 12 months. However, we may also use cash to acquire or invest in complementary businesses, technologies, services or products that would change our cash requirements. If we are not able to generate revenue to finance our cash requirements, we will need to finance future cash needs primarily through public or private equity offerings, debt financings, borrowings or strategic collaborations or licensing arrangements. If we raise funds by issuing equity securities, dilution to stockholders may result. Any equity securities issued may also provide for rights, preferences or privileges senior to those of holders of our common stock. If we raise funds by issuing debt securities, these debt securities would have rights, preferences and privileges senior to those of holders of our common stock. The terms of debt securities or borrowings could impose significant restrictions on our operations. If we raise funds through collaborations and licensing arrangements, we might be required to relinquish significant rights to our technologies or products, or grant licenses on terms that are not favorable to us. The credit market and financial services industry have in the past, and may in the future, experience periods of upheaval that could impact the availability and cost of equity and debt financing. If we are not able to secure additional funding when needed, on acceptable terms, we may have to delay, reduce the scope of or eliminate one or more research and development programs or selling and marketing initiatives. In addition, we may have to work with a partner on one or more of our product or market development programs, which could lower the economic value of those programs to us.

The following table summarizes our cash flows for the nine months ended September 30, 2014 and 2013:

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash used in operating activities	$ (19,196)	$ (15,861)
Cash used in investing activities	(8,477)	(1,011)
Cash provided by financing activities	455	18,296

Cash Flows from Operating Activities

Cash used in operating activities for the nine months ended September 30, 2014 was $19.2 million. The net loss of $21.2 million includes non-cash charges of $1.8 million in amortization of the deferred fee received from Genzyme, offset primarily by $2.4 million of stock-based compensation expense, $833,000 of depreciation and amortization, $142,000 in debt interest and deferred financing costs amortization and debt balloon interest expense, and $67,000 in bad debt expense. The decrease in net operating assets of $386,000 was primarily due to a $1.9 million net increase in accounts payable and accrued liabilities resulting from the timing of payments, offset by a $783,000 increase in supplies inventory, a $599,000 increase in prepaid expenses and other assets, and a $104,000 increase in accounts receivable due to increases in Afirma adoption.

Cash used in operating activities for the nine months ended September 30, 2013 was $15.9 million. The net loss of $19.7 million includes non-cash charges of $2.1 million for the change in the value of the preferred stock liability, $1.9 million in amortization of the deferred fee received from Genzyme, $0.8 million of stock-based and equity-based compensation, $0.7 million of depreciation and amortization, $0.2 million of bad debt expense, and a $0.1 million charge for the change in value of the preferred stock warrant liability and the non-cash interest on the outstanding debt. The increase in net operating assets of $1.8 million was primarily due to a $4.6 million increase in accounts payable and accrued liabilities due to timing of payments offset by a $2.8 million increase in assets, including a $2.2 million increase in prepaid expenses due to expenses to be capitalized upon the October closing of the IPO, a $0.4 million increase in supply inventory due to the increase in volume of testing performed, and a $0.2 million increase in accounts receivable due to increased revenues from Medicare.

Cash Flows from Investing Activities

Cash used in investing activities for the nine months ended September 30, 2014 was $8.5 million. We acquired Allegro in September for net cash of approximately $6.9 million and we restricted the use of $100,000 of cash to cover hold-back liabilities associated with the acquisition. We purchased $1.5 million of laboratory equipment and software. Cash used in investing activities for the nine months ended September 30, 2013 was $0.9 million primarily from the purchase of leasehold improvements and laboratory equipment.

Cash Flows from Financing Activities

Cash provided by financing activities for the nine months ended September 30, 2014 of $455,000 consisted of $584,000 of net proceeds we received from the exercise of options to purchase our common stock, net of $129,000 of IPO-related disbursements during the period. Cash provided by financing activities for the nine months ended September 30, 2013 of $18.3 million primarily is from net proceeds of $12.9 million from the sale of our convertible preferred stock, net proceeds of $4.9 million from the loan and security agreement we entered into in June 2013, and $0.5 million in cash received from the exercise of options to purchase our common stock.

Contractual Obligations

During the nine months ended September 30, 2014, there were no material changes to our contractual obligations and commitments described under Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 10-K.

Off-balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The updated standard becomes effective for us in the first quarter of fiscal 2017. We have not yet selected a transition method and are currently evaluating the effect that the updated standard may have on our financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force).* The amendments in this ASU provide guidance on the financial statements presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. An unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward with certain exceptions, in which case such an unrecognized tax benefit should be presented in the financial statements as a liability. The amendments in this ASU do not require new recurring disclosures and are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We adopted this guidance during the first quarter of 2014 and such adoption did not have a material impact on our condensed consolidated financial statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rates. We had cash and cash equivalents of $44.0 million as of September 30, 2014, which consisted of bank deposits and money market funds. Such interest-bearing instruments carry a degree of risk; however, a hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our unaudited interim condensed consolidated financial statements.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, or Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in internal control over financial reporting.

During the quarterly period covered by this Form 10-Q, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. — OTHER INFORMATION

ITEM 1A. RISK FACTORS

Risks Related to Our Business

We are an early-stage company with a history of losses, and we expect to incur net losses for the foreseeable future and may never achieve or sustain profitability.

We have incurred net losses since our inception. For the nine months ended September 30, 2014 and 2013, we had a net loss of $21.2 million and $19.7 million, respectively, and we expect to incur additional losses in the future. From inception through September 30, 2014, we had an accumulated deficit of $106.9 million. To date, we have generated only limited revenue, and we may never achieve revenue sufficient to offset our expenses. Over the next several years, we expect to continue to devote substantially all of our resources to increase adoption of, and reimbursement for, Afirma, including the Afirma Malignancy Classifiers which we launched in the second quarter of 2014, and to develop future diagnostic solutions, including the commercialization of our first planned product in pulmonology. We may never achieve or sustain profitability, and our failure to achieve and sustain profitability in the future could cause the market price of our common stock to decline.

Our financial results depend solely on sales of Afirma, and we will need to generate sufficient revenue from this and other diagnostic solutions to grow our business.

Substantially all of our historical revenue has been derived from the sale of Afirma, which we commercially launched in January 2011. For the foreseeable future, we expect to derive substantially all of our revenue from sales of Afirma. We are in various stages of research and development for other diagnostic solutions that we may offer, but there can be no assurance that we will be able to identify other diseases that can be effectively addressed with our molecular cytology platform or, if we are able to identify such diseases, whether or when we will be able to successfully commercialize these solutions. In addition, in connection with our recent acquisition, we are planning to launch our first product in pulmonology in the second half of 2015, and our efforts may not be successful. If we are unable to increase sales and expand reimbursement for Afirma, including the newly launched Afirma Malignancy Classifiers, or successfully develop and commercialize other solutions, including our first planned product in pulmonology, our revenue and our ability to achieve and sustain profitability would be impaired, and the market price of our common stock could decline.

We depend on Medicare, Aetna and UnitedHealthcare for a significant portion of our revenue and if one or more significant payers stop providing reimbursement or decrease the amount of reimbursement for our tests, our revenue could decline.

Reimbursement on behalf of patients covered by Medicare, Aetna and UnitedHealthcare were 26%, 11% and 17%, respectively, of our revenue for the nine months ended September 30, 2014, compared with 33%, 8% and 17%, respectively, in the same period in 2013. The percentage of our revenue derived from our largest customers is expected to fluctuate from period to period as our revenue increases, as additional payers provide reimbursement for our tests or if one or more payers were to stop reimbursing for our tests. Effective January 2012, Palmetto GBA, the regional Medicare administrative contractor, or MAC, that handled claims processing for Medicare services with jurisdiction at that time, issued coverage and payment determinations for the GEC. On a five-year rotational basis, Medicare requests bids for its regional MAC services. Any future changes, in the MAC processing or coding for Medicare claims for the Afirma GEC could result in a change in the coverage or reimbursement rates for such products, or the loss of coverage.

We recently entered into contracts with Cigna and UnitedHealthcare that establish in-network allowable rates of reimbursement for cytopathology and GEC tests. However, payers may suspend or discontinue reimbursement at any time, may require or increase co-payments from patients, or may reduce the reimbursement rates paid to us. Any such actions could have a negative effect on our revenue.

If payers do not provide reimbursement, rescind or modify their reimbursement policies or delay payments for our tests, or if we are unable to successfully negotiate reimbursement contracts, our commercial success could be compromised.

Physicians may not order our tests unless payers reimburse a substantial portion of the test price. There is significant uncertainty concerning third-party reimbursement of any test incorporating new technology, including the Afirma GEC and Malignancy Classifiers. Reimbursement by a payer may depend on a number of factors, including a payer's determination that tests such as the GEC are:

- not experimental or investigational;
- pre-authorized and appropriate for the specific patient;
- cost-effective;
- supported by peer-reviewed publications; and
- included in clinical practice guidelines.

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Since each payer makes its own decision as to whether to establish a coverage policy or enter into a contract to reimburse our test, seeking these approvals is a time-consuming and costly process.

We do not have a contracted rate of reimbursement with most payers. Without a contracted rate for reimbursement, our claims are often denied upon submission, and we must appeal the claims. The appeals process is time consuming and expensive, and may not result in payment. In cases where there is not a contracted rate for reimbursement, there is typically a greater patient co- insurance or co-payment requirement which may result in further delay or decreased likelihood of collection.

We expect to continue to focus substantial resources on increasing adoption of and coverage and reimbursement for Afirma. We believe it may take several years to achieve coverage and contracted reimbursement with a majority of third-party payers. However, we cannot predict whether, under what circumstances, or at what payment levels payers will reimburse for our test. In addition, the recently launched Afirma Malignancy Classifiers and any other new products we may develop in the future, including our planned pulmonology product, may require that we expend substantial time and resources in order to obtain reimbursement. Our failure to establish broad adoption of and reimbursement for our products, or our inability to maintain existing reimbursement from payers, will negatively impact our ability to generate revenue and achieve profitability, as well as our future prospects and our business.

We may experience limits on our revenue if physicians decide not to order Afirma.

If we are unable to create or maintain demand for Afirma in sufficient volume, we may not become profitable. To generate demand, we will need to continue to educate physicians about the benefits and cost-effectiveness of Afirma through published papers, presentations at scientific conferences and one-on-one education by our sales force. In addition, our ability to obtain and maintain adequate reimbursement from third-party payers will be critical to generating revenue.

Several existing guidelines and historical practices in the United States regarding indeterminate thyroid nodule FNA results recommend a full or partial surgical thyroidectomy in most cases. Accordingly, physicians may be reluctant to order a diagnostic solution that may suggest surgery is unnecessary where some current guidelines and historical practice have typically led to such procedures. Moreover, our diagnostic services are performed at our clinical reference laboratory rather than by a pathologist in a local laboratory, so pathologists may be reluctant to support our services. In addition, guidelines for the diagnosis and treatment of thyroid nodules may subsequently be revised to recommend another type of treatment protocol, and these changes may result in medical practitioners deciding not to use Afirma. Finally, as we are in the early stage of commercially launching the Afirma Malignancy Classifiers, should we experience difficulties in the introduction, this may impact physicians' view of the Afirma solution and cause them to stop ordering our services. These facts may make physicians reluctant to convert to using or continuing to use Afirma, which could limit our ability to generate revenue and our ability to achieve profitability. To the extent international markets have existing practices and standards of care that are different than those in the United States, we may face challenges with the adoption of Afirma outside the United States.

The success of our relationship with Genzyme to co-promote Afirma may have a significant effect on our business.

We sell Afirma in the United States through our internal sales team and through our co-promotion agreement with Genzyme Corporation. Under the agreement, we are required to pay Genzyme a co-promotion fee that is equal to a percentage of our cash receipts from Afirma. The percentage was 40% and decreased to 32% in March 2014 and will be reduced to 15% beginning January 1, 2015. Our agreement with Genzyme expires in 2027. We have also granted Genzyme a right of first offer to co-promote any future thyroid cancer product that we commercialize. If Genzyme does not commit the necessary resources to market and sell Afirma to the level of our expectations, or if they terminate the agreement, we may not realize the benefits of this relationship, and our ability to generate revenue in the future may be harmed. If our agreement with Genzyme were terminated, we would have to hire additional sales personnel to support the growth of Afirma and any other thyroid product we agree to co-promote with Genzyme.

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Because we do not recognize a significant portion of our revenue on an accrual basis, our quarterly operating results are likely to fluctuate.

We currently recognize the majority of our revenue upon the earlier of receipt of third-party payer notification of payment or when cash is received. We have little visibility as to when we will receive payment for our diagnostic test, and we must appeal negative payment decisions, which delays collections. These factors will likely result in fluctuations in our quarterly revenue. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. In addition, these fluctuations in revenue may make it difficult for us, research analysts and investors to accurately forecast our revenue and operating results. If our revenue or operating results fall below expectations, the price of our common stock would likely decline. Finally, should we recognize revenue from payers on an accrual basis and later determine the expected payments, collectability or other judgments underlying our decision to accrue revenue or the accrued amounts change, our financial results could be negatively impacted in future quarters.

We rely on sole suppliers for some of the reagents, equipment, chips and other materials used in Afirma, and we may not be able to find replacements or transition to alternative suppliers.

We rely on sole suppliers, such as NuGEN Technologies, Inc. and Affymetrix, Inc., for critical supply of reagents, equipment, chips and other materials that we use to perform the GEC. We also purchase components used in our Afirma collection kits from sole-source suppliers. Some of these items are unique to these suppliers and vendors. In addition, we utilize a sole source to assemble and distribute our sample collection kits. While we have developed alternate sourcing strategies for these materials and vendors, we cannot be certain whether these strategies will be effective or the alternative sources will be available when we need them. If these suppliers can no longer provide us with the materials we need to perform the GEC and for our collection kits, if the materials do not meet our quality specifications, or if we cannot obtain acceptable substitute materials, an interruption in test processing could occur and we may not be able to deliver patient reports. Any such interruption may significantly affect our future revenue, cause us to incur higher costs, and harm our customer relations and reputation. In addition, in order to mitigate these risks, we maintain inventories of these supplies at higher levels than would be the case if multiple sources of supply were available.

We depend on a specialized cytopathology practice to perform the cytopathology component of Afirma, and our ability to perform our diagnostic solution would be harmed if we were required to secure a replacement.

We rely on Thyroid Cytopathology Partners, P.A., or TCP, to provide cytopathology professional diagnoses on thyroid FNA samples pursuant to a pathology services agreement. Pursuant to this agreement, TCP has the exclusive right to provide the cytopathology diagnoses on FNA samples at a fixed price per test. We have also agreed to allow TCP to co-locate in a portion of our facilities in Austin, Texas. Our agreement with TCP is effective until

December 2015 and thereafter automatically renews every year unless either party provides notice of intent not to renew at least twelve months prior to the end of the then-current term.

If TCP were not able to support our current test volume or future increases in test volume or to provide the quality of services we require, or if we are unable to agree on commercial terms and our relationship with TCP were to terminate, our business would be harmed until we are able to secure the services of another cytopathology provider. There can be no assurance that we would be successful in finding a replacement that would be able to conduct cytopathology diagnoses at the same volume or with the same high-quality results as TCP. Locating another suitable cytopathology provider could be time consuming and would result in delays in processing tests until a replacement was fully integrated with our test processing operations.

If we are unable to support demand for Afirma or any of our future products or solutions, our business could suffer.

As demand for Afirma grows, and as we commercialize new products such as our Afirma Malignancy Classifiers and our lung cancer test, we will need to continue to scale our testing capacity and processing technology, expand customer service, billing and systems processes and enhance our internal quality assurance program. We will also need additional certified laboratory scientists and other scientific and technical personnel to process higher volumes of our tests. We cannot assure you that any increases in scale, related improvements and quality assurance will be successfully implemented or that appropriate personnel will be available. Failure to implement necessary procedures, transition to new processes or hire the necessary personnel could result in higher costs of processing tests or inability to meet demand. There can be no assurance that we will be able to perform our testing on a timely basis at a level consistent with demand, or that our efforts to scale our operations will not negatively affect the quality of test results. If we encounter difficulty meeting market demand or quality standards, our reputation could be harmed and our future prospects and our business could suffer.

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If the FDA were to begin regulating our tests, we could incur substantial costs and delays associated with trying to obtain premarket clearance or approval.

Clinical laboratory tests like Afirma are regulated under the Clinical Laboratory Improvement Amendments of 1988, or CLIA, as well as by applicable state laws. Most laboratory developed tests, or LDTs, are not currently subject to FDA regulation, although reagents, instruments, software or components provided by third parties and used to perform LDTs may be subject to regulation. Although the FDA has never defined what qualifies as an LDT, we believe that Afirma is an LDT. FDA currently exercises its enforcement discretion for LDTs. On October 1, 2014, the FDA published draft guidance documents describing the framework by which they might regulate LDTs. The framework is similar to the guidance they issued previously. There is no timeframe in which the FDA must issue final guidance documents.

If the FDA requires us to seek clearance or approval to offer Afirma or the Afirma Malignancy Classifier, or any of our future products for clinical use, we may not be able to obtain such approvals on a timely basis, or at all. If premarket review is required, our business could be negatively impacted if we are required to stop selling our products pending their clearance or approval or the launch of any new products that we develop could be delayed by new requirements. The cost of conducting clinical trials and otherwise developing data and information to support premarket applications may be significant. In addition, future regulation by the FDA could subject our business to further regulatory risks and costs. Failure to comply with applicable regulatory requirements of the FDA could result in enforcement action, including receiving untitled or warning letters, fines, injunctions, or civil or criminal penalties. In addition, we could be subject to a recall or seizure of current or future products, operating restrictions, partial suspension or total shutdown of production. Any such enforcement action would have a material adverse effect on our business, financial condition and operations. In addition, our sample collection container is classified as a Class I medical device and is listed with the FDA. If the FDA was to determine that it is a Class II medical device, we would be required to file a 510(k) application and obtain FDA clearance to use the container, which could be time consuming and expensive.

Some of the materials we use for Afirma and the Afirma Malignancy Classifier and may use for future products are labeled for research use only. In June 2011, the FDA issued draft guidance regarding “Commercially Distributed In Vitro Diagnostic Products Labeled for Research Use Only or Investigational Use Only.” In November 2013, the FDA finalized guidance regarding the sale and use of products labeled for research or investigational use only. Among other things, the guidance advises that the FDA continues to be concerned about distribution of research-investigational-use only products intended for clinical diagnostic use and that the manufacturer’s objective intent for the product’s intended use will be determined by examining the totality of circumstances, including advertising, instructions for clinical interpretation, presentations that describe clinical use, and specialized technical support such as assistance performance clinical validation, surrounding the distribution of the product in question. The FDA has advised that if evidence demonstrates that a product is inappropriately labeled for research or investigational use only, the device would be misbranded and adulterated within the meaning of the Federal Food, Drug and Cosmetic Act. Some of the reagents, instruments, software or components obtained by us from suppliers for use in Afirma and the Afirma Malignancy Classifier are currently labeled as research-use only products. If the FDA were to undertake enforcement actions, some of our suppliers may cease selling research-use only products to us, and any failure to obtain an acceptable substitute could significantly and adversely affect our business, financial condition and results of operations, including increasing the cost of testing or delaying, limiting or prohibiting the purchase of reagents, instruments, software or components necessary to perform testing.

We may be unable to manage our future growth effectively, which could make it difficult to execute our business strategy.

In addition to the need to scale our testing capacity, future growth, including our transition to a multi-product company with international operations, will impose significant added responsibilities on management, including the need to identify, recruit, train and integrate additional employees with the necessary skills to support the growing complexities of our business. In addition, rapid and significant growth may place strain on our administrative, financial and operational infrastructure. Our ability to manage our business and growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. We have implemented an internally developed data warehouse, which is critical to our ability to track our diagnostic services and patient reports delivered to physicians, as well as to support our financial reporting systems. The time and resources required to optimize these systems is uncertain, and failure to complete optimization in a timely and efficient manner could adversely affect our operations. Additionally, growth will require us to expand and move our operations by 2016. This could disrupt our business, will require investment of resources, and may cause employee retention issues depending upon the location. If we are unable to manage our growth effectively, it may be difficult for us to execute our business strategy and our business could be harmed.

Billing for our diagnostic solution is complex, and we must dedicate substantial time and resources to the billing process to be paid for our tests.

Billing for clinical laboratory testing services is complex, time consuming and expensive. Depending on the billing arrangement and applicable law, we bill various payers, including Medicare, insurance companies and patients, all of which have different billing requirements. We generally bill third-party payers for our diagnostic solution and pursue reimbursement on a case-by-case basis where pricing contracts are not in place. To the extent laws or contracts require us to bill patient co-payments or co-insurance, we must also comply with these requirements. We may also face increased risk in our collection efforts, including potential write-offs of doubtful accounts and long collection cycles, which could adversely affect our business, results of operations and financial condition.

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Several factors make the billing process complex, including:

- differences between the list price for Afirma and the reimbursement rates of payers;
- compliance with complex federal and state regulations related to billing Medicare;
- disputes among payers as to which party is responsible for payment;
- differences in coverage and in information and billing requirements among payers;
- the effect of patient co-payments or co-insurance;
- incorrect or missing billing information; and
- the resources required to manage the billing and claims appeals process.

As we introduce new tests, such as the Afirma Malignancy Classifiers and our planned lung cancer test, we will need to add new codes to our billing process as well as our financial reporting systems. Failure or delays in effecting these changes in external billing and internal systems and processes could negatively affect our revenue and cash flow.

Additionally, our billing activities require us to implement compliance procedures and oversight, train and monitor our employees, challenge coverage and payment denials, assist patients in appealing claims, and undertake internal audits to evaluate compliance with applicable laws and regulations as well as internal compliance policies and procedures. Payers also conduct external audits to evaluate payments, which add further complexity to the billing process. These billing complexities, and the related uncertainty in obtaining payment for our diagnostic solution, could negatively affect our revenue and cash flow, our ability to achieve profitability, and the consistency and comparability of our results of operations.

We rely on a third-party to transmit claims to payers, and any delay in transmitting claims could have an adverse effect on our revenue.

While we manage the overall processing of claims, we rely on a third-party provider to transmit the actual claims to payers based on the specific payer billing format. We have previously experienced delays in claims processing when our third-party provider made changes to its invoicing system, and again when it did not submit claims to payers within the timeframe we require. If claims for products are not submitted to payers on a timely basis, or if we are required to switch to a different provider to handle claim submissions, we may experience delays in our ability to process these claims and receipt of payments from payers, which would have an adverse effect on our revenue and our business.

International expansion of our business exposes us to business, regulatory, political, operational, financial and economic risks associated with doing business outside of the United States.

Our business strategy includes international expansion, and may include developing and maintaining physician outreach and education capabilities outside of the United States, establishing agreements with laboratories, and expanding our relationships with international payers. Doing business internationally involves a number of risks, including:

- multiple, conflicting and changing laws and regulations such as tax laws, privacy laws, export and import restrictions, employment laws, regulatory requirements and other governmental approvals, permits and licenses;
- failure by us to obtain regulatory approvals where required for the use of our solution in various countries;
- complexities associated with managing multiple payer reimbursement regimes, government payers or patient self-pay systems;
- logistics and regulations associated with shipping tissue samples, including infrastructure conditions and transportation delays;
- challenges associated with establishing laboratory partners, including proper sample collection techniques, inventory management, sample logistics, billing and promotional activities;
- limits on our ability to penetrate international markets if we are not able to process tests locally;

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- financial risks, such as longer payment cycles, difficulty in collecting from payers, the effect of local and regional financial crises, and exposure to foreign currency exchange rate fluctuations;

- natural disasters, political and economic instability, including wars, terrorism, and political unrest, outbreak of disease, boycotts, curtailment of trade and other business restrictions; and

- regulatory and compliance risks that relate to maintaining accurate information and control over activities that may fall within the purview of the Foreign Corrupt Practices Act of 1977, its books and records provisions or its anti-bribery provisions.

Any of these factors could significantly harm our future international expansion and operations and, consequently, our revenue and results of operations.

If we are unable to compete successfully, we may be unable to increase or sustain our revenue or achieve profitability.

Our principal competition for Afirma comes from traditional methods used by physicians to diagnose thyroid cancer. Practice guidelines in the United States have historically recommended that patients with indeterminate diagnoses from cytopathology results be considered for surgery to remove all or part of the thyroid to rule out cancer. This practice has been the standard of care in the United States for many years, and we need to educate physicians about the benefits of Afirma to change clinical practice.

We also face competition from commercial laboratories, such as Laboratory Corporation of America Holdings, Quest Diagnostics Incorporated and Sonic Healthcare USA with strong infrastructure to support the commercialization of diagnostic services. We face potential competition from companies such as Illumina, Inc. and Thermo Fisher Scientific Inc., both of which have announced their intention to enter the clinical diagnostics market. Other potential competitors include companies that develop diagnostic products, such as Roche Diagnostics, a division of Roche Holding Ltd, Siemens AG, Qiagen N.V. and Rosetta Genomics Ltd. We also face competition from companies and academic institutions that use next generation sequencing technology or other methods to measure mutational markers such as BRAF and KRAS along with numerous other mutations. In the future, we may also face competition from companies developing new products or technologies that are able to compete with Afirma's high negative predictive value to rule out cancer.

In addition, competitors may develop their own versions of our solution in countries where we do not have patents or where our intellectual property rights are not recognized and compete with us in those countries, including encouraging the use of their solution by physicians in other countries.

To compete successfully we must be able to demonstrate, among other things, that our diagnostic test results are accurate and cost effective, and we must secure a meaningful level of reimbursement for our products.

Many of our potential competitors have widespread brand recognition and substantially greater financial, technical and research and development resources, and selling and marketing capabilities than we do. Others may develop products with prices lower than ours that could be viewed by physicians and payers as functionally equivalent to our solution, or offer solutions at prices designed to promote market penetration, which could force us to lower the list price of our solution and affect our ability to achieve profitability. If we are unable to change clinical practice in a meaningful way or compete successfully against current and future competitors, we may be unable to increase market acceptance and sales of our products, which could prevent us from increasing our revenue or achieving profitability and could cause the market price of our common stock to decline.

Developing new products involves a lengthy and complex process, and we may not be able to commercialize on a timely basis, or at all, other products we are developing.

We have enhancements to our current Afirma offering and other diagnostic solutions under development that will require us to devote considerable resources to research and development. There can be no assurance that we will be able to identify other diseases that can be effectively addressed with our molecular cytology platform. In addition, if we identify such diseases, we may not be able to develop products with the diagnostic accuracy necessary to be clinically useful and commercially successful. We may face challenges obtaining sufficient numbers of samples to validate a genomic signature for a molecular diagnostic product. We are in the process of developing tests for lung cancer and interstitial lung disease. Our planned lung cancer test has been clinically validated in two prospective clinical trials, but we must complete analytical verification and studies required to transfer it to our CLIA-certified laboratory prior to commercial launch. This test may not be successfully transferred to the lab as planned and commercially launched by the second half of 2015, and our product for interstitial lung diseases may not be fully developed and introduced as planned in 2016. In order to develop and commercialize diagnostic products, we need to:

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- expend significant funds to conduct substantial research and development;

- conduct successful analytical and clinical studies;

- scale our laboratory processes to accommodate new tests; and

- build the commercial infrastructure to market and sell new products.

Our product development process involves a high degree of risk and may take several years. Our product development efforts may fail for many reasons, including:

- failure to identify a genomic signature in biomarker discovery;

- inability to secure sufficient numbers of samples at an acceptable cost and on an acceptable timeframe to conduct analytical and clinical studies; or

- failure of clinical validation studies to support the effectiveness of the test.

Typically, few research and development projects result in commercial products, and success in early clinical studies often is not replicated in later studies. At any point, we may abandon development of a product candidate or we may be required to expend considerable resources repeating clinical studies, which would adversely affect the timing for generating potential revenue from a new product and our ability to invest in other products in our pipeline. If a

clinical validation study fails to demonstrate the prospectively defined endpoints of the study or if we fail to sufficiently demonstrate analytical validity, we might choose to abandon the development of the product, which could harm our business. In addition, competitors may develop and commercialize competing products or technologies faster than us or at a lower cost.

We may acquire businesses or assets, form joint ventures or make investments in other companies or technologies that could harm our operating results, dilute our stockholders' ownership, increase our debt or cause us to incur significant expense.

We recently acquired Allegro, and we may pursue additional acquisitions of complementary businesses or assets, as well as technology licensing arrangements as part of our business strategy. We also may pursue strategic alliances that leverage our core technology and industry experience to expand our offerings or distribution, or make investments in other companies. To date, we have limited experience with respect to the formation of strategic alliances and joint ventures. We may not be able to integrate Allegro or future acquisitions successfully into our existing business, and we could assume unknown or contingent liabilities. In addition, we may not realize the expected benefits of our recent acquisition or any businesses we may acquire in the future. Any acquisitions made by us also could result in significant write-offs or the incurrence of debt and contingent liabilities, any of which could harm our operating results. Integration of Allegro and other acquired companies or businesses we may acquire in the future also may require management resources that otherwise would be available for ongoing development of our existing business. We may not identify or complete these transactions in a timely manner, on a cost-effective basis, or at all, and we may not realize the anticipated benefits of any acquisition, technology license, strategic alliance, joint venture or investment.

To finance any acquisitions or investments, we may choose to issue shares of our stock as consideration, which would dilute the ownership of our stockholders. If the price of our common stock is low or volatile, we may not be able to acquire other companies for stock. Alternatively, it may be necessary for us to raise additional funds for these activities through public or private financings. Additional funds may not be available on terms that are favorable to us, or at all. If these funds are raised through the sale of equity or convertible debt securities, dilution to our stockholders could result. Our current loan and security agreement contains covenants that could limit our ability to sell debt securities or obtain additional debt financing arrangements.

If we are unable to develop products to keep pace with rapid technological, medical and scientific change, our operating results and competitive position could be harmed.

In recent years, there have been numerous advances in technologies relating to diagnostics, particularly diagnostics that are based on genomic information. These advances require us to continuously develop our technology and to work to develop new solutions to keep pace with evolving standards of care. Our solutions could become obsolete unless we continually innovate and expand our product offerings to include new clinical applications. If we are unable to develop new products or to demonstrate the applicability of our products for other diseases, our sales could decline and our competitive position could be harmed.

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If we fail to comply with federal, state and foreign laboratory licensing requirements, we could lose the ability to perform our tests or experience disruptions to our business.

We are subject to CLIA, a federal law that regulates clinical laboratories that perform testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention or treatment of disease. CLIA regulations mandate specific standards in the areas of personnel qualifications, administration, and participation in proficiency testing, patient test management and quality assurance. CLIA certification is also required in order for us to be eligible to bill state and federal healthcare programs, as well as many private third-party payers, for Afirma and for our planned pulmonology product. To renew these certifications, we are subject to survey and inspection every two years. Moreover, CLIA inspectors may make random inspections of our clinical reference laboratories. If we relocate either of our facilities, we would be required to undergo certification at our new facility in order to offer our tests.

We are also required to maintain state licenses to conduct testing in our laboratories. California, New York, Texas, among other states' laws, require that we maintain a license and establishes standards for the day-to-day operation of our clinical reference laboratories, including the training and skills required of personnel and quality control matters. In addition, both of our clinical reference laboratories are required to be licensed on a test-specific basis by New York State. We have received approval for the tests we currently offer, but will need to obtain approval for our planned lung cancer test and any tests we may offer in the future. New York law also mandates proficiency testing for laboratories licensed under New York state law, regardless of whether such laboratories are located in New York. Several other states require that we hold licenses to test samples from patients in those states. Other states may have similar requirements or may adopt similar requirements in the future. If we were to lose our CLIA certificate or California license for our South San Francisco laboratory, whether as a result of revocation, suspension or limitation, we would no longer be able to perform the GEC, which would eliminate our primary source of revenue and harm our business. If we were to lose our CLIA certificate for our Austin laboratory, we would need to move the receipt and storage of FNAs, as well as the slide preparation for cytopathology, to South San Francisco, which could result in a delay in processing tests during that transition and increased costs. If we were to lose our licenses issued by New York or by other states where we are required to hold licenses, we would not be able to test specimens from those states. New tests we may develop may be subject to new approvals by regulatory bodies such as New York State, and we may not be able to offer our new tests until such approvals are received.

Finally, we may be subject to regulation in foreign jurisdictions as we pursue offering Afirma internationally. Other limitations, such as prohibitions on the import of tissue necessary for us to perform our tests or restrictions on the export of tissue imposed by countries outside of the United States or the import of tissue into the United States, may constrain our ability to offer Afirma internationally in the future.

Changes in healthcare policy, including legislation reforming the U.S. healthcare system, may have a material adverse effect on our financial condition and operations.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, collectively, the PPACA, enacted in March 2010, makes changes that are expected to significantly affect the pharmaceutical and medical device industries and clinical laboratories. Beginning in 2013, each medical device manufacturer must pay a sales tax in an amount equal to 2.3% of the price for which such manufacturer sells its medical devices that are listed with the FDA. The FDA has asserted that clinical laboratory tests such as Afirma are medical devices. However, consistent with the FDA's policy of exercising enforcement discretion for LDTs, Afirma is not currently listed as a medical device with the FDA. We cannot assure you that the tax will not be extended to services such as ours in the future if Afirma were to be regulated as a device. The PPACA also mandates a

reduction in payments for clinical laboratory services paid under the Medicare Clinical Laboratory Fee Schedule, or CLFS, of 1.75% for the years 2011 through 2015 and a productivity adjustment to the CLFS which would affect our cytopathology billings.

Other significant measures contained in the PPACA include, for example, coordination and promotion of research on comparative clinical effectiveness of different technologies and procedures, initiatives to revise Medicare payment methodologies, such as bundling of payments across the continuum of care by providers and physicians, and initiatives to promote quality indicators in payment methodologies. The PPACA also includes significant new fraud and abuse measures, including required disclosures of financial arrangements with physician customers, lower thresholds for violations and increasing potential penalties for such violations. In addition, the PPACA establishes an Independent Payment Advisory Board, or IPAB, to reduce the per capita rate of growth in Medicare spending. The IPAB has broad discretion to propose policies to reduce expenditures, which may have a negative effect on payment rates for services. The IPAB proposals may affect payments for clinical laboratory services beginning in 2016 and for hospital services beginning in 2020. We are monitoring the effect of the PPACA to determine the trends and changes that may be necessitated by the legislation, any of which may potentially affect our business.

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In addition to the PPACA, the effect of which on our business cannot presently be fully quantified, various healthcare reform proposals have also emerged from federal and state governments. For example, in February 2012, Congress passed the Middle Class Tax Relief and Job Creation Act of 2012, which in part resets the clinical lab payment rates on the Medicare CLFS by 2% in 2013. In addition, a further reduction of 2% is anticipated from implementation of the automatic expense reductions (sequester) under the Budget Control Act of 2011, which is legislated to be in effect for dates of service on or after April 1, 2013 until fiscal year 2024. Reductions resulting from the Congressional sequester are applied to total claims payment made; however, they do not currently result in a rebasing of the negotiated or established Medicare or Medicaid reimbursement rates.

State legislation on reimbursement applies to Medicaid reimbursement and Managed Medicaid reimbursement rates within that state. Some states have passed or proposed legislation that would revise reimbursement methodology for clinical laboratory payment rates under those Medicaid programs. Recent changes to reimbursement methodologies have not changed the payment rate for Afirma; however, we cannot predict whether future healthcare initiatives will be implemented at the federal or state level or in countries outside of the United States in which we may do business, or the effect any future legislation or regulation will have on us. The taxes imposed by the new federal legislation, cost reduction measures and the expansion in the role of the U.S. government in the healthcare industry may result in decreased revenue, lower reimbursement by payers for our tests or reduced medical procedure volumes, all of which may adversely affect our business, financial condition and results of operations. In addition, sales of our tests outside the United States will subject our business to foreign regulatory requirements and cost-reduction measures, which may also change over time.

Ongoing calls for deficit reduction at the Federal government level and reforms to programs such as the Medicare program to pay for such reductions may affect the pharmaceutical, medical device and clinical laboratory industries. In particular, recommendations by the Simpson-Bowles Commission called for the combination of Medicare Part A (hospital insurance) and Part B (physician and ancillary service insurance) into a single co-insurance and co-payment structure. Currently, clinical laboratory services are excluded from the Medicare Part B co-insurance and co-payment as preventative services. Combining Parts A and B may require clinical laboratories to collect co-payments from patients which may increase our costs and reduce the amount ultimately collected.

In April 2014, the President signed the Protecting Access to Medicare Act of 2014, or PAMA, which included a substantial new payment system for clinical laboratory tests under the CLFS. Under PAMA, laboratories that receive the majority of their Medicare revenues from payments made under the CLFS would report, beginning January 1, 2016, and then on an every three year basis thereafter (or annually for “advanced diagnostic laboratory tests”), private payer payment rates and volumes for their tests. CMS will use the rates and volumes reported by laboratories to develop Medicare payment rates for the tests equal to the volume-weighted median of the private payor payment rates for the tests. The payment rates calculated under PAMA will be effective starting January 1, 2017. Any reductions to payment rates resulting from the new methodology are limited to 10% per test per year in each of the years 2017 through 2019 and to 15 percent per test per year in each of 2020 through 2022. Although CMS has not yet issued regulations to implement PAMA, we believe our Afirma tests would be considered an advanced diagnostic laboratory test. Further rule-making from CMS will define the time period and data elements evaluated on an annual basis to set reimbursement rates for tests like Afirma. For future tests launched by Veracyte, including our IPF assay, the initial payment rate (for a period not to exceed nine months) for an advanced diagnostic laboratory test will be set at the “actual list charge” for the test as reported by the laboratory. Insofar as the actual list charge substantially exceeds private payor rates (by more than 30%), CMS will have the ability to recoup excess payments made during the initial nine-month payment period.

PAMA also requires CMS to issue unique HCPCS codes to advanced diagnostic laboratory tests by January 1, 2016 for tests that were paid under the Medicare program prior to passage of the Act. Insofar as the Afirma test is considered an advanced diagnostic laboratory test, we anticipate that we will be issued a unique HCPCS code that could impact reimbursement of the Afirma test in the future. Under the Act, new advanced diagnostic laboratory tests paid under the Medicare program after the date of passage of the Act will also receive unique HCPCS codes impacting private payer reimbursement of future tests commercialized by Veracyte.

PAMA codified coverage rules for laboratory tests by requiring any local coverage determination to be made following the established procedures for development and appeals of local coverage determinations. PAMA also authorizes CMS to consolidate coverage policies for clinical laboratory tests among one to four laboratory-specific MACs. These same contractors may also be designated to process claims if CMS determines that such a model is appropriate.

In addition to changes adopted by PAMA, in 2013 CMS announced plans to bundle payments for clinical laboratory tests together with other services performed during hospital outpatient visits under the Hospital Outpatient Prospective Payment System. CMS exempted molecular diagnostic tests from this packaging provision at this time. Although biopsies for our tests are generally not performed in the hospital outpatient setting, it is possible that this proposal could impact payment for some portion of our tests in the future.

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We may experience limits on our revenue if patients decide not to use our test.

Some patients may decide not to use Afirma due to its price, all or part of which may be payable directly by the patient if the patient's insurer denies reimbursement in full or in part. There is a growing trend among insurers to shift more of the cost of healthcare to patients in the form of higher co-payments or premiums, and this trend is accelerating which puts patients in the position of having to pay more for our tests. Implementation of provisions of the PPACA has also resulted in increases in premiums and reductions in coverage for some patients. These events may result in patients delaying or forgoing medical checkups or treatment due to their inability to pay for our test, which could have an adverse effect on our revenue.

Complying with numerous statutes and regulations pertaining to our business is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.

Our operations are subject to other extensive federal, state, local, and foreign laws and regulations, all of which are subject to change. These laws and regulations currently include, among others:

- the Federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which established comprehensive federal standards with respect to the privacy and security of protected health information and requirements for the use of certain standardized electronic transactions, and amendments to HIPAA under the Health Information Technology for Economic and Clinical Health Act, which strengthen and expand HIPAA privacy and security compliance requirements, increase penalties for violators, extend enforcement authority to state attorneys general, and impose requirements for breach notification;

- Medicare billing and payment regulations applicable to clinical laboratories;

- the Federal Anti-Kickback Statute, which prohibits knowingly and willfully offering, paying, soliciting, or receiving remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing, arranging for, or recommending of an item or service that is reimbursable, in whole or in part, by a federal health care program;

- the Federal Stark physician self-referral law (and state equivalents),which prohibits a physician from making a referral for certain designated health services covered by the Medicare program, including laboratory and pathology services, if the physician or an immediate family member has a financial relationship with the entity providing the designated health services, unless the financial relationship falls within an applicable exception to the prohibition;

- the Federal Civil Monetary Penalties Law, which prohibits, among other things, the offering or transfer of remuneration to a Medicare or state health care program beneficiary if the person knows or should know it is likely to influence the beneficiary's selection of a particular provider, practitioner, or supplier of services reimbursable by Medicare or a state health care program, unless an exception applies;

- the Federal False Claims Act, which imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment to the federal government;

- other federal and state fraud and abuse laws, such as anti-kickback laws, prohibitions on self-referral, fee-splitting restrictions, prohibitions on the provision of products at no or discounted cost to induce physician or patient adoption, and false claims acts, which may extend to services reimbursable by any third-party payer, including private insurers;

- the prohibition on reassignment of Medicare claims, which, subject to certain exceptions, precludes the reassignment of Medicare claims to any other party;

- the rules regarding billing for diagnostic tests reimbursable by the Medicare program, which prohibit a physician or other supplier from marking up the price of the technical component or professional component of a diagnostic test ordered by the physician or other supplier and supervised or performed by a physician who does not "share a practice" with the billing physician or supplier;

- state laws that prohibit other specified practices related to billing; and

- the Foreign Corrupt Practices Act of 1977, and other similar laws, which apply to our international activities.

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We have adopted policies and procedures designed to comply with these laws and regulations. In the ordinary course of our business, we conduct internal reviews of our compliance with these laws. Our compliance is also subject to governmental review. The growth of our business and sales organization and our expansion outside of the United States may increase the potential of violating these laws or our internal policies and procedures. We believe that we are in material compliance with all statutory and regulatory requirements, but there is a risk that one or more government agencies could take a contrary position. These laws and regulations are complex and are subject to interpretation by the courts and by government agencies. If one or more such agencies alleges that we may be in violation of any of these requirements, regardless of the outcome, it could damage our reputation and adversely affect important business relationships with third parties, including managed care organizations and other commercial third-party payers. Any action brought against us for violation of these or other laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of these laws and regulations, we may be subject to any applicable penalty associated with the violation, including civil and criminal penalties, damages and fines, we could be required to refund payments received by us, and we could be required to curtail or cease our operations. Any of the foregoing consequences could seriously harm our business and our financial results.

If we are sued for product liability or errors and omissions liability, we could face substantial liabilities that exceed our resources.

The marketing, sale and use of Afirma could lead to product liability claims if someone were to allege that the Afirma GEC failed to perform as it was designed. We may also be subject to liability for errors in the results we provide to physicians or for a misunderstanding of, or inappropriate reliance upon, the information we provide. Our Afirma GEC is performed on FNA samples that are diagnosed as indeterminate by standard cytopathology review. We report results as benign or suspicious to the prescribing physician. Under certain circumstances, we might report a result as benign that later proves to have been malignant. This could be the result of the physician having poor nodule sampling in collecting the FNA, performing the FNA on a different nodule than

the one that is malignant or failure of the GEC to perform as intended. We may also be subject to similar types of claims related to our Afirma Malignancy Classifiers or to products we may develop in the future. A product liability or errors and omissions liability claim could result in substantial damages and be costly and time consuming for us to defend. Although we maintain product liability and errors and omissions insurance, we cannot assure you that our insurance would fully protect us from the financial impact of defending against these types of claims or any judgments, fines or settlement costs arising out of any such claims. Any product liability or errors and omissions liability claim brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage in the future. Additionally, any product liability lawsuit could cause injury to our reputation or cause us to suspend sales of our products and solutions. The occurrence of any of these events could have an adverse effect on our business and results of operations.

The loss of members of our senior management team or our inability to attract and retain key personnel could adversely affect our business.

Our success depends largely on the skills, experience and performance of key members of our executive management team and others in key management positions. The efforts of each of these persons together will be critical to us as we continue to develop our technologies and test processes and focus on our growth. If we were to lose one or more of these key employees, we may experience difficulties in competing effectively, developing our technologies and implementing our business strategy.

In addition, our research and development programs and commercial laboratory operations depend on our ability to attract and retain highly skilled scientists, including licensed clinical laboratory scientists and biostatisticians. We may not be able to attract or retain qualified scientists and technicians in the future due to the intense competition for qualified personnel among life science businesses, particularly in the San Francisco Bay Area. Because it is expected that there will be a shortage of clinical laboratory scientists in coming years, it may become more difficult to hire sufficient numbers of qualified personnel. We also face competition from universities and public and private research institutions in recruiting and retaining highly qualified scientific personnel. Additionally, our success depends on our ability to attract and retain qualified salespeople. During 2014, we significantly expanded our sales force. There can be no assurance that they will be successful in maintaining and growing the business in their territory. We plan to further increase our sales force, and we may have difficulties locating and recruiting additional sales personnel in the future or retaining qualified salespeople, which could cause a delay or decline in the rate of adoption of our solution. Finally, our business requires specialized capabilities in reimbursement, billing, finance, and other areas and there may be a shortage of qualified individuals. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience constraints that could adversely affect our ability to support our research and development, clinical laboratory, sales and reimbursement, billing and finance efforts. All of our employees are at-will, which means that either we or the employee may terminate their employment at any time. We do not carry key man insurance for any of our employees.

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If our laboratory in South San Francisco becomes inoperable due to an earthquake or either of our laboratories becomes inoperable for any other reason, we will be unable to perform our testing services and our business will be harmed.

We perform all of the Afirma GEC testing at our laboratory in South San Francisco, California. Our laboratory in Austin, Texas accepts and stores substantially all FNA samples pending transfer to our California laboratory for Afirma GEC processing. The equipment we use to perform the Afirma GEC would be costly to replace and could require substantial lead time to replace and qualify for use. Either of our facilities may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, flooding and power outages, which may render it difficult or impossible for us to perform our testing services for some period of time or to receive and store samples. The inability to perform Afirma GEC testing or the backlog of Afirma GEC tests that could develop if our California facility is inoperable for even a short period of time may result in the loss of customers or harm our reputation, and we may be unable to regain those customers in the future. Although we maintain insurance for damage to our property and the disruption of our business, this insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, if at all.

If we cannot enter into new clinical study collaborations, our product development and subsequent commercialization could be delayed.

In the past, we have entered into clinical study collaborations, and our success in the future depends in part on our ability to enter into additional collaborations with highly regarded institutions. This can be difficult due to internal and external constraints placed on these organizations. Some organizations may limit the number of collaborations they have with any one company so as to not be perceived as biased or conflicted. Organizations may also have insufficient administrative and related infrastructure to enable collaborations with many companies at once, which can extend the time it takes to develop, negotiate and implement a collaboration. Additionally, organizations often insist on retaining the rights to publish the clinical data resulting from the collaboration. The publication of clinical data in peer-reviewed journals is a crucial step in commercializing and obtaining reimbursement for a diagnostic solution such as Afirma, and our inability to control when and if results are published may delay or limit our ability to derive sufficient revenue from any solution.

If we use hazardous materials in a manner that causes contamination or injury, we could be liable for resulting damages.

We are subject to federal, state and local laws, rules and regulations governing the use, discharge, storage, handling and disposal of biological material, chemicals and waste. We cannot eliminate the risk of accidental contamination or injury to employees or third parties from the use, storage, handling or disposal of these materials. In the event of contamination or injury, we could be held liable for any resulting damages, remediation costs and any related penalties or fines, and any liability could exceed our resources or any applicable insurance coverage we may have. The cost of compliance with these laws and regulations may become significant, and our failure to comply may result in substantial fines or other consequences, and either could negatively affect our operating results.

Security breaches, loss of data and other disruptions to us or our third-party service providers could compromise sensitive information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, we and our third-party service providers collect and store sensitive data, including legally protected health information, personally identifiable information about our patients, credit card information, intellectual property, and our proprietary business and financial information. We manage and maintain our applications and data utilizing a combination of on-site systems, managed data center systems and cloud-based data center systems. We face a number of risks relative to our protection of, and our service providers' protection of, this critical information, including loss of access, inappropriate disclosure and inappropriate access, as well as risks associated with our ability to identify and audit such events.

The secure processing, storage, maintenance and transmission of this critical information is vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take measures to protect sensitive information from unauthorized access or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or otherwise breached due to employee error, malfeasance or other activities. While we have not experienced any such attack or breach, if such event would occur and cause interruptions in our operations, our networks would be compromised and the information we store on those networks could be accessed by unauthorized parties, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, such as the Health Insurance Portability and Accountability Act of 1996, and regulatory penalties. Unauthorized access, loss or dissemination could also disrupt our operations, including our ability to process tests, provide test results, bill payers or patients, process claims and appeals, provide customer assistance services, conduct research and development activities, collect, process and prepare company financial information, provide information about our solution and other patient and physician education and outreach efforts through our website, manage the administrative aspects of our business and damage our reputation, any of which could adversely affect our business.

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In addition, the interpretation and application of consumer, health-related and data protection laws in the United States, Europe and elsewhere are often uncertain, contradictory and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our practices. If so, this could result in government-imposed fines or orders requiring that we change our practices, which could adversely affect our business. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices, systems and compliance procedures in a manner adverse to our business.

If we cannot license rights to use technologies on reasonable terms, we may not be able to commercialize new products in the future.

In the future, we may license third-party technology to develop or commercialize new products. In return for the use of a third-party's technology, we may agree to pay the licensor royalties based on sales of our solutions. Royalties are a component of cost of revenue and affect the margins on our solutions. We may also need to negotiate licenses to patents and patent applications after introducing a commercial product. Our business may suffer if we are unable to enter into the necessary licenses on acceptable terms, or at all, if any necessary licenses are subsequently terminated, if the licensors fail to abide by the terms of the license or fail to prevent infringement by third parties, or if the licensed patents or other rights are found to be invalid or unenforceable.

If we are unable to protect our intellectual property effectively, our business would be harmed.

We rely on patent protection as well as trademark, copyright, trade secret and other intellectual property rights protection and contractual restrictions to protect our proprietary technologies, all of which provide limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. If we fail to protect our intellectual property, third parties may be able to compete more effectively against us and we may incur substantial litigation costs in our attempts to recover or restrict use of our intellectual property.

We apply for and in-license patents covering our products and technologies and uses thereof, as we deem appropriate, however we may fail to apply for patents on important products and technologies in a timely fashion or at all, or we may fail to apply for patents in potentially relevant jurisdictions. We have five issued patents which expire between 2029 and 2032 related to methods that are used in the Afirma diagnostic platform, in addition to seven pending United States utility patent applications. Some of these United States utility patent applications have pending foreign counterparts. We also exclusively licensed intellectual property, including rights to two pending United States utility patent applications, in the thyroid space. In the lung diagnostic space, we exclusively licensed intellectual property rights to 22 pending patent applications and two issued patents, in the United States and abroad. Patents issuing from the licensed portfolio will expire between 2024 and 2028. In addition, we own four pending patent applications, a PCT application, and a provisional U.S. application related to our lung cancer product under development, as well as a PCT application and a provisional U.S. application related to our interstitial lung disease product under development. Any patents granted from the lung cancer product patent applications will expire from 2032 to 2034 and those from the interstitial lung disease patent applications will expire in 2034. It is possible that none of our pending patent applications will result in issued patents in a timely fashion or at all, and even if patents are granted, they may not provide a basis for intellectual property protection of commercially viable products, may not provide us with any competitive advantages, or may be challenged and invalidated by third parties. It is possible that others will design around our current or future patented technologies. We may not be successful in defending any challenges made against our patents or patent applications. Any successful third-party challenge to our patents could result in the unenforceability or invalidity of such patents and increased competition to our business. The outcome of patent litigation can be uncertain and any attempt by us to enforce our patent rights against others may not be successful, or, if successful, may take substantial time and result in substantial cost, and may divert our efforts and attention from other aspects of our business.

The patent positions of life sciences companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in such companies' patents has emerged to date in the United States or elsewhere. Courts frequently render opinions in the biotechnology field that may affect the patentability of certain inventions or discoveries, including opinions that may affect the patentability of methods for analyzing or comparing DNA.

In particular, the patent positions of companies engaged in the development and commercialization of genomic diagnostic tests, like the Afirma GEC and Malignancy Classifiers, are particularly uncertain. Various courts, including the U.S. Supreme Court, have rendered decisions that affect the scope of patentability of certain inventions or discoveries relating to certain diagnostic tests and related methods. These decisions state, among other things, that patent claims that recite laws of nature (for example, the relationship between blood levels of certain metabolites and the likelihood that a dosage of a specific drug will be ineffective or cause harm) are not themselves patentable. What constitutes a law of nature is uncertain, and it is possible that certain aspects of genetic diagnostics tests would be considered natural laws. Accordingly, the evolving case law in the United States may adversely affect our ability to obtain patents and may facilitate third-party challenges to any owned and licensed patents.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States, and we may encounter difficulties protecting and defending such rights in foreign jurisdictions. The legal systems of many other countries do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology, which could make it difficult for us to stop the infringement of our patents in such countries. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

Changes in either the patent laws or in interpretations of patent laws in the United States or other countries may diminish the value of our intellectual property. We cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents. We may not develop additional proprietary products, methods and technologies that are patentable.

In addition to pursuing patents on our technology, we take steps to protect our intellectual property and proprietary technology by entering into agreements, including confidentiality agreements, non-disclosure agreements and intellectual property assignment agreements, with our employees, consultants, academic institutions, corporate partners and, when needed, our advisors. Such agreements may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements, and we may not be able to prevent such unauthorized disclosure. If we are required to assert our rights against such party, it could result in significant cost and distraction.

Monitoring unauthorized disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate. If we were to enforce a claim that a third-party had illegally obtained and was using our trade secrets, it would be expensive and time consuming, and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets.

We may also be subject to claims that our employees have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers, or to claims that we have improperly used or obtained such trade secrets. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights and face increased competition to our business. A loss of key research personnel work product could hamper or prevent our ability to commercialize potential products, which could harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

Further, competitors could attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, design around our protected technology or develop their own competitive technologies that fall outside of our intellectual property rights. Others may independently develop similar or alternative products and technologies or replicate any of our products and technologies. If our intellectual property does not adequately protect us against competitors' products and methods, our competitive position could be adversely affected, as could our business.

We have not registered certain of our trademarks, including Afirma, in all of our potential markets. If we apply to register these trademarks, our applications may not be allowed for registration in a timely fashion or at all, and our registered trademarks may not be maintained or enforced. In addition, opposition or cancellation proceedings may be filed against our trademark applications and registrations, and our trademarks may not survive such proceedings. If we do not secure registrations for our trademarks, we may encounter more difficulty in enforcing them against third parties than we otherwise would.

To the extent our intellectual property offers inadequate protection, or is found to be invalid or unenforceable, we would be exposed to a greater risk of direct competition. If our intellectual property does not provide adequate coverage of our competitors' products, our competitive position could be adversely affected, as could our business. Both the patent application process and the process of managing patent disputes can be time consuming and expensive.

We may be involved in litigation related to intellectual property, which could be time-intensive and costly and may adversely affect our business, operating results or financial condition.

We may receive notices of claims of direct or indirect infringement or misappropriation or misuse of other parties' proprietary rights from time to time. Some of these claims may lead to litigation. We cannot assure you that we will prevail in such actions, or that other actions alleging misappropriation or misuse by us of third-party trade secrets, infringement by us of third-party patents and trademarks or other rights, or the validity of our patents, trademarks or other rights, will not be asserted or prosecuted against us.

We might not have been the first to make the inventions covered by each of our pending patent applications and we might not have been the first to file patent applications for these inventions. To determine the priority of these inventions, we may have to participate in interference proceedings, derivation proceedings, or other post-grant proceedings declared by the United States Patent and Trademark Office that could result in substantial cost to us. No assurance can be given that other patent applications will not have priority over our patent applications. In addition, recent changes to the patent laws of the United States allow for various post-grant opposition proceedings that have not been extensively tested, and their outcome is therefore uncertain. Furthermore, if third parties bring these proceedings against our patents, we could experience significant costs and management distraction.

Litigation may be necessary for us to enforce our patent and proprietary rights or to determine the scope, coverage and validity of the proprietary rights of others. The outcome of any litigation or other proceeding is inherently uncertain and might not be favorable to us, and we might not be able to obtain licenses to technology that we require on acceptable terms or at all. Further, we could encounter delays in product introductions, or interruptions in product sales, as we develop alternative methods or products. In addition, if we resort to legal proceedings to enforce our intellectual property rights or to determine the validity, scope and coverage of the intellectual property or other proprietary rights of others, the proceedings could be burdensome and expensive, even if we were to prevail. Any litigation that may be necessary in the future could result in substantial costs and diversion of resources and could have a material adverse effect on our business, operating results or financial condition.

As we move into new markets and applications for our products, incumbent participants in such markets may assert their patents and other proprietary rights against us as a means of slowing our entry into such markets or as a means to extract substantial license and royalty payments from us. Our competitors and others may now and, in the future, have significantly larger and more mature patent portfolios than we currently have. In addition, future litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own patents may provide little or no deterrence or protection. Therefore, our commercial success may depend in part on our non-infringement of the patents or proprietary rights of third parties. Numerous significant intellectual property issues have been litigated, and will likely continue to be litigated, between existing and new

participants in our existing and targeted markets and competitors may assert that our products infringe their intellectual property rights as part of a business strategy to impede our successful entry into or growth in those markets. Third parties may assert that we are employing their proprietary technology without authorization. In addition, our competitors and others may have patents or may in the future obtain patents and claim that making, having made, using, selling, offering to sell or importing our products infringes these patents. We could incur substantial costs and divert the attention of our management and technical personnel in defending against any of these claims. Parties making claims against us may be able to obtain injunctive or other relief, which could block our ability to develop, commercialize and sell products, and could result in the award of substantial damages against us. In the event of a successful claim of infringement against us, we may be required to pay damages and ongoing royalties, and obtain one or more licenses from third parties, or be prohibited from selling certain products. We may not be able to obtain these licenses on acceptable terms, if at all. We could incur substantial costs related to royalty payments for licenses obtained from third parties, which could negatively affect our financial results. In addition, we could encounter delays in product introductions while we attempt to develop alternative methods or products to avoid infringing third-party patents or proprietary rights. Defense of any lawsuit or failure to obtain any of these licenses could prevent us from commercializing products, and the prohibition of sale of any of our products could materially affect our business and our ability to gain market acceptance for our products.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

In addition, our agreements with some of our customers, suppliers or other entities with whom we do business require us to defend or indemnify these parties to the extent they become involved in infringement claims, including the types of claims described above. We could also voluntarily agree to defend or indemnify third parties in instances where we are not obligated to do so if we determine it would be important to our business relationships. If we are required or agree to defend or indemnify third parties in connection with any infringement claims, we could incur significant costs and expenses that could adversely affect our business, operating results, or financial condition.

Our inability to raise additional capital on acceptable terms in the future may limit our ability to develop and commercialize new solutions and technologies and expand our operations.

We expect capital expenditures and operating expenses to increase over the next several years as we expand our infrastructure, commercial operations and research and development activities. We may seek to raise additional capital through equity offerings, debt financings, collaborations or licensing arrangements. Additional funding may not be available to us on acceptable terms, or at all. If we raise funds by issuing equity securities, dilution to our stockholders could result. Any equity securities issued also may provide for rights, preferences or privileges senior to those of holders of our common stock. The terms of debt securities issued or borrowings could impose significant restrictions on our operations. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights, and other operating restrictions that could adversely affect our ability to conduct our business. In addition, the issuance of additional equity securities by us, or the possibility of such issuance, may cause the market price of our common stock to decline. In the event that we enter into collaborations or licensing arrangements to raise capital, we may be required to accept unfavorable terms.

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These agreements may require that we relinquish or license to a third-party on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves, or reserve certain opportunities for future potential arrangements when we might be able to achieve more favorable terms. If we are not able to secure additional funding when needed, we may have to delay, reduce the scope of or eliminate one or more research and development programs or selling and marketing initiatives. In addition, we may have to work with a partner on one or more of our products or market development programs, which could lower the economic value of those programs to our company.

Risks Related to Being a Public Company

We will continue to incur increased costs and demands on management as a result of compliance with laws and regulations applicable to public companies, which could harm our operating results.

As a public company, we will continue to incur significant legal, accounting, consulting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. In addition, the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Act of 2010, as well as rules implemented by the Securities and Exchange Commission, or the SEC, and The NASDAQ Stock Market, impose a number of requirements on public companies, including with respect to corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance and disclosure obligations. Moreover, these rules and regulations have and will continue to increase our legal, accounting and financial compliance costs and make some activities more complex, time-consuming and costly. We also expect that it will continue to be expensive for us to maintain director and officer liability insurance.

If we are unable to implement and maintain effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our reported financial information and the market price of our common stock may be negatively affected.

As a public company, we are required to maintain internal control over financial reporting and will be required to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal control over financial reporting and, beginning with our annual report for the year ending December 31, 2014, provide a management report on our internal controls. If we have material weaknesses in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We are in the process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act. We may not be able to complete our evaluation, testing and any required remediation in a timely and effective fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal controls, our management will be unable to conclude that our internal control over financial reporting is effective. Moreover, when we are no longer an emerging growth company, our independent registered public accounting firm will be required to issue an attestation report on the effectiveness of our internal control over financial reporting. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that

there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed.

If we are unable to conclude that our internal control over financial reporting is effective, or when we are no longer an emerging growth company, if our auditors were to express an adverse opinion on the effectiveness of our internal control over financial reporting because we had one or more material weaknesses, investors could lose confidence in the accuracy and completeness of our financial disclosures, which could cause the price of our common stock to decline. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our reported operating results and harm our reputation. Internal control deficiencies could also result in a restatement of our financial results in the future.

We are an emerging growth company and may elect to comply with reduced public company reporting requirements applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an emerging growth company, as defined under the Securities Act of 1933, or the Securities Act. We will remain an emerging growth company for up to five years, although if our revenue exceeds $1 billion in any fiscal year before that time, we would cease to be an emerging growth company as of the end of that fiscal year. In addition, if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our second fiscal quarter of any fiscal year before the end of that five-year period, we would cease to be an emerging growth company as of December 31 of that year. As an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to certain other public companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced financial statement and financial-related disclosures, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirement of holding a nonbinding advisory vote on executive compensation and obtaining stockholder approval of any golden parachute payments not previously approved by our stockholders. We cannot predict whether investors will find our common stock less attractive if we choose to rely on any of these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure we may make, there may be a less active trading market for our common stock and our stock price may be more volatile.

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Risks Related to Our Common Stock

Our stock price may be volatile, and you may not be able to sell shares of our common stock at or above the price you paid.

Prior to our initial public offering in October 2013, there was no public market for our common stock, and an active and liquid public market for our stock may not develop or be sustained. In addition, the trading price of our common stock is likely to continue to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include:

- actual or anticipated variations in our and our competitors' results of operations;
- announcements by us or our competitors of new products, commercial relationships or capital commitments;
- changes in reimbursement by current or potential payers;
- issuance of new securities analysts' reports or changed recommendations for our stock;
- periodic fluctuations in our revenue, due in part to the way in which we recognize revenue;
- actual or anticipated changes in regulatory oversight of our products;
- developments or disputes concerning our intellectual property or other proprietary rights;
- commencement of, or our involvement in, litigation;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- any major change in our management; and
- general economic conditions and slow or negative growth of our markets.

In addition, the stock market in general, and the market for stock of life sciences companies and other emerging growth companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock for some period of time following our initial public offering, especially if the trading volume in our stock remains low. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

If securities or industry analysts issue an adverse opinion regarding our stock or do not publish research or reports about our company, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts or the content and opinions included in their reports. Securities analysts may elect not to provide research coverage of our company, and such lack of research coverage may adversely affect the market price of our common stock. The price of our common stock could also decline if one or more equity research analysts downgrade our common stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business. If one or more equity research analysts cease coverage of our company, we could lose visibility in the market, which in turn could cause our stock price to decline.

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Insiders have substantial control over us and will be able to influence corporate matters.

As of November 1, 2014, directors and executive officers and their affiliates beneficially owned, in the aggregate, 63% of our outstanding capital stock. As a result, these stockholders will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit stockholders' ability to influence corporate matters and may have the effect of delaying or preventing a third-party from acquiring control over us.

Anti-takeover provisions in our charter documents and under Delaware law could discourage, delay or prevent a change in control and may affect the trading price of our common stock.

Provisions in our restated certificate of incorporation and our amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 5.0 million shares of undesignated preferred stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, our chairman of the board, or our chief executive officer;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving staggered terms;
- provide that our directors may be removed only for cause;
- provide that vacancies on our board of directors may, except as otherwise required by law, be filled only by a majority of directors then in office, even if less than a quorum;
- specify that no stockholder is permitted to cumulate votes at any election of directors; and
- require a super-majority of votes to amend certain of the above-mentioned provisions.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. Section 203 generally prohibits us from engaging in a business combination with an interested stockholder subject to certain exceptions.

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

We have never paid dividends on any of our capital stock and currently intend to retain any future earnings to fund the growth of our business. In addition, our loan and security agreement restricts our ability to pay cash dividends on our common stock and we may also enter into credit agreements or other borrowing arrangements in the future that will restrict our ability to declare or pay cash dividends on our common stock. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future.

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Item 6. Exhibits

Exhibit Number	Description
2.1*	Agreement and Plan of Merger, dated September 4, 2014, by and among Veracyte, Inc., Full Moon Acquisition, Inc., Allegro Diagnostics Corp., Andrey Zarur, as the Stockholders' Agent, Kodiak Venture Partners III, L.P., Kodiak III Entrepreneurs Fund, L.P. and Catalyst Health Ventures L.P.
10.1*†	Amended and Restated U.S. Co-Promotion Agreement between Veracyte, Inc. and Genzyme Corporation.
31.1*	Principal Executive Officer's Certification Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
31.2*	Principal Financial Officer's Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification Pursuant to 18 U.S.C. § 1350 (Section 906 of Sarbanes-Oxley Act of 2002)
32.2**	Certification Pursuant to 18 U.S.C. § 1350 (Section 906 of Sarbanes-Oxley Act of 2002)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

† Confidential treatment has been requested with respect to portions of this Exhibit.

**In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act of 1933 except to the extent that the registrant specifically incorporates it by reference.

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SIGNATURES

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

Date: November 13, 2014

VERACYTE, INC.

By: /s/ Shelly D. Guyer
Shelly D. Guyer
Chief Financial Officer
(Principal Financial Officer)

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement") is made and entered into as of September 4, 2014, by and among Veracyte, Inc., a Delaware corporation ("Parent"), Full Moon Acquisition, Inc., a Delaware corporation and a wholly-owned subsidiary of Parent ("Merger Sub"), Allegro Diagnostics Corp., a Delaware corporation (the "Company"), Andrey Zarur, as the Stockholders' Agent, and solely with respect to Section 2A below, Kodiak Venture Partners III, L.P., ("Kodiak Venture"), Kodiak III Entrepreneurs Fund, L.P. ("Kodiak") and Catalyst Health Ventures L.P. ("Catalyst") (Kodiak Venture, Kodiak and Catalyst are each a "Seller Party" and collectively, the "Seller Parties"). Capitalized terms used in this Agreement are defined and set forth on Exhibit A attached hereto and incorporated herein by reference.

RECITALS

A. Parent, Merger Sub and the Company intend to effect a merger of Merger Sub with and into the Company on the terms and conditions set forth in this Agreement (the "Merger") and in accordance with the Delaware General Corporation Law ("Delaware Law"); upon the consummation of the Merger, Merger Sub shall cease to exist, and the Company shall be a wholly-owned subsidiary of Parent.

B. The respective boards of directors of Parent (or a duly authorized committee thereof), Merger Sub and the Company have determined that the Merger is advisable and fair to, and in the best interests of, their respective stockholders, have unanimously approved this Agreement and the Merger on the terms and conditions set forth in this Agreement, and in the case of the Company and Merger Sub, have resolved to recommend the adoption of this Agreement and approval of the Merger by the respective stockholders of the Company and Merger Sub.

C. The Company, the Seller Parties, Parent and the Merger Sub desire to make certain representations, warranties, covenants and other agreements in connection with the Merger as set forth herein;

D. As an inducement for Parent and Merger Sub to enter into this Agreement, each director and executive officer of the Company and each Seller Party has entered into the Stockholder Support Agreement of even date in favor of Parent (the "Support Agreement"), and in accordance with its terms, immediately after the execution and delivery of this Agreement, the Seller Parties will execute and deliver a written consent of stockholders, in the form attached as an exhibit to the Support Agreement, approving and adopting, among other things, this Agreement and the Merger on the terms and conditions set forth herein.

E. It is intended that the Merger shall qualify as a "reorganization" within the meaning of Code Section 368(a).

In consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

AGREEMENT

1. DESCRIPTION OF TRANSACTION

1.1 Merger of Merger Sub into the Company. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time (as defined in Section 1.3) and in accordance with Delaware Law, Merger Sub shall be merged with and into the Company, and the separate existence of Merger Sub shall cease. The Company will continue as the surviving corporation in the Merger (the "Surviving Corporation").

1.2 Effect of the Merger. The Merger shall have the effects set forth in this Agreement and in the applicable provisions of Delaware Law. Without limiting the foregoing, at the Effective Time, the Surviving Corporation shall possess all the properties, rights, powers, privileges and franchises and be subject to all of the obligations, liabilities, restrictions and disabilities of the Company and Merger Sub as provided under Delaware Law.

1.3 Closing; Effective Time. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Silicon Counsel, LLP, 228 Hamilton Avenue, 3rd Floor, Palo Alto, California 94301, at 10:00 a.m. (Pacific Time), or on a date and time to be designated by Parent and the Company, which shall in no event be later than the second business day following the satisfaction or, to the extent permitted by applicable Legal Requirements, waiver of all conditions to the obligations of the parties set forth in Section 6 and Section 7 (other than such conditions as may, by their terms, only be satisfied at the Closing or on the Closing Date). The date on which the Closing actually takes place is referred to in this Agreement as the "Closing Date." Contemporaneously with or as soon as practicable on or promptly following the Closing Date, the parties shall cause a certificate of merger substantially in the form attached as Exhibit B to be executed and filed with the Secretary of State of the State of Delaware (the "Certificate of Merger"), executed in accordance with the relevant provisions of Delaware Law. The Merger shall become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware or at such other time as the parties shall agree and as shall be specified in the Certificate of Merger. The date and time when the Merger shall become effective is herein referred to as the "Effective Time."

1.4 Certificate of Incorporation and Bylaws; Directors and Officers. Unless otherwise determined by Parent prior to the Effective Time:

(a) the certificate of incorporation of the Surviving Corporation shall be amended and restated as of the Effective Time to be the certificate of incorporation set forth on Exhibit C attached hereto;

(b) the bylaws of Merger Sub in effect as of immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation until thereafter amended in accordance with the terms thereof and as provided by Delaware Law; and

(c) the directors and officers of the Surviving Corporation shall be those of Merger Sub as of immediately prior to the Effective Time.

1.5 Cancellation and Conversion of Shares. Subject to Sections 1.10, 1.11, and 1.12, at the Effective Time, by virtue of the Merger and without any further action on the part of Parent, Merger Sub, the Company, the stockholders of the Company or any other Person:

(a) each share of the common stock, par value $0.0001 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be automatically converted into one (1) fully paid, nonassessable share of common stock of the Surviving Corporation and shall constitute the only outstanding shares of capital stock of the Surviving Corporation at the Effective Time;

(b) each share of Company Capital Stock: (i) held in the treasury of the Company on or prior to the Effective Time; or (ii) held by Parent or the Company immediately prior to the Effective Time (the shares referred to in clauses "(i)" and "(ii)" of this sentence being the "Cancelled Shares"), shall be extinguished and cancelled and shall cease to exist, without payment of any consideration with respect thereto;

(c) each share of Series A-1 Preferred Stock issued and outstanding immediately prior to the Effective Time (other than Cancelled Shares and the Dissenting Shares) shall convert into the right to receive from Parent (A) such share's Series A-1 Per Share Cash Amount plus (B) such share's Series A-1 Per Share Stock Amount, and subject to the provisions of Section 1.7 hereof, the Series A-1 Per Share Escrow Amount and the Series A-1 Per Share Holdback Amount; and

(d) each share of Company Capital Stock (other than shares of Series A-1 Preferred Stock) issued and outstanding immediately prior to the Effective Time (other than the Cancelled Shares and the Dissenting Shares) shall convert into the right to receive from Parent zero dollars and zero cents and no consideration of any kind.

The amount of cash, if any, that each stockholder of the Company is entitled to receive for the shares of Series A-1 Preferred Stock held by such stockholder shall be rounded to the nearest cent (with $0.005 being rounded upward) and computed after aggregating the cash amounts payable for all shares held by such stockholder.

1.6 Treatment of Options, Warrants and Convertible Notes.

(a) Company Options. At the Effective Time, each unexercised Company Option that is outstanding immediately prior to the Effective Time (whether vested or unvested) shall be cancelled, terminated and extinguished without payment of any consideration with respect thereto, and prior to the Closing, the Company shall take all action that may be necessary (under the Company Option Plans or otherwise) to effectuate the provisions of this Section 1.6(a) and to ensure that, from and after the Effective Time, each holder of an outstanding Company Option shall cease to have any rights with respect thereto. Parent shall not continue or assume any of the outstanding Company Options nor shall Parent substitute on an equitable basis for the shares of Company Common Stock subject to each Company Option the consideration, if any, payable for the shares of Company Common Stock in connection with the Merger or any securities of Parent or the Surviving Corporation. Neither Parent, the Company nor the Surviving Corporation nor any of their respective subsidiaries is or will be bound by any Company Option or other stock rights under options, warrants, rights or agreements that would entitle any Person, other than the Merger Sub or its Affiliates, to own any capital stock of the Company, the Surviving Corporation or any of their respective subsidiaries.

(b) Promissory Notes.

(i) Convertible Notes. All amounts outstanding (including of principal and accrued and unpaid interest) under all Convertible Notes that remain issued and outstanding prior to the Effective Time shall, without any action on the part of any holder thereof, automatically convert into shares of Series A-1 Preferred Stock immediately prior to the Effective Time, and prior to the Closing, the Company shall take all action that may be necessary to effectuate the provisions of this Section 1.6(b) and to ensure that, from and after the Effective Time, each holder of outstanding Convertible Notes shall cease to have rights with respect thereto, other than in respect of the shares of Series A-1 Preferred Stock issued upon conversion thereof prior to the Effective Time.

(ii) Subordinated Note. All amounts outstanding (including of principal and accrued and unpaid interest) under the Subordinated Note that remain issued and outstanding prior to the Effective Time shall be paid to the Subordinated Lender from the Initial Cash Consideration pursuant to Section 1.12(d).

(c) No Fractional Shares. Notwithstanding any other provision in this Agreement to the contrary, no fraction of a share of Parent Common Stock will be issued and all issuances of Parent Common Stock will be rounded down to the nearest whole number of shares of Parent Common Stock. Any Covered Securityholder who would otherwise be entitled to receive a fraction of a share of Parent Common Stock (after aggregating all fractional shares of Parent Common Stock issuable to such holder) shall, in lieu of such fraction of a share, be paid by Parent in cash the dollar amount (rounded up to the nearest whole cent) determined by multiplying such fraction by the Fair Market Value of a share of Parent Common Stock.

1.7 Escrow Fund and Holdback.

(a) Escrow Fund. On the Closing Date, Parent shall deliver to U.S. Bank National Association, as escrow agent (or its successor, the "Escrow Agent"), $2,625,000 (the "Escrow Amount" and together with the earnings based on investment of the Escrow Amount (the "Escrow Earnings"), as described in the Escrow Agreement, "Escrow Fund"), to be held in a single escrow account (the "Escrow Account") and administered by the Escrow Agent in accordance with the terms and provisions of the escrow agreement, substantially in the form attached hereto as Exhibit D as revised by Parent and the Company in good faith to conform the provisions thereof to the provisions set forth in this Section 1.7, Section 1.10, Section 9 and Section 10.1 (the "Escrow Agreement"), which shall be executed and delivered by Parent, the Escrow Agent and the Stockholders' Agent at the Closing. The costs and expenses of Escrow Agent shall be deducted from the Escrow Fund. The Escrow Amount shall be available to satisfy the indemnification, compensation and reimbursement obligations of the Covered Securityholders for Losses in accordance with Section 9 and for purposes of the post-closing adjustments contemplated under Sections 1.8 and 1.9, and shall be held by the Escrow Agent in escrow from the Closing Date until the fifteen (15) month anniversary of the Closing Date (the "Escrow Release Date") upon which Escrow Release Date (or if such day is not a business day, on the next succeeding business day), any remaining funds in the Escrow Account (less any amounts that as of such date are subject to any Indemnification

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Claim pursuant to Section 9) shall be released to the Covered Securityholders in accordance with the terms of the Escrow Agreement.

(b) Holdback. On the Closing Date, Parent shall holdback $100,000 from the Initial Cash Consideration (the "Holdback Amount") to be held by Parent in a separate account (the "Holdback Account") for purposes of the post-closing adjustments contemplated under Section 1.8 and

Section 1.9 hereof. The Holdback Amount shall be released by Parent following the final determination of required adjustments, if any, made in accordance to the terms of Section 1.8 and Section 1.9, and thereafter Parent shall disburse any portion of the Holdback Account not otherwise due to Parent and remaining after reconciliation of the Final Adjustment and Parent Cash True-Up Claim, as applicable, to the Stockholders' Agent for distribution to the Covered Securityholders in accordance with this Agreement.

1.8 Working Capital Adjustment

(a) No later than three (3) business days prior to the Closing Date, the Company will prepare and deliver to Parent an estimated Net Working Capital statement ("Estimated Net Working Capital Statement"), certified by the Company's Chief Financial Officer, setting forth (i) a reasonably detailed calculation of the estimated Net Working Capital as of the close of business on the Closing Date ("Estimated Net Working Capital"), in substantially the same form as, and using the same line items, accounting and calculation methodology set forth in, the sample statement on Schedule 1.8 (which shall be in accordance with GAAP, except for any exceptions expressly stated on Schedule 1.8), and (ii) a calculation of the Estimated Adjustment. For purposes of this Agreement, (A) "Net Working Capital" shall mean an amount equal to Specified Current Assets minus the Specified Current Liabilities calculated in accordance with GAAP consistently applied; (B) "Estimated Adjustment" means the amount, if any, by which the Estimated Net Working Capital is more or less than the Net Working Capital Target, and (C) "Net Working Capital Target" shall mean $-25,000. If the Net Working Capital Target exceeds the Estimated Net Working Capital, then the Initial Cash Consideration will be decreased by the absolute value of the Estimated Adjustment, subject to further adjustment in accordance with this Section 1.8. If the Estimated Net Working Capital exceeds the Net Working Capital Target, then the Initial Cash Consideration will be increased by the absolute value of the Estimated Adjustment, subject to further adjustment in accordance with this Section 1.8. For the avoidance of doubt, if the Estimated Net Working Capital is -$100,000, then the Estimated Adjustment shall be $75,000 and the Initial Cash Consideration shall be decreased by $75,000.

(b) Within sixty (60) days following the Closing Date, Parent will prepare and deliver to the Stockholders' Agent a Net Work Capital statement ("Final Net Working Capital Statement"), certified by an appropriate officer of Parent, setting forth (i) a reasonably detailed calculation of the Net Working Capital as of the close of business on the Closing Date ("Final Net Working Capital"), in substantially the same form as, and using the same line items, in accordance with GAAP, consistently applied as set forth in Schedule 1.8, and (ii) a calculation of the Final Adjustment. For purposes of this Agreement, the "Final Adjustment," which may be positive or negative, will be an amount equal to the Net Working Capital Target minus the Final Net Working Capital minus the Estimated Adjustment, if any. For the avoidance of doubt, based on the example in Section 1.8(a) above, if the Final Net Working Capital is -$90,000, the Final Adjustment would be -$10,000 and the Initial Cash Consideration shall be increased by $10,000. Parent will make available to the Stockholders' Agent and each of their accountants the work papers and back-up materials used in preparing the Final Net Working Capital Statement, and upon reasonable advance notice, those employees of the Surviving Corporation or Parent who participated in the preparation of the Final Net Working Capital Statement.

(c) If the Stockholders' Agent does not deliver any objections to Parent's determination of the Final Net Working Capital Statement and the Final Adjustment within sixty (60) days after receiving such calculations, then Parent's determination will be final, non-appealable and binding on the parties. If the Stockholders' Agent has any objections to the Final Net Working Capital Statement, then the Stockholders' Agent must deliver a reasonably detailed statement describing the objections to Parent's determination of the Final Net Working Capital Statement or the Final Adjustment within sixty (60) days after receiving such Final Net Working Capital Statement and corresponding statement, including any supporting schedules, analyses, working papers and other documentation relating to such objections, and setting forth the Stockholders' Agent's determination of the Final Net Working Capital Statement and the Final Adjustment. Parent and the Stockholders' Agent will use commercially reasonable efforts to resolve any such objections themselves through good faith negotiation. If they are able to negotiate a mutually agreeable resolution of each objection, the Final Net Working Capital Statement and the calculation of the Final Adjustment based thereon, as adjusted to reflect such resolution, will be deemed final,

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non-appealable and binding for purposes of this Agreement. If the parties do not obtain a final resolution of all objections within the 30-day period after delivery of the Stockholders' Agent's objections to the Final Net Working Capital Statement, then Parent and the Stockholders' Agent will select a mutually acceptable, nationally-recognized accounting firm that is unaffiliated with any of the Surviving Corporation, the Stockholders' Agent or Parent to resolve any remaining objections (the "Independent Accountant"). Each of the Stockholders' Agent and Parent shall submit a written submission to the Independent Accountant setting forth its position with respect to any unresolved objections to the Final Net Working Capital Statement and the calculation of the Final Adjustment based thereon. The Independent Accountant will determine only with respect to the disputed items submitted whether and to what extent, if any, the Final Net Working Capital Statement and calculation of the Final Adjustment delivered by Parent requires adjustment. Further, the Independent Accountant will make its determination based solely on the written submissions by the Stockholders' Agent and Parent and not on independent review. The Independent Accountant shall act as an expert and not an arbitrator. The Independent Accountant shall only review such items that remain in dispute and shall make no adjustments that would cause any such item to be greater than the higher of, or less than the lower of, the amounts proposed by Parent and the Stockholders' Agent for such item. The determination made by the Independent Accountant will be set forth in writing and will be final, non-appealable and binding upon the parties. The costs of the Independent Accountant will be borne by Parent and the Stockholders' Agent in proportion to the difference of each such party's determination of the Final Adjustment and the determination of the Independent Accountant, or equally by Parent and the Stockholders' Agent if the determination by the Independent Accountant is equidistant from the determinations of each of the parties.

(d) Following the final determination of the Final Net Working Capital Statement and the Final Adjustment, (i) if the Final Adjustment is a positive number (*i.e.*, the Final Net Working Capital exceeds the Estimated Adjustment, if any), then the Initial Cash Consideration will be increased by the amount of the Final Adjustment, and Parent will pay to the Covered Securityholders, by wire transfer or delivery of other immediately available funds, an amount equal to the Final Adjustment and any remaining amounts in the Holdback Account not otherwise used to satisfy the obligations under Section 1.9 hereof, or (ii) if the Final Adjustment is a negative number (*i.e.*, the Final Net Working Capital is less than the Estimated Adjustment, if any), then the Initial Cash Consideration will be decreased by the absolute value of the Final Adjustment, and Parent shall deduct from the Holdback Account and retain an amount in cash equal to the absolute value of the Final Adjustment, and if amount of the absolute value of the Final Adjustment exceeds the funds remaining in the Holdback Account, then the Escrow Agent will pay to Parent out of the Escrow Account, by wire transfer or delivery of other immediately available funds, an amount, in cash, equal to the absolute value of the Final Adjustment minus any amount recovered out of the Holdback Account.

1.9 Indebtedness Adjustment

(a) No later than three (3) business days prior to the Closing Date, the Company will deliver to Parent a certificate, executed by an appropriate officer of the Company (the "Indebtedness Certificate"), setting forth (i) a reasonable, good faith estimate of the amounts of Indebtedness as of the date of delivery of the Indebtedness Certificate, and (ii) a reasonable, good faith estimate of the Indebtedness as of the end of business on the Closing Date ("Closing Indebtedness").

(b) Within sixty (60) days following the Closing Date, Parent will prepare and deliver to the Stockholders' Agent via email at azarur@kodiakvp.com a statement, certified by an appropriate officer of Parent, setting forth its calculations of the Closing Indebtedness ("Closing Indebtedness Statement"). Parent will make available to the Stockholders' Agent and its accountants the back-up materials used in preparing its calculations of the Closing Indebtedness, and upon reasonable advance notice, those employees of Parent or the Surviving Corporation who participated in preparing its calculations of the Closing Indebtedness. If Parent does not deliver the Closing Indebtedness Statement to the Stockholders' Agent within sixty (60) days following the Closing Date, then the calculations of the Closing Indebtedness set forth in the Indebtedness Certificate will be final, non-appealable and binding on the parties.

(c) If the Stockholders' Agent does not deliver any objections to Parent's determination of the Closing Indebtedness Statement within thirty (30) days after receiving such calculations, then Parent's determination will be final, non-appealable and binding on the parties. If the Stockholders' Agent has any objections to the Closing Indebtedness Statement, then the Stockholders' Agent must deliver a reasonably detailed statement describing the objections to Parent's determination of the Closing Indebtedness within thirty (30) days after receiving such Closing Indebtedness Statement, including any supporting schedules, analyses and other

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documentation relating to such objections, and setting forth the Stockholders' Agent's determination of the Closing Indebtedness. Parent and the Stockholders' Agent will use commercially reasonable efforts to resolve any such objections themselves through good faith negotiation. If they are able to negotiate a mutually agreeable resolution of each objection, the calculation of the Closing Indebtedness, as adjusted to reflect such resolution, will be deemed final, non-appealable and binding for purposes of this Agreement. If the parties do not obtain a final resolution of all objections within the 30-day period after delivery of the Stockholders' Agent's objections to the Closing Indebtedness Statement, then Parent and the Stockholders' Agent will engage an Independent Accountant. Each of the Stockholders' Agent and Parent shall submit a written submission to the Independent Accountant setting forth its position with respect to any unresolved objections to the Closing Indebtedness Statement and the calculation of the Closing Indebtedness based thereon. The Independent Accountant will determine only with respect to the disputed items submitted whether and to what extent, if any, the calculation of Closing Indebtedness delivered by Parent requires adjustment. Further, the Independent Accountant will make its determination based solely on the written submissions by the Stockholders' Agent and Parent and not on independent review. The Independent Accountant shall act as an expert and not an arbitrator. The Independent Accountant shall only review such items that remain in dispute and shall make no adjustments that would cause any such item to be greater than the higher of, or less than the lower of, the amounts proposed by Parent and the Stockholders' Agent for such item. The determination made by the Independent Accountant will be set forth in writing and will be final, non-appealable and binding upon the parties. The costs of the Independent Accountant will be borne by Parent and the Stockholders' Agent in proportion to the difference of each such party's determination of Closing Indebtedness and the determination of the Independent Accountant, or equally by Parent and the Stockholders' Agent if the determination by the Independent Accountant is equidistant from the determinations of each of the parties.

(d) Following the final determination of the Closing Indebtedness pursuant to Section 1.8(b) or Section 1.8(c), (i) if the amount of Closing Indebtedness as so finally determined (the "Final Closing Indebtedness") is more than the amount set forth on the Indebtedness Certificate (the "Estimated Closing Indebtedness"), then the Cash Consideration will be decreased by the amount by which the Final Closing Indebtedness exceeds the Estimated Closing Indebtedness and Parent shall deduct from the Holdback Account and retain an amount, in cash, equal to such excess (the "Parent Cash True-Up Claim") up to the Holdback Amount, and if the amount of Parent Cash True-Up Claim exceeds the Holdback Account, then the Escrow Agent will pay to Parent out of the Escrow Account (without respect to the Basket), by wire transfer or delivery of other immediately available funds, an amount, in cash, equal to Parent Cash-True Up Claim minus the amount recovered out of the Holdback Account. There shall be no adjustment to the Merger Consideration if the amount of Final Closing Indebtedness is less than the Estimated Closing Indebtedness.

1.10 Adjustments. In the event that the Company, at any time or from time to time between the date of this Agreement and the Effective Time, declares or pays any dividend on shares of Company Capital Stock payable in shares of Company Capital Stock or in any right to acquire shares of Company Capital Stock, or effects a subdivision of the outstanding shares of Company Capital Stock into a greater number of shares of shares of Company Capital Stock, or in the event the outstanding shares of Company Capital Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Company Capital Stock, or a record date with respect to any of the foregoing shall occur during such period, then the amounts payable in respect of shares of Company Capital Stock pursuant to Section 1.5 shall be appropriately adjusted.

1.11 Dissenting Shares. Notwithstanding any provisions of this Agreement to the contrary, shares of Company Capital Stock held by a holder who has exercised appraisal right for such shares in the Merger under Section 262 of Delaware Law (the "Dissenting Shares"), shall not be converted into or be exchangeable for the right to receive a portion of the Merger Consideration unless and until such holder loses such holder's right to appraisal and payment under Delaware Law. If, after the Effective Time, any such holder loses such holder's right to appraisal, such Dissenting Shares shall thereupon be treated as if they had been converted as of the Effective Time into the right to receive the portion of the Merger Consideration to which such holder is entitled, without interest, and such holder shall have all of the other rights of a stockholder set forth hereunder. Prior to the Closing, the Company shall give Parent and, after the Closing, Parent shall give the Stockholders' Agent prompt notice of any demands received by the Company or the Surviving Corporation for appraisal of shares of Company Capital Stock, attempted written withdrawals of such demands, and any other instruments served pursuant to Delaware Law and received by the Company or the Surviving Corporation relating to stockholders' rights to appraisal with respect to the Merger. Following the Effective Time, Parent shall have the opportunity to direct all negotiations and proceedings with respect to any exercise of such appraisal rights under Delaware Law. The Company shall not,

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except with the prior written consent of Parent, voluntarily make any payment with respect to any demands for payment of fair value for Company Capital Stock or offer to settle or settle any such demands, other than by operation of law or pursuant to a final order of a court of competent jurisdiction.

1.12 Exchange Procedures. At the Closing:

(a) Escrow Amount. Parent shall deposit the Escrow Amount with the Escrow Agent into the Escrow Account established pursuant to the Escrow Agreement. The Escrow Fund shall be held, invested and distributed as provided in the Escrow Agreement and this Agreement.

(b) Holdback Amount. Parent shall deposit the Holdback Amount in the Holdback Account, which shall be held and distributed as provided in Sections 1.7(b), 1.8 and 1.9 of this Agreement.

(c) Exchange of Company Stock Certificates. Each Covered Stockholder shall deliver to the Transfer Agent a letter of transmittal in substantially the form of Exhibit E hereto (the "Letter of Transmittal") together with the certificates for shares of Company Capital Stock ("Company Stock Certificates") held by such Covered Securityholder. Upon the surrender to the Transfer Agent of a Company Stock Certificate (or an affidavit of lost stock certificate and indemnity agreement as described in Section 1.12(g)), together with a duly executed and properly completed Letter of Transmittal and such other documents as provided in the Letter of Transmittal, the holder of such Company Stock Certificate shall be entitled to receive in exchange therefor his, her or its portion of the Cash Consideration and the Stock Consideration in accordance with Section 1.5 and this Section 1.12, and the Company Stock Certificate so surrendered shall forthwith be canceled.

(d) Cash Consideration and Stock Consideration. Parent shall (i) pay, or cause to be paid, the Cash Consideration to the parties set forth on Schedule 1.12(d) attached hereto (each such party, a "Schedule 1.12(d) Payment Recipient"), and (ii) promptly, and in any event within two (2) business days of the Closing, deliver irrevocable instructions to the Transfer Agent directing the Transfer Agent to deliver the Stock Consideration to the Covered Securityholders, substantially in the form set forth in Exhibit F (the "Irrevocable Instructions"). From and after the Effective Time, each Company Stock Certificate which prior to the Effective Time represented shares of Company Capital Stock (other than Cancelled Shares or Dissenting Shares) shall be deemed to represent only the right to receive the Cash Consideration and Stock Consideration, as well as a proportionate share of the Escrow Fund and Holdback Amount, if any, payable with respect to such shares, and the holder of each such Company Stock Certificate shall cease to have any rights with respect to the shares of Company Capital Stock formerly represented thereby.

(e) Transfer of Ownership. If any certificate for shares of Parent Common Stock is to be issued in a name other than that in which the Company Capital Stock surrendered in exchange therefor is registered, it will be a condition of the issuance thereof that the Company Capital Stock so surrendered will be properly endorsed and otherwise in proper form for transfer and that the person requesting such exchange will have paid to Parent or any agent designated by it any transfer or other Taxes required by reason of the issuance of a certificate for shares of Parent Common Stock in any name other than that of the registered holder of the Company Capital Stock surrendered, or established to the reasonable satisfaction of Parent or any agent designated by it that such Tax has been paid or is not payable.

(f) Lost, Stolen or Destroyed Company Stock Certificates. In the event any Company Stock Certificate representing shares of Company Capital Stock converted in connection with the Merger pursuant to Section 1.5 shall have been lost, stolen or destroyed, Parent may, in its discretion and as a condition precedent to the payment of any Merger Consideration with respect to the shares of Company Capital Stock previously represented by such Company Stock Certificate, require the owner of such lost, stolen or destroyed Company Stock Certificate to provide an appropriate affidavit and to execute and deliver an indemnity agreement (without the need to post any bond) against any claim that may be made against the Paying Agent, Parent, the Surviving Corporation or any affiliated party with respect to such Company Stock Certificate.

(g) Withholding. Notwithstanding anything to the contrary contained in this Agreement, each of Parent, the Surviving Corporation and the Transfer Agent shall be entitled to deduct and withhold from any consideration payable pursuant to this Agreement to any Covered Securityholder or former security holder of the

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Company such amounts as are required to be deducted or withheld therefrom or in connection therewith under the Code or any provision of state, local or foreign Tax law or under any other applicable Legal Requirement. To the extent such amounts are so deducted or withheld, such amounts shall be paid over to the appropriate Governmental Body and such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants, to and for the benefit of Parent and Merger Sub, as of the date hereof and as of the Closing Date, as follows (as modified by the Disclosure Schedule to the extent permitted by Section 10.17):

2.1 Due Organization; Subsidiaries; Etc.

(a) Organization. The Company is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has full power and authority: (i) to conduct its business in the manner in which its business is currently being conducted; (ii) to own and use its assets in the manner in which its assets are currently owned and used; and (iii) to perform its obligations under all Contracts to which it is a party or by which it is bound.

(b) Qualification. The Company is qualified, licensed or admitted to do business as a foreign corporation, and is in good standing, under the laws of each jurisdiction where (i) the property owned, leased or operated by it or the nature of its business requires such qualification, license or admission and (ii) the failure to be so qualified, licensed or admitted would have a Material Adverse Effect. Section 2.1(b) of the Disclosure Schedule accurately sets forth each jurisdiction where the Company is qualified, licensed and admitted to do business.

(c) Directors and Officers. Section 2.1(c) of the Disclosure Schedule accurately sets forth as of the date hereof: (i) the names of the members of the board of directors of the Company; (ii) the names of the members of each committee of the board of directors of the Company; and (iii) the names and titles of the officers of the Company.

(d) No Subsidiaries. The Company does not own, beneficially or otherwise, any shares or other securities of, or any direct or indirect equity interest in, any Entity. The Company has never owned, beneficially or otherwise, any shares or other securities of, or any direct or indirect equity interest in, any Entity. The Company has not agreed and the Company is not obligated to make any future investment in or capital contribution to any Entity. The Company has not guaranteed and is not responsible or liable for any obligation of any Entity.

2.2 Charter Documents; Records. The Company has made available to Parent accurate and complete copies of: (a) the certificate of incorporation and bylaws, including all amendments thereto, of the Company as in effect on the date hereof (the "Charter Documents"); and (b) the minutes and other records of the meetings and other proceedings (including any actions taken by written consent or otherwise without a meeting) of the stockholders or members, the board of directors and all committees of the board of directors of the Company during the last five (5) years, which minutes or other records contain a complete summary of all meetings of directors and stockholders, and all actions taken thereat or by written consent during the last five (5) years. All actions taken and all transactions entered into by the Company that were required to have been approved by the board of directors of the Company have been

duly approved by all necessary action of the board of directors of the Company. All actions taken and all transactions entered into by the Company that were required to have been approved by the stockholders of the Company have been duly approved by all necessary action of the stockholders of the Company. There has been no material violation of any of the provisions of the Charter Documents, and the Company has not taken any action that is inconsistent in any material respect with any resolution adopted by the Company's stockholders, board of directors or any committee of the board of directors. The books of account, stock records, minute books and other records of the Company are accurate, up-to-date and complete in all material respects, and have been maintained in accordance with prudent business practices and all applicable Legal

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Requirements.

2.3 Capitalization.

(a) Outstanding Securities. The authorized capital stock of the Company consists of: (i) 65,082,781 shares of Company Common Stock, of which 809,114 shares are issued and outstanding as of the date of this Agreement; and (ii) 46,695,897 shares of Company Preferred Stock, 44,145,897 of which have been designated Series A Preferred Stock 4,094,795 of which are issued and outstanding as of the date of this Agreement and 2,550,000 of which have been designated Series A-1 Preferred Stock, of which 2,510,098 are issued and outstanding as of the date of this Agreement. There are no shares of capital stock held in the Company's treasury. Except as set forth in Section 2.3(a) of the Disclosure Schedule, the Company has never declared or paid any dividends on any shares of Company Capital Stock. Section 2.3(a) of the Disclosure Schedule sets forth, as of the date of this Agreement, the names of the Company's stockholders, the addresses of the Company's stockholders and the class, series and number of shares of Company Capital Stock owned of record by each of such stockholders. All of the outstanding shares of Company Capital Stock have been duly authorized and validly issued, and are fully paid and nonassessable, and, except as set forth in Section 2.3(a) of the Disclosure Schedule, none of such shares is subject to any repurchase option, forfeiture provision or restriction on transfer (other than restrictions on transfer imposed by virtue of applicable federal and state securities laws). Each share of Company Preferred Stock is convertible into the number of shares of Company Common Stock set forth in Section 2.3(a) of the Disclosure Schedule.

(b) Stock Options. The Company has reserved 1,490,656 shares of Company Common Stock for issuance under the Company Option Plans, of which options with respect to 1,194,998 shares are outstanding as of the date of this Agreement. Section 2.3(b) of the Disclosure Schedule accurately sets forth, with respect to each Company Option that is outstanding as of the date of this Agreement: (i) the name of the holder of such Company Option; (ii) the total number of shares of Company Common Stock that are subject to such Company Option and the number of shares of Company Common Stock with respect to which such Company Option is vested and exercisable; (iii) the date on which such Company Option was granted and the term of such Company Option; (iv) the vesting schedule for such Company Option and whether the vesting of such Company Option shall be subject to any acceleration in connection with the Merger or any of the other transactions contemplated by this Agreement; (v) the exercise price per share of Company Common Stock purchasable under such Company Option; and (vi) whether such Company Option is an "incentive stock option" as defined in Section 422 of the Code or subject to Section 409A of the Code. Each grant of a Company Option was duly authorized no later than the date on which the grant of such Company Option was by its terms to be effective (the "Grant Date") by all necessary corporate action, including, as applicable, approval by the board of directors of the Company (or a duly constituted and authorized committee thereof) and any required stockholder approval by the necessary number of votes or written consents, and the award agreement governing such grant (if any) was duly executed and delivered by each party thereto, each such grant was made in accordance with the terms of the applicable compensation plan or arrangement of the Company and all other applicable Legal Requirements, the per share exercise price of each Company Option was equal to the fair market value of a share of Company Common Stock on the applicable Grant Date, each Company Option is exempt from Section 409A of the Code and the applicable Treasury Regulations and each such grant was properly accounted for in accordance with GAAP in the Audited Financial Statements. The Company has not granted any Company Option since January 1, 2014. No Company Option (whether currently outstanding or previously exercised) is, has been or would be, as applicable, reasonably expected to be subject to any tax, penalty or interest under Section 409A of the Code. Neither the Company nor Parent has incurred or will incur any liability or obligation to withhold taxes under Section 409A of the Code upon the vesting of any Company Options. All options with respect to shares of Company Common Stock that were ever issued by the Company ceased to vest on the date on which the holder thereof ceased to be an employee or director of or a consultant to the Company. The exercise of the Company Options and the payment of cash in respect thereof complied and will comply with the terms of the Company Option Plans, all Contracts applicable to such Company Options and all Legal Requirements and, as of the Closing, no holder or former holder of a Company Option will have any rights with respect to such Company Option.

(c) Warrants. There are no Company Warrants outstanding as of the date of this Agreement.

(d) Convertible Securities. Section 2.3(d) of the Disclosure Schedule accurately sets forth,

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with respect to each Promissory Note that is outstanding as of the date of this Agreement: (i) the name of the holder of such Promissory Note; (ii) the date on which such Promissory Note was issued and the term of such Promissory Note and (iii) the pay-off amount of such Promissory Note. The Company has made available to Parent accurate and complete copies of each Contract pursuant to which any Promissory Note, including the Convertible Notes, is outstanding. Prior to the date hereof, all Senior Notes and all Junior Notes have automatically converted into shares of Company Series A-1 Preferred Stock. Effective upon the Closing, (A) the Subordinated Note, together with accrued interest thereon, will be repaid and cancelled, (B) no holder or former holder of a Promissory Note will thereafter have any further rights with respect to such Promissory Note, and (C) no Promissory Notes will be outstanding.

(e) No Other Securities. Except as set forth in Section 2.3(b) or Section 2.3(d) of the Disclosure Schedule, there is no: (i) outstanding subscription, option, call, convertible note, warrant or right (whether or not currently exercisable) to acquire any shares of Company Capital Stock or other securities of the Company; (ii) outstanding security, instrument or obligation that is or may become convertible into or exchangeable for any shares of Company Capital Stock (or cash based on the value of such shares) or other securities of the Company; (iii) Contract under which the Company is or may become obligated to sell or otherwise issue any shares of Company Capital Stock or any other securities, including any promise or commitment to grant Company Options or other securities of the Company to an employee of or other service provider to the Company; or (iv) condition or circumstance that may give rise to or provide a basis for the assertion of a claim by any Person to the effect that such Person is entitled to acquire or receive any shares of Company Capital Stock or other securities of the Company. As of the Effective Time, there will be no outstanding options, warrants or other rights to purchase shares of Company Capital Stock.

(f) Legal Issuance. All outstanding shares of Company Capital Stock and all outstanding Company Options and Convertible Notes and all other securities that have ever been issued or granted by the Company have been issued and granted in compliance with: (i) all applicable securities laws and other applicable Legal Requirements; and (ii) all requirements set forth in all applicable Contracts. None of the outstanding shares of Company Capital Stock were issued in violation of any preemptive rights or other rights to subscribe for or purchase securities of the Company. Section 2.3(f) of the Disclosure Schedule accurately identifies each Company Contract relating to any securities of the Company that contains any information rights, registration rights, financial statement requirements or other terms that would survive the Closing unless terminated or amended prior to the Closing.

(g) Repurchased Shares. The Company has never repurchased or redeemed any shares of capital stock.

2.4 Financial Statements and Related Information.

(a) Delivery of Financial Statements. The Company has made available to Parent the following financial statements and notes (collectively, the "Company Financial Statements"): (i) the audited balance sheets of the Company as of the three (3) most recently completed fiscal years ended on December 31 prior to the date hereof, and the related audited statements of income, statements of stockholders' equity and statements of cash flows for such fiscal years, together with the notes thereto and the unqualified report and opinion of the Company's auditor relating thereto (the "Audited Financial Statements"); and (ii) the unaudited balance sheet of the Company as of July 31, 2014 (the "Interim Balance Sheet"), and the related unaudited statement of income, statement of stockholders' equity and statement of cash flows for such period (the "Interim Balance Sheet Date").

(b) Fair Presentation. The Company Financial Statements present fairly in all material respects the financial position of the Company as of the respective dates thereof and the results of operations and cash flows of the Company for the periods covered thereby. The Company Financial Statements have been prepared, subject in the case of the financial statements referred to in Section 2.4(a)(ii) to normal recurring year-end adjustments, all in accordance with GAAP applied on a consistent basis throughout the periods covered, except that the financial statements referred to in Section 2.4(a)(ii) do not contain footnotes.

(c) Internal Controls. The books, records and accounts of the Company accurately and fairly reflect, in reasonable detail, the transactions in and dispositions of the assets of the Company. The internal accounting controls maintained by the Company are sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Section 2.4(c) of the Disclosure Schedule describes the Company's internal accounting controls, and the Company has delivered to Parent copies of, all written descriptions of the Company's internal accounting controls, and all policies, manuals and other documents promulgating, such internal accounting controls.

2.5 Liabilities.

(a) No Liabilities. The Company has no accrued, contingent or other Liabilities of any nature, either matured or unmatured (whether or not required to be reflected in financial statements in accordance with GAAP, and whether due or to become due), except for: (i) Liabilities identified as such in the "liabilities" column of the Interim Balance Sheet; (ii) Liabilities of the same nature as those set forth on the Interim Balance Sheet that have been incurred by the Company since the Interim Balance Sheet Date in the ordinary course of business and consistent with the Company's past practices; (iii) Liabilities under the Company Contracts that are expressly set forth in and identifiable by reference to the text of such Company Contracts; and (iv) the Liabilities that are satisfied by the payments made in accordance with Section 1.12(d) to the Schedule 1.12(d) Payment Recipients that will be paid from the Initial Cash Consideration.

(b) Accounts Payable. Section 2.5(b) of the Disclosure Schedule provides an accurate and complete breakdown and aging of: (i) all accounts payable of the Company in excess of $10,000 as of the Interim Balance Sheet Date; and (ii) all notes payable of the Company and all other Indebtedness of the Company for borrowed money as of the Interim Balance Sheet Date.

(c) Accrued Site Payments. Section 2.5(c) of the Disclosure Schedule provides an accurate and complete breakdown of all payments due from the Company as of the date hereof to sites which have been involved in the testing, collection, maintenance, or assessment of patients and related samples.

(d) No "Off-Balance Sheet" Arrangements. The Company has never effected or otherwise been involved in any "off-balance sheet arrangements" (as defined in Item 303(a)(4)(ii) of Regulation S-K under the Exchange Act). Without limiting the generality of the foregoing, the Company has never guaranteed any debt or other obligation of any other Person.

2.6 Absence of Changes. Except as set forth in Section 2.6 of the Disclosure Schedule, since the Interim Balance Sheet Date through the date of this Agreement:

(a) there has not been any Material Adverse Effect, and no event has occurred or circumstance has arisen that, in combination with any other events or circumstances, would reasonably be expected to have or result in a Material Adverse Effect;

(b) there has not been any material loss, damage or destruction to, or any material interruption in the use of, the Company's material assets (whether or not covered by insurance), or any revaluation by the Company of any of its assets;

(c) the Company has not declared, accrued, set aside or paid any dividend or made any other distribution in respect of any shares of its capital stock or other securities, and the Company has not repurchased, redeemed or otherwise reacquired any shares of its capital stock or other securities;

(d) the Company has not sold, issued, granted or authorized the sale, issuance or grant of: (i) any capital stock or other security; (ii) any option, call, warrant or right to acquire any capital stock or other security (except for Company Options described in Section 2.3(b)); (iii) any instrument convertible into or exchangeable for

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any capital stock (or cash based on the value of such capital stock) or other security (except for Company Preferred Stock that may be issued upon conversion of Convertible Notes); or (iv) any Convertible Notes;

(e) the Company has not amended or waived any of its rights under, or permitted the acceleration of vesting under: (i) any provision of any Company Option Plan; (ii) any provision of any agreement evidencing any outstanding Company Option; or (iii) any restricted stock agreement;

(f) there has been no amendment to any of the Charter Documents of the Company, and the Company has not effected or been a party to any Acquisition Proposal, recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction;

(g) the Company has not made any capital expenditure or commitment to make any capital expenditure in any individual amount exceeding $25,000 or, in the aggregate, exceeding $50,000;

(h) the Company has not amended or prematurely terminated, or waived any material right or remedy under, any Contract that is or would constitute a Material Contract (as defined in Section 2.15(a));

(i) the Company has not: (i) acquired, leased or licensed any right or other asset from any other Person: (ii) sold or otherwise disposed of, or leased or licensed, any right or other asset to any other Person; or (iii) waived or relinquished any right, except for immaterial rights or other immaterial assets acquired, leased, licensed or disposed of in the ordinary course of business and consistent with past practices of the Company;

(j) the Company has not written off as uncollectible, or established any extraordinary reserve with respect to, any account receivable or other indebtedness in excess of $10,000 with respect to a single matter, or in excess of $50,000 in the aggregate;

(k) the Company has not made any pledge of any of its assets or otherwise permitted any of its assets to become subject to any Lien (other than Permitted Liens);

(l) the Company has not: (i) lent money to any Person; or (ii) incurred or guaranteed any indebtedness for borrowed money;

(m) the Company has not: (i) established, adopted or amended any Company Employee Plan; made any bonus, profit-sharing or similar payment to, or increased the amount of wages, salary, commissions, fringe benefits or other compensation (including equity-based compensation, whether payable in cash or otherwise) or remuneration payable to, any of its directors, officers or employees; or (iii) other than with respect to non-officer employees and in the ordinary course of business and consistent with past practices, hired any new employee;

(n) the Company has not changed any of its methods of accounting or accounting practices (including any change in depreciation or amortization policies or rates, any change in policies in making or reversing accruals) in any respect;

(o) the Company has not made or changed any Tax election, adopted or changed a material accounting method in respect of Taxes, entered into a Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement or closing agreement, settled or comprised a claim, notice, audit report or assessment in respect of Taxes, or consented to an extension or waiver of the statutory limitation period applicable to a claim or assessment in respect of Taxes;

(p) the Company has not commenced, threatened to commence or settled any Legal Proceedings;

(q) there has not been any labor trouble or claim of wrongful discharge or other unlawful labor practice or action;

(r) the Company has not received any notice of any claim of ownership by a third party of the Company's Intellectual Property or of any invalidity, unenforceability or other deficiency in or impairment of

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the Company's Intellectual Property or of infringement by the Company of any third party's Intellectual Property Rights;

(s) there has been no change in pricing or royalties set or charged by the Company to its customers or licensees or in pricing or royalties set or charged by persons who have licensed Intellectual Property to the Company;

(t) the Company has not entered into any material transaction or taken any other material action outside the ordinary course of business or inconsistent with its past practices; and

(u) the Company has not agreed or legally committed to take any of the actions referred to in clauses "(c)" through "(t)" above.

2.7 Inventory. The Company does not have any inventory of raw materials, work-in-process goods or completely finished goods that would be considered to be the portion of a business's assets that are ready or will be ready for sale.

2.8 Accounts Receivable. The Company has no accounts receivable.

2.9 Suppliers. As of the date hereof, no Significant Supplier of the Company, has, since January 1, 2012, canceled or otherwise terminated, or made any written threat to the Company to cancel or otherwise terminate its relationship with the Company, or has at any time on or after the Interim Balance Sheet Date decreased materially its services or supplies to the Company, and to the Knowledge of the Company, no such Significant Supplier intends to cancel or otherwise terminate its relationship with the Company or to decrease materially its services or supplies to the Company, as the case may be. The Company has not breached, so as to provide a benefit to the Company that was not intended by the parties, any agreement with, or engaged in any fraudulent conduct with respect to, any supplier of the Company. "Significant Supplier" means (i) each of the ten (10) most significant suppliers of raw materials, supplies, merchandise, services and other goods for the Company (measured by dollar volume of purchases by the Company from such suppliers) since January 1, 2012 and (ii) each sole source supplier of the Company during such period.

2.10 No Commitments Regarding Future Products. Since January 1, 2012 and except as set forth in Section 2.10 of the Disclosure Schedule, the Company has made no sales to customers that are contingent upon providing future enhancements of existing products, to add features not presently available on existing products or to otherwise enhance the performance of its existing products (other than beta or similar arrangements pursuant to which the Company's customers from time to time test or evaluate products). The products the Company has delivered to customers substantially comply with published specifications for such products and the Company has not received material complaints from customers about its products that remain unresolved. Section 2.10 of the Disclosure Schedule accurately sets forth a complete list of products in development (exclusive of mere enhancements to and additional features for existing products).

2.11 Title to Assets; Equipment.

(a) Good Title. The Company owns, and has good and valid title to, all assets purported to be owned by it, including: (i) all assets reflected on the Interim Balance Sheet; (ii) all owned (as opposed to licensed) assets referred to in Section 2.14(a) of the Disclosure Schedule and all of the rights of the Company under the Contracts identified in Section 2.15(a) of the Disclosure Schedule; and (iii) all other assets reflected in the books and records of the Company as being owned by the Company. All of such assets are owned by the Company free and clear of any Lien, except for Permitted Liens.

(b) Equipment. All of the tangible personal property used in the businesses of the Company is free from material defects (patent and latent), has been maintained in accordance with normal industry practice, is in good operating condition and repair, ordinary wear and tear excepted, and is adequate and suitable for the purposes for which it is presently being used. The fixed asset listing in Section 2.11(b) of the Disclosure Schedule includes all machinery, equipment and other tangible assets and properties of the Company with an individual value

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in excess of $5,000, and the location of each, as of the Interim Balance Sheet Date.

(c) Leased Assets. Section 2.11(c) of the Disclosure Schedule identifies all assets that are material to the business of the Company and that are being leased to the Company for which the annual rental payment for each such asset exceeds $15,000, and with respect to each such asset sets forth the name of the lessor, the date of the lease and each amendment thereto and the aggregate annual rental and other fees payable under such lease. Such leases are in good standing, are valid and effective in accordance with their respective terms, and there is not under any such leases any existing default or event of default (or event which with notice or lapse of time, or both, would constitute a default) by the Company, which default has had or would reasonably be expected to have a Material Adverse Effect.

2.12 Bank Accounts. Section 2.12 of the Disclosure Schedule provides the following information with respect to each account maintained by or for the benefit of the Company at any bank or other financial institution: (a) the name of the bank or other financial institution at which such account is maintained; (b) the account number; (c) the type of account; and (d) the names of all Persons who are authorized to sign checks or other documents with respect to such account.

2.13 Real Property.

(a) The Company does not own any real property or any interest in real property, except for the leasehold created under the real property leases identified in Section 2.13(a) of the Disclosure Schedule (the "Company Real Property"). All real properties used in the operations of the Company are reflected in the Interim Balance Sheet to the extent GAAP requires the same to be reflected.

(b) Each lease pursuant to which the Company Real Property is leased to the Company is in full force and effect, and the Company holds a valid and existing leasehold interest under the leases listed on Section 2.13(a) of the Disclosure Schedule. To the Company's Knowledge (except to the extent covered under the real property leases set forth on Section 2.13(a) of the Disclosure Schedule, for which the foregoing Knowledge qualifier shall not apply), the Company Real Property is subject to no ground lease, master lease, mortgage, deed of trust or other Lien or interests that would entitle the holder thereof to interfere with or disturb use or enjoyment of the Company Real Property or the exercise by the lessee of its rights under such lease so long as the lessee is not in Default under such lease. The Company is not in a default to pay any amounts (whether relating to rent, dilapidations or otherwise) in relation to the Company Real Property.

(c) Each parcel of Company Real Property has access sufficient for the conduct of the business of the Company on such parcel of Company Real Property to public roads and to all reasonably required utilities for the operation of the Company business at that location. To the Company's Knowledge, the zoning for each parcel of Company Real Property permits the existing improvements and the continuation of the Company's business as now being conducted thereon as a conforming use. The Company is not in material violation of any applicable zoning ordinance or other Legal Requirement relating to the Company Real Property, and has not received any notice of any such violation or the existence of any condemnation or other proceeding with respect to any of the Company Real Property.

(d) To the Company's Knowledge, there are no improvements made or contemplated to be made by any Governmental Body, the costs of which are to be assessed as assessments, special assessments, special Taxes or charges against any of the Company Real Property, and there are no present assessments, special assessments, special Taxes or charges.

(e) No proceeding is pending to which the Company is a party, or, to the Knowledge of the Company, any proceeding which is threatened, for the taking or condemnation of all or any portion of the Company Real Property. The Company has good title to, or a valid leasehold interest in, the buildings, machinery, equipment and other tangible assets and properties used by it, located on its premises or shown in the Company Financial Statements or acquired after the date thereof and prior to the Closing Date, free and clear of all Liens. There is no brokerage commission or finder's fee due from the Company and unpaid as at the date hereof with regard to any of the Company Real Property leases or, to the Company's Knowledge, which will become due from the Company at

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any time in the future with regard to any Company Real Property based on a written Contract currently in effect.

(f) The buildings, improvements, building systems, machinery, equipment and other tangible assets and properties owned or leased in the conduct of the Company's business are in good condition and repair, ordinary wear and tear excepted, and are usable in the ordinary course of business.

Each such material asset is suitable for the purposes for which it is used and is proposed to be used, is, to the Company's Knowledge, free from patent and latent defects, and has been maintained in accordance with normal industry practices. Except as set forth in Section 2.13(e) of the Disclosure Schedule, the Company owns, or leases under valid leases, all buildings, machinery, equipment and other tangible assets and properties reasonably necessary for the conduct of the Company's business.

2.14 Intellectual Property.

(a) Products. Section 2.14(a) of the Disclosure Schedule accurately identifies and describes each product designed or developed or currently being designed or developed for manufacturing, marketing, or distribution by the Company.

(b) Registered IP. Section 2.14(b) of the Disclosure Schedule accurately identifies: (i) each item of Registered IP in which the Company has or purports to have an ownership interest of any nature (whether a sole interest or a jointly owned interest with another Person); (ii) the jurisdiction in which such item of Registered IP has been registered or filed and the applicable registration or serial number; and (iii) any other Person that has an ownership interest in such item of Registered IP and the nature of such ownership interest. With respect to each item of Registered IP listed in Section 2.14(b) of the Disclosure Schedule, the Company has delivered to Parent complete and accurate copies of all applications, correspondence with any Governmental Body and other material documents related to filing, acquisition and maintenance of each such item of Registered IP. Except as set forth in Section 2.14(b) of the Disclosure Schedule, the Company is listed in the records of the appropriate United States, state or foreign agency as the sole owner of each item of Registered IP listed in Section 2.14(b) of the Disclosure Schedule. Each of the patents and applications therefor within the Registered IP listed in Section 2.14(b) of the Disclosure Schedule has been prosecuted in compliance with all applicable rules, policies, and procedures of the United States Patent and Trademark Office or applicable foreign patent agencies. The Company has made available to Parent copies of all opinions and analyses related to such Registered IP prepared by or on the Company's behalf, including all drafts thereof.

(c) Inbound Licenses. Section 2.14(c) of the Disclosure Schedule accurately identifies: (i) each Contract pursuant to which any Intellectual Property Right is or has been licensed, sold, assigned or otherwise conveyed or provided to or acquired by the Company (other than: (A) agreements between the Company and its employees in the Company's standard forms thereof; and (B) non-exclusive licenses to commercially available third party software that is not incorporated into, or used in the development, testing, distribution, maintenance or support of, any Company Products and that is not otherwise material to the Company's business); and (ii) whether the licenses or rights granted to the Company in each such Contract under such Intellectual Property Rights are exclusive or non- exclusive.

(d) Outbound Licenses. Section 2.14(d) of the Disclosure Schedule accurately identifies each Contract pursuant to which any Person has been granted any license under, or otherwise has received or acquired any right (whether or not currently exercisable (but excluding any lapsed right to exercise) and including a right to receive or to negotiate to receive a license) or interest in, any Company IP. The Company is not bound by, and no Company IP is subject to, any Contract, settlement, forbearance to sue, consent, judgment or orders arising out of any action to which the Company is or was a party containing any covenant or other provision that in any way limits or restricts the ability of the Company to use, exploit, assert or enforce any Company IP anywhere in the world.

(e) Royalty Obligations. Section 2.14(e) of the Disclosure Schedule contains a complete and accurate list and summary of all royalties, fees, commissions and other amounts payable by the Company to any other Person (other than sales commissions paid to employees according to the Company's standard commissions plan, if any) upon or for the use of any Company IP.

(f) Standard Form IP Agreements. The Company has delivered to Parent a complete and accurate copy of each standard form of Company IP Contract used by the Company at any time since its date of formation, including each standard form of: (i) end user license agreement; (ii) development agreement; employee agreement containing any assignment or license of Intellectual Property or Intellectual Property Rights or any confidentiality provision; (iv) consulting or independent contractor agreement containing any assignment or license of Intellectual Property or Intellectual Property Rights or any confidentiality provision; or (v) confidentiality or nondisclosure agreement. Section 2.14(f) of the Disclosure Schedule accurately identifies each Company IP Contract that deviates in any material respect from the corresponding standard form agreement delivered to Parent, including any agreement with a Company Employee in which the Company Employee expressly reserved or retained any Intellectual Property Rights related to the Company's business, research or development.

(g) Ownership Free and Clear. The Company solely owns and has good, valid and marketable title to the Company IP (other than jointly owned Registered IP, jointly owned Intellectual Property Rights, and Intellectual Property Rights exclusively licensed to the Company, in each case as identified in Section 2.14(c) of the Disclosure Schedule) free and clear of any Liens (except as identified in Section 2.14(g) of the Disclosure Schedule) and has a valid right to use, assign and transfer all such Company IP. Without limiting the generality of the foregoing:

(i) all documents and instruments necessary to establish, perfect and maintain the rights of the Company in the Company IP have been validly executed, delivered and filed in a timely manner with the appropriate Governmental Body;

(ii) each Company Employee who is or was involved in the creation or development of any Company IP has signed a valid and enforceable agreement containing an irrevocable assignment of Intellectual Property Rights pertaining to such Company IP to the Company and confidentiality provisions protecting the Company IP and no Company Employee (A) is bound by or otherwise subject to any Contract restricting him/her from performing his/her duties for the Company; or (B) is in breach of any Contract with any former employer or other Person concerning Intellectual Property Rights or confidentiality due to his/her activities as a Company Employee;

(iii) no Company Employee has any claim, right (whether or not currently exercisable) or interest to or in any Company IP;

(iv) (A) except as described in Section 2.14(g)(iv) of the Disclosure Schedule, no funding, Facilities, or personnel of any Governmental Body or any public or private university, college, or other educational or research institution were used, directly or indirectly, to develop or create, in whole or in part, any Company IP; (B) no Company Employee who was involved in, or who contributed to, the creation or development of any of the Company IP, has performed services for or was an employee of, with an obligation to assign his/her intellectual property rights to, a government or Governmental Body, university, college, or other educational institution or governmental or educational institution research center during a period of time during which such Company Employee was employed by the Company or during the time such Company Employee invented, created or developed any of the Company IP; (C) the Company has not entered into any Contract with any Governmental Body as a prime contractor or subcontractor; and

(v) the Company has taken all commercially reasonable steps to maintain the confidentiality of and otherwise protect and enforce its rights in all Company proprietary information.

(h) Sufficient Intellectual Property Rights. The Company owns or otherwise has, and immediately following the Closing the Surviving Corporation will continue to have, all Intellectual Property Rights needed to conduct the business of the Company as currently conducted and currently planned by the Company to be conducted.

(i) Valid and Enforceable. All Company IP is valid, subsisting and, to the fullest extent provided by law, enforceable. Without limiting the generality of the foregoing:

(i) no trademark or trade name owned, used or applied for by the Company conflicts or interferes with any trademark or trade name owned, used or applied for by any other Person, and the Company has taken reasonable steps to police the use of its trademarks;

(ii) no event or circumstance (including a failure to exercise adequate quality controls and an assignment in gross without the accompanying goodwill) has occurred or exists that has resulted in, or would reasonably be expected to result in, the abandonment of any trademark registered on behalf of, used as a trademark for any product or service of the Company or applied for by the Company;

(iii) each item of Company IP that is Registered IP is and at all times has been in compliance with all Legal Requirements and all filings, payments, and other actions required to be made or taken to maintain such item of Company IP in full force and effect have been made by the applicable deadline;

(iv) except as set forth in Section 2.14(i)(iv) of the Disclosure Schedule, no application for a patent or a copyright, mask work, or trademark registration or any other type of Registered IP filed by or on behalf of the Company has been abandoned, allowed to lapse, or rejected (with all right of appeal exhausted);

(v) the Company is not delinquent in paying any maintenance fees, annuities or other fees, nor is it delinquent in executing and filing any documents, required to prosecute, issue and maintain each item of Company IP that is Registered IP in force in each country where it is pending, issued or granted. Section2.14(i)(v) of the Disclosure Schedule accurately identifies and describes each action, filing, and payment that must be taken or made on or before December 31, 2014 with respect to the prosecution, issuance or maintenance of all items of Company IP that is Registered IP in order to maintain such items of Company IP in full force and effect; and

(vi) no interference, opposition, reissue, reexamination of any Company IP that is Registered IP, or any other Legal Proceeding involving any Company IP is or has been pending or, to the Knowledge of the Company, threatened, in which the scope, validity or enforceability of any such Company IP is being, has been, or would reasonably be expected to be contested or challenged. To the Knowledge of the Company, there is no reasonable basis for a claim that any Company IP is invalid or unenforceable.

(j) No Third Party Infringement of Company IP. To the Knowledge of the Company, (A) no Person has infringed, misappropriated or otherwise violated, and (B) no Person is currently infringing, misappropriating or otherwise violating, any Company IP. Section 2.14(j) of the Disclosure Schedule accurately identifies (and the Company has delivered to Parent a complete and accurate copy of) each letter or other written or electronic communication or correspondence that has been sent by or to the Company or any representative of the Company regarding any actual, alleged or suspected infringement or misappropriation of any Company IP, and provides a brief description of the current status of the matter referred to in such letter, communication or correspondence.

(k) Effects of This Transaction. Neither the execution, delivery or performance of this Agreement or any other agreements referred to in this Agreement nor the consummation of any of the transactions contemplated by this Agreement or any such other agreement will, with or without notice or lapse of time, result in, or give any other Person the right or option to cause or declare: (i) a loss of, or Lien on, any Company IP; (ii) a breach of or default under any Contract pertaining to Company IP or loss of or diminution of any Intellectual Property Right exclusively licensed, assigned, granted or conveyed to the Company; (iii) the release, disclosure or delivery of any Company IP by or to any escrow agent or other Person; or (iv) the grant, assignment or transfer to any other Person of any license or other right or interest under, to or in any of the Company IP.

(l) No Infringement of Third Party IP Rights. The Company has not ever infringed (directly, contributorily, by inducement or otherwise), misappropriated or otherwise violated or made unlawful use of any Intellectual Property Right of any other Person. To the Company's Knowledge, no Company Product infringes, violates or makes unlawful use of any Intellectual Property Right of, or contains any other Intellectual Property misappropriated from, any other Person. Without limiting the generality of the foregoing:

(i) no claim for infringement or misappropriation of another Person's Intellectual Property Rights, or similar claim or Legal Proceeding, is pending or, to the Knowledge of the Company, threatened against the Company or against any other Person who is or may be entitled to be indemnified, defended, held harmless or reimbursed by the Company with respect to such claim or Legal Proceeding;

(ii) the Company has never received any notice or other communication (in writing or otherwise) relating to any actual, alleged or suspected infringement, misappropriation or violation by the Company, any Company Employee or agents of the Company of any Intellectual Property Rights of another Person, including any letter or other communication suggesting or offering that the Company obtain a license to any Intellectual Property Right of another Person;

(iii) the Company is not bound by any Contract to indemnify, defend, hold harmless or reimburse any other Person with respect to, or otherwise assumed or agreed to discharge or otherwise take responsibility for, any existing or potential infringement, misappropriation or similar claim regarding Intellectual Property Rights of Company or another Person (other than indemnification provisions in the Company's standard forms of Company IP Contracts); and

(iv) (A) no current or former employee, director, officer, consultant or other agent of the Company owns any interest in any Intellectual Property Rights that relate to the Company Business as currently conducted and as planned to be conducted, and (B) no Company Product infringes any Intellectual Property Rights owned by any current or former employee, director, officer, consultant or other agent of the Company or in which such Person has any ownership interest.

(m) No Harmful Code. None of the software (including firmware and other software embedded in hardware devices) owned, developed (or currently being developed), used, marketed, distributed, licensed or sold by the Company (excluding any third party software that is generally available on standard commercial terms and is licensed to the Company solely for internal use on a non-exclusive basis) (collectively, the "Company Software") contains any "back door," "drop dead device," "time bomb," "Trojan horse," "virus," or "worm" (as such terms are commonly understood in the software industry) or any other code designed or intended to have, or capable of performing, any of the following functions: (i) disrupting, disabling, harming or otherwise impeding in any manner the operation of, or providing unauthorized access to, a computer system or network or other device on which such code is stored or installed; or (ii) damaging or destroying any data or file without the user's consent.

(n) Source Code. No source code for any Company Software has been delivered, licensed or made available to any escrow agent or other Person who is not, as of the date of this Agreement, an employee of the Company. The Company has no duty or obligation (whether present, contingent or otherwise) to deliver, license or make available the source code for any Company Software to any escrow agent or other Person. No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or would reasonably be expected to, result in the delivery, license or disclosure of the source code for any Company Software to any other Person.

(o) Use of Open Source Code. Section 2.14(o) of the Disclosure Schedule accurately identifies and describes: (i) each item of Open Source Code that is contained in, distributed with or used in the development of the Company Software or from which any part of any Company Software is derived; (ii) the applicable license terms for each such item of Open Source Code; and (iii) the Company Software to which each such item of Open Source Code relates. Company is in compliance with all Contracts pursuant to which Open Source Code is licensed to Company. No Company Software contains, is derived from, is distributed with or is being or was developed using Open Source Code that is licensed by the Company under any terms that: (1) impose or could impose a requirement or condition that any Company Software or part thereof: (A) be disclosed or distributed in source code form; (B) be licensed for the purpose of making modifications or derivative works; or (C) be redistributable at no charge; or (2) otherwise impose or could impose any other material limitation, restriction, or condition on the right or ability of the Company to use or distribute any Company Software.

(p) Confidentiality. The Company has taken all reasonable and appropriate steps to protect and preserve the confidentiality of all Intellectual Property of the Company or in the Company's possession that is intended to remain confidential and that is not otherwise protected by patents, patent applications or copyright ("Confidential Information"). The Company has a policy requiring each of the Company Employees to execute proprietary information and confidentiality agreements substantially in the Company's standard form attached hereto as Exhibit G that have been provided to Parent and all Company Employees have executed such an agreement. Except for such use that would not reasonably be expected to have a Material Adverse Effect, all use, disclosure or appropriation of Confidential Information owned by the Company by or to a third party has been pursuant to the terms of a written agreement between the Company and such third party. Except for such use that would not reasonably be expected to have a Material Adverse Effect, all use, disclosure or appropriation of Confidential Information not owned by the Company has been pursuant to the terms of a written agreement between the Company and the owner of such Confidential Information, or is otherwise lawful.

(q) Personal Data. Section 2.14(q) of the Disclosure Schedule identifies and describes each distinct electronic or other database containing (in whole or in part) Personal Data maintained by or for the Company at any time (the "Company Databases"), the types of Personal Data in each such database, and the security policies that have been adopted and maintained with respect to each such Company Database. To the Company's Knowledge, there has been no unauthorized or illegal use of or access to any of the data or information in any of the Company Databases.

(r) Products Subject to Evaluation. Section 2.14(r) of the Disclosure Schedule identifies each Person that, as of the date of this Agreement, is in possession of any Company Product for evaluation or similar purposes, together with the Company Product that is being so evaluated.

2.15 Contracts.

(a) List of Contracts. Section 2.15(a) of the Disclosure Schedule accurately identifies each of the following that is in effect, under which the Company has any Liabilities or rights or by which the Company is bound as of the date hereof:

(i) (A) each Company Contract relating to the employment of, or the performance of services by, any current Company Employee, excluding employment offer letters providing for at-will employment of individuals below the rank of vice president, the Company's employee handbook and other generally applicable employee policies, Company Employee Plans, employee proprietary information and inventions agreements and agreements pursuant to the Stock Plans; (B) any Company Contract pursuant to which the Company is or may become obligated to make any severance, termination, settlement or similar payment to any Company Employee; and (C) any Company Contract pursuant to which the Company is or may become obligated to make any bonus or similar payment (other than payment in respect of salary not to exceed $20,000 in the aggregate) to any Company Employee;

(ii) each Company Contract which provides for indemnification of any officer, director, employee or agent;

(iii) each Company Contract relating to the voting and any other rights or obligations of a stockholder of the Company;

(iv) each Company Contract relating to the merger, consolidation, reorganization or any similar transaction with respect to the Company;

(v) each Company Contract relating to the acquisition, ownership, transfer, development or sharing of any technology, Intellectual Property or Intellectual Property Right (including any joint development agreement, technical collaboration agreement or similar agreement entered into by the Company, but excluding assignments of the Company's patents filed with the United States Patent and Trademark Office, proprietary information and confidentiality agreements with the Company's current and former employees and consultants and any Company Contracts relating to third party software that is generally available on standard

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commercial terms and is licensed to the Company solely for internal use on a non-exclusive basis);

(vi) each Company Contract relating to the license of any patent, copyright, trade secret or other Intellectual Property or Intellectual Property Right to or from the Company (excluding any Company Contract in which the Company grants a license to a customer to use the Company's products in the ordinary course of business and any Company Contracts relating to third party software that is generally available on standard commercial terms and is licensed to the Company solely for internal use on a non-exclusive basis);

(vii) each Company Contract (other than routine purchase orders and pricing quotes in the ordinary course of business covering a period of less than one year) for the purchase of inventory, spare parts, other materials or personal property with any supplier or for the furnishing of services to the Company under the terms of which the Company: (A) paid or otherwise gave consideration of more than $50,000 in the aggregate during the most recently completed fiscal year; (B) is likely to pay or otherwise give consideration of more than $50,000 in the aggregate during the most recently completed fiscal year; (C) is likely to pay or otherwise give consideration of more than $50,000 in the aggregate over the remaining term of such Company Contract; or (D) cannot be canceled by the Company without penalty or further payment of less than $25,000;

(viii) each Company Contract with a customer that: (A) involved consideration of more than $50,000 in the aggregate during the most recently completed fiscal year; (B) involved or is likely to involve consideration of more than $50,000 in the aggregate during the most recently completed fiscal year or current fiscal year; (C) is likely to involve consideration of more than $50,000 in the aggregate over the remaining term of the contract; or (D) cannot be canceled by the Company without penalty or further payment of less than $25,000;

(ix) each Company Contract pursuant to which the Company has agreed to supply Company Products to a customer at specified prices, whether directly or through a specific distributor, manufacturer's representative or dealer that: (A) involved consideration of more than $50,000 in the aggregate during the most recently completed fiscal year; (B) is likely to involve consideration of more than $50,000 in the aggregate during the current fiscal year; (C) is likely to involve consideration of more than $50,000 in the aggregate over the remaining term of the contract; or (D) cannot be canceled by the Company without penalty or further payment of less than $50,000;

(x) each Company Contract that requires or obligates the Company in the current fiscal year or in the future to purchase specified minimum amounts of any product or to perform or conduct research, clinical trials or development for any Person other than the Company;

(xi) each Company Contract relating to the acquisition, sale, spin-off or outsourcing of any Subsidiary or business unit or operation of the Company;

(xii) each Company Contract creating or relating to any partnership or joint venture or any sharing of revenues, profits, losses, costs or liabilities;

(xiii) each Company Contract imposing any restriction on the Company: (A) to compete with any other Person; (B) to acquire any product or other asset or any services from any other Person, to sell any product or other asset to or perform any services for any other Person or to transact business or deal in any other manner with any other Person; (C) to develop or distribute any technology; or (D) otherwise on the conduct of its business as currently conducted or as proposed to be conducted;

(xiv) each Company Contract: (A) granting or obligating the Company to grant exclusive rights for the research, clinical trial, development, distribution, sale, supply, license, marketing, co- promotion or manufacturing of any Company Product, patent or other Intellectual Property Right of the Company; or (B) otherwise contemplating an exclusive relationship between the Company and any other Person;

(xv) each Company Contract creating or involving any: (A) distributor, manufacturer's representative, broker, franchise, agency or dealer relationship (specifying on a matrix, in the case of

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distributor agreements, the name of the distributor, product, territory, termination date and exclusivity provisions); or (B) sales promotion, market research, marketing and advertising services;

(xvi) each Company Contract regarding the acquisition, issuance or transfer of any securities and each Company Contract affecting or dealing with any securities of the Company including any restricted share agreements or escrow agreements;

(xvii) each Company Contract involving any loan, guaranty, pledge, performance or completion bond or indemnity or surety arrangement;

(xviii) each Company Contract relating to the purchase or sale of any asset by or to, or the performance of any services by or for, any Related Party;

(xix) each Company Contract relating to any liquidation or dissolution of the Company;

(xx) any other Company Contract that contemplates or involves: (A) the payment or delivery of cash or other consideration by the Company in an amount or having a value in excess of $50,000; or (B) the performance of services having a value in excess of $50,000; and

(xxi) any other Company Contract that: (A) was entered into outside the ordinary course of business or was inconsistent with the past practices of the Company and involves payments in excess of $50,000; (B) that is material to the Company or the conduct of its business; (C) the absence of which would reasonably be expected to have a Material Adverse Effect; or (D) that is reasonably believed by the Company to be of unique value even if not material to the business of the Company.

(Contracts in the respective categories described in clauses "(i)" through "(xxi)" above and all Contracts identified, or required to be identified, in Section 2.15(a) of the Disclosure Schedule are referred to in this Agreement as "Material Contracts.")

(b) Delivery of Contracts. The Company has delivered to Parent accurate and complete copies of all written Material Contracts identified in Section 2.15(a) of the Disclosure Schedule, including all amendments thereto. Section 2.15(b) of the Disclosure Schedule provides an accurate and complete description of the material terms of each Material Contract that is not in written form. Each Material Contract identified in Section 2.15(a) of the Disclosure Schedule is valid and in full force and effect, and is enforceable by the Company in accordance with its terms, subject to: (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

(c) No Breach. (i) The Company has not violated or breached in any material respect, or committed any default under in any material respect, any Material Contract, which remains uncured, and, to the Knowledge of the Company, no other Person has violated or breached in any material respect, or committed any default under in any material respect, any Material Contract which remains uncured; (ii) to the Knowledge of the Company, no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or could reasonably be expected to: (A) result in a material violation or breach of any of the provisions of any Material Contract; (B) give any Person the right to declare a default or exercise any remedy under any Material Contract; (C) give any Person the right to accelerate the maturity or performance of any Material Contract; or (D) give any Person the right to cancel, terminate or modify any Material Contract; (iii) since January 1, 2011, the Company has not received any notice or other communication regarding any actual or possible violation or breach of, or default under, any Material Contract; and (iv) the Company has not waived any of its respective material rights under any Material Contract.

(d) No Renegotiation. No Person has a contractual right pursuant to the terms of any Material Contract to renegotiate any amount paid or payable to the Company under any Material Contract or any other material term or provision of any Material Contract.

(e) Proposed Contracts. Section 2.15(e) of the Disclosure Schedule identifies and provides a

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brief description of each proposed Contract of the Company as to which any offer, award, written proposal, term sheet or similar document, in each case that would contain binding obligations of the Company if accepted by the recipient and if so accepted would be a Material Contract, has been submitted by the Company.

(f) Oral Commitments. Section 2.15(f) of the Disclosure Schedule contains a complete list of all material oral commitments undertaken by the Company or its management with Company Employees, suppliers or customers or with owners or creators of any Company Product manufactured, sold or licensed by the Company, including a complete description of all material terms of such oral arrangement and the name of the Person with whom it was made.

2.16 Compliance with Legal Requirements; Testing Products.

(a) General. The Company is, and has at all times been, in compliance in all material respects with each Legal Requirement that is applicable to the Company, the Company Products, or to the conduct of the Company's business or the ownership of its assets. No event has occurred, and no condition or circumstance exists, that will (with or without notice or lapse of time) constitute or result in a violation by the Company of, or a failure on the part of the Company to comply with, any Legal Requirement. Since January 1, 2011, the Company has not received any written notice or other written communication from any Person regarding any actual or possible violation of, or failure to comply with, any Legal Requirement.

(b) Testing Products. Without limiting the generality of Section 2.16(a):

(i) Each product and product candidate that is subject to the Food and Drug Regulations or similar Legal Requirements in any domestic or foreign jurisdiction that is or has been developed, manufactured, tested, distributed and/or marketed by or on behalf of the Company (each such product or product candidate, a "Testing Product") is set forth in Section 2.16(b) of the Disclosure Schedule, together with the jurisdictions or countries in which such Testing Product is marketed, if any.

(ii) Each Testing Product that is being and has been developed, manufactured, tested, distributed and/or marketed, as applicable, is in compliance with all applicable requirements under the Food and Drug Regulations and corresponding state, local and foreign Legal Requirements. The Company has received all 510(k) clearances and foreign marketing approvals for each Testing Product that is or has been marketed by or on behalf of the Company, where required. None of the Company Products has been, is required to be or is in the process of being registered, approved or cleared under the Food and Drug Regulations or similar regulatory body in the United States or outside the United States (whether voluntarily or otherwise). The Company has not received any notice or other communication from the FDA or any other Governmental Body: (A) contesting the premarket clearance of, the uses of or the labeling and promotion of any Company Product; or (B) otherwise alleging any violation by the Company of any Legal Requirement with respect to any Testing Product.

(iii) No Testing Product is under consideration for or has been recalled, withdrawn, suspended or discontinued at the request of the FDA or similar Governmental Body in the United States or outside the United States. The Company has conducted no voluntary recalls of any Testing Product, or conducted or provided any field notifications, field corrections, market withdrawal or replacement, safety alert, warning, "dear doctor" letter, investigator notice, safety alert or other notice relating to an alleged lack of safety, efficacy or regulatory compliance of any Testing Product and no such recall or action is pending. No Legal Proceeding in the United States or outside of the United States seeking the recall, withdrawal, suspension, seizure or discontinuance of any Testing Product are pending against the Company, nor has any such Legal Proceeding been pending at any prior time.

(iv) As to each Testing Product for which a premarket approval application, premarket notification, investigational device exemption or similar state or foreign regulatory application has been cleared or approved, the Company is in material compliance with all applicable Legal Requirements, including, to the extent that it applies, 21 U.S.C. §§ 360 and 360e and 21 C.F.R. Parts 812 or 814, respectively, and all terms and conditions of such applications. As to each such Testing Product, the Company, and the Company's officers, directors, employees, and consultants have included in the application for such Testing Product, where required, the

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certification described in 21 U.S.C. § 335a(k)(1) or any similar Legal Requirement and the list described in 21 U.S.C. § 335a(k)(2) or any similar Legal Requirement, and each such certification and list was true, complete and correct when made. In addition, the Company is in substantial compliance with all

applicable registration and listing requirements set forth in 21 U.S.C. § 360 and 21 C.F.R. Part 807 and all similar Legal Requirements.

(v) All preclinical animal testing and clinical trials of the Company Products that have been or are being conducted by or on behalf of the Company have been conducted in accordance with the applicable experimental protocols, procedures and controls, as well as all applicable Legal Requirements, including good clinical practices and good laboratory practices, as applicable.

(vi) The Testing Products are being, and have at all times been, designed, developed and manufactured in accordance with all applicable Legal Requirements, including without limitation the Quality System Regulation to the extent that they apply to a product under development. No article of any Testing Product is (A) adulterated within the meaning of 21 U.S.C. § 351 (or similar Legal Requirements), (B) misbranded within the meaning of 21 U.S.C. § 352 (or similar Legal Requirements) or (C) a product that is in violation of 21 U.S.C. §§ 360 or 360e (or similar Legal Requirements).

(vii) Neither the Company, nor any officer, consultant, or, to the Knowledge of the Company, agent or distributor of the Company, has made an untrue statement of a material fact or fraudulent statement to the FDA or any other Governmental Body, failed to disclose a material fact required to be disclosed to the FDA or any other Governmental Body, or committed an act, made a statement, or failed to make a statement that, at the time such disclosure was made, would reasonably be expected to provide a basis for the FDA or any other Governmental Body to invoke its policy respecting "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities", set forth in 56 Fed. Reg. 46191 (September 10, 1991) or any similar policy. Neither the Company, nor any officer or consultant of the Company or, to the Knowledge of the Company, other agent of the Company, has been convicted of any crime or engaged in any conduct for which debarment is mandated by 21 U.S.C. § 335a(a) or any similar Legal Requirement or authorized by 21 U.S.C. § 335a(b) or any similar Legal Requirement. Neither the Company, nor any officer or consultant of the Company or, to the Knowledge of the Company, other agent of the Company, has been convicted of any crime or engaged in any conduct for which such Person could be excluded from participating in the Federal health care programs under Section 1128 of the Social Security Act of 1935, as amended (the "Social Security Act"), or any similar Legal Requirement.

(viii) The Company has not received any notice or other written communication that the FDA or any other Governmental Body has: (A) commenced, or threatened to initiate, any action to withdraw its approval or request the recall of any Testing Product; (B) commenced, or threatened to initiate, any action to enjoin production of any Testing Product; (C) commenced, or threatened to initiate, any action to enjoin the production of any Testing Product produced at any facility where any Testing Product is manufactured, tested or packaged or (D) notified the Company that any of its Testing Products fail to qualify as Laboratory Developed Tests ("LDTs") or require clearance or approval under FDA requirements. The Company has not received a warning letter, untitled letter, FDA Form 483 Notice of Observation or Section 305 notice from the FDA or any similar notice from any similar Governmental Body.

(ix) The Company, its officers, directors, employees and agents are, and at all times have been in material compliance with, and, to the Company's Knowledge, there are no facts, circumstances or conditions that would reasonably be expected to form the basis for any Legal Proceeding against the Company or any of its officers, directors, employees and agents relating to or arising under: (A) the Food and Drug Regulations or similar Legal Requirements; (B) the Social Security Act or regulations of the Office of Inspector General of the Department of Health and Human Services or similar Legal Requirements; or (C) applicable Legal Requirements relating to government health care programs, private health care plans, or the privacy and confidentiality of patient health information, including United States federal and state Legal Requirements pertaining to the Medicare and Medicaid programs, United States federal and state Legal Requirements applicable to health care fraud and abuse, kickbacks, physician self-referral, false claims made to a government or private health care program, and United States federal or state Legal Requirements pertaining to contracting with the government and similar Legal Requirements. The Company has adopted a compliance program with respect to interactions with healthcare professionals, and is in compliance with such program.

(x) Since the formation of the Company, neither the Company nor any officer, director or employee of the Company has received or otherwise been made aware of any written notices, citations or decisions by any Governmental Body that any of the Company's Testing Products are defective or fail to meet any applicable Legal Requirements or standards promulgated by any such Governmental Body. The Company has obtained, in all countries where it is marketing or has marketed any Testing Products, all applicable licenses, registrations, approvals, clearances and authorizations required by local, state or federal Governmental Bodies in such countries regulating the safety, effectiveness and market clearance of the Company's products currently or previously marketed by the Company in such countries. The Company has identified and provided to Parent all information relating to regulation of the Company's products, including licenses, registrations, approvals, permits, device listing, inspections, product recalls and product actions, audits and its ongoing field tests and clinical studies.

(c) Compliance.

(i) Company Testing Products were researched, developed, designed, and validated solely by Company in compliance with all applicable Laws, including, where applicable, the FDCA, CLIA, Privacy Laws and state Legal Requirements, and have been and continue to be performed, marketed, and conducted in compliance with all applicable Legal Requirements, including the FDCA, the Federal Trade Commission Act (FTC Act), CLIA, Privacy Laws and state laws.

(ii) Company LDTs have been and are being researched in compliance with all applicable Legal Requirements. To the extent required by applicable Legal Requirements, the Company has obtained all necessary authorizations, including an Investigational Device Exemption (IDE) consistent with 21 CFR Part 812, for the conduct of any clinical investigations conducted by or on behalf of the Company.

(iii) The Company has not received any written communication from any Person (including any Governmental Body) of any material noncompliance with any Laws or any written communication from any Governmental Body or accrediting organization of any material issues, problems, or concerns regarding the quality or performance of the Company Testing Products.

(iv) The Company has all licenses, permits, approvals, clearances, registrations, and other authorizations of all Governmental Bodies, including all applicable authorizations under the FDCA, CLIA, and state laws, necessary for the operation and leasing of its properties or other assets and to carry on its business (the "Company Permits"), and all such Company Permits are valid, and in full force and effect. The Company is in compliance with all terms and conditions of such Company Permits. The Company has not received any written notice that any Company Permits have been or are being revoked, withdrawn, suspended or challenged.

(d) Regulatory Documentation. The Company has made available to Buyer all applications, registrations, licenses, authorizations and approvals, and correspondence submitted to or received from FDA, CMS, or other Governmental Entity (including minutes and official contact reports relating to any material communications with any Governmental Entity) and all supporting documents ("Regulatory Documentation") in the Company's

possession or control. All Regulatory Documentation submitted to the FDA or any other Governmental Entity were true, complete and correct as of the applicable date of submission.

(e) Product Liability. No product liability claims, malpractice claims, professional negligence claims or other claims asserting a breach of a duty have been received by the Company and to the Company's Knowledge, no such claims have been threatened against the Company relating to any of the Company LDTs formerly or currently being developed, tested or manufactured by or on behalf of the Company or Collection Devices used by the Company. There is no order outstanding against the Company relating to such claims.

(f) CLIA. The Company is in compliance with the applicable requirements of CLIA and other similar laws and requirements. No suspension, revocation, termination, sanction, corrective action or limitation of any currently existing CLIA certification or accreditation of the Company is pending or, to the Company's Knowledge, threatened.

2.17 Governmental Authorizations; No Subsidies.

(a) Governmental Authorizations. Section 2.17(a) of the Disclosure Schedule identifies each Governmental Authorization held by the Company, and the Company has delivered to Parent accurate and complete copies of all Governmental Authorizations identified in Section 2.17(a) of the Disclosure Schedule. The Governmental Authorizations identified in Section 2.17(a) of the Disclosure Schedule are valid and in full force and effect, and collectively constitute all Governmental Authorizations necessary to enable the Company to conduct its business in the manner in which its business is currently being conducted. The Company is, and has at all times been, in compliance with the terms and requirements of the respective Governmental Authorizations identified in Section 2.17(a) of the Disclosure Schedule. Since inception, the Company has not received any notice or other communication from any Governmental Body regarding: (i) any actual or possible violation of or failure to comply with any term or requirement of any Governmental Authorization; or (ii) any actual or possible revocation, withdrawal, suspension, cancellation, termination or modification of any Governmental Authorization. The consummation of the Merger, in and of itself, would not cause the revocation or cancellation of any material Governmental Authorization.

(b) No Subsidies. Except as set forth in Section 2.17(b) of the Disclosure Schedule, the Company does not possess (and has never possessed) or have any rights or interests with respect to (or has ever had any rights or interests with respect to) any grants, incentives or subsidies from any Governmental Body.

2.18 Tax Matters.

(a) Tax Returns and Payments. Except as set forth in Section 2.18(a) of the Disclosure Schedule, all Tax Returns required to be filed by or on behalf of the Company (the "Company Returns") have been timely and properly filed and are true, accurate and complete. All Taxes of the Company that are due and payable have been timely and properly paid, other than any Taxes for which adequate reserves in accordance with GAAP are reflected in the Interim Balance Sheet. The Company has delivered to Parent accurate and complete copies of all Tax Returns filed by the Company since January 1, 2009, other than immaterial information Tax Returns (e.g., Forms W-2 and 1099). Section 2.18(a) of the Disclosure Schedule lists each jurisdiction in which the Company is required to file a Tax Return. No claim has ever been made by an authority in a jurisdiction where the Company does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no jurisdictions in which the Company is required to file a Tax Return other than the jurisdictions in which the Company has filed Tax Returns. The amount of the Company's liabilities for unpaid Taxes for all periods through the Interim Balance Sheet Date do not, in the aggregate, exceed the amount of the liability accruals for Taxes reflected on the Interim Balance Sheet. No liability for Taxes of the Company has been incurred or material amount of taxable income has been realized (or prior to and including the Closing will be incurred or realized) since such date other than in the ordinary course of business or pursuant to transactions contemplated by this Agreement.

(b) Audits; Claims. Since inception, no Company Tax Return has ever been examined or audited by any Governmental Body. Since January 1, 2009, the Company has not received from any Governmental Body any: (i) notice indicating an intent to open an audit or other review; (ii) request for information related to Tax matters; or (iii) notice of deficiency or proposed Tax adjustment. No currently outstanding extension or waiver of the limitation period applicable to any Tax Returns has been granted by or requested from the Company. No claim or Legal Proceeding is pending or threatened against the Company in respect of any Tax. There are no liens for Taxes upon any of the assets of the Company except liens for current Taxes not yet due and payable (and for which there are adequate accruals, in accordance with GAAP).

(c) Parachute Payments. The Company is not a party to any Contract that has resulted or will result or would reasonably be expected to result, separately or in the aggregate, in the payment of any "parachute payment" within the meaning of Section 280G of the Code (or any corresponding provisions of state, local or foreign Tax law), other than any payment for which stockholder approval satisfying the requirements of Code Section 280G(b)(5) and the Treasury Regulations thereunder will be obtained prior to the Closing. There is no Contract by which the Company is bound to compensate any Company Employee for excise taxes paid pursuant to Section 4999 of the Code. Section 2.18(c) of the Disclosure Schedule lists all Persons who the Company reasonably believes are, with respect to the Company, a "disqualified individual" (within the meaning of Section 280G of the Code and the regulations promulgated thereunder) as determined as of the date hereof.

(d) Closing Agreements; Etc. The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion there) ending after the Closing Date as a result of any change in method of accounting, closing agreement, intercompany transaction, installment sale or prepaid amount received for a taxable period ending on or prior to the Closing Date. The Company is not a party to or bound by any Tax allocation or sharing agreement. The Company has (i) never been a member of affiliated group (within the meaning of Code Section 1504(a)) filing a consolidated federal income Tax Return (other than a group the common parent of which was Company); or (ii) no Liability for the Taxes of any Person (other than the Company).

(e) Distributed Stock. The Company has not distributed stock of another Person, nor has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Section 355 or Section 361 of the Code.

(f) Sections 481 and 263A. The Company is not currently, and for any period for which a Tax Return has not been filed will not be, required to include any adjustment in Taxable income for any Tax period (or portion thereof) pursuant to Section 481 or Section 263A of the Code (or any comparable provision under state, local or foreign Tax laws) as a result of transactions, events or accounting methods employed prior to the Merger.

Section 6662. The Company has disclosed on its Tax Returns any Tax reporting position taken in any Tax Return which could result in the imposition of penalties under Section 6662 of the Code (or any comparable provisions of state, local or foreign law).

(g) No Tax Shelter. The Company has not consummated or participated in, and is not currently participating in any transaction which was or is a "tax shelter" transaction as defined in Sections 6662 or 6111 of the Code or the Treasury Regulations promulgated thereunder. The Company has not participated in, and is not currently participating in, a "Listed Transaction" or a "Reportable Transaction" within the meaning of Section 6707A(c) of the Code or Treasury Regulation Section 1.6011-4(b), or any transaction requiring disclosure under a corresponding or similar provision of state, local, or foreign law.

(h) Section 1.1502-6. The Company has no Liability for the Taxes of any Person (other than the Company) under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or foreign law) as a transferee or successor, by Contract or otherwise.

(i) Section 1503. The Company has not incurred a dual consolidated loss within the meaning of Section 1503 of the Code.

(j) Foreign Taxes. The Company has not paid, and has not been required to pay, any Taxes to any foreign taxing authorities.

(k) Tax Holidays. There are no Tax exemptions, Tax holidays or other Tax reduction agreements, arrangements or incentives applicable to the Company.

(l) Real Property Holding Company. The Company is not, nor has it ever been a "United States real property holding corporation" within the meaning of Section 897 of the Code, and the Company has filed with the Internal Revenue Service all statements, if any, which are required under Section 1.897-2(h) of the Treasury Regulations.

(m) Withholding. The Company has complied with all applicable Legal Requirements relating to the payment, reporting and withholding of Taxes (including withholding of Taxes pursuant to Sections 1441, 1442, 1445 and 1446 of the Code or similar provisions under any foreign law), has, within the time and in the manner prescribed by law, withheld from employee wages or consulting compensation and timely paid over to the proper governmental authorities (or is properly holding for such timely payment) all amounts required to be so withheld and paid over under all applicable Legal Requirements, including federal and state income Taxes, Federal Insurance Contribution Act, Medicare, Federal Unemployment Tax Act, relevant state income and employment Tax withholding laws, and has timely filed all withholding Tax Returns, for all periods.

(n) Section 83(b). To the Company's Knowledge, no Person holds shares of Company Capital Stock that are non-transferable and subject to a substantial risk of forfeiture within the meaning of Section 83 of the Code with respect to which a valid election under Section 83(b) of the Code has not been made.

2.19 Employee and Labor Matters; Benefit Plans.

(a) Employee List. Section 2.19(a) of the Disclosure Schedule contains a list of all current Company Employees as of the date of this Agreement, and correctly reflects: (i) their dates of employment; (ii) their positions; (iii) their salaries; (iv) any other compensation payable to them (including housing or automobile allowances, compensation payable pursuant to bonus, deferred compensation or commission arrangements or other compensation); (v) each Company Employee Plan in which they participate or are eligible to participate; and (vi) any promises made to them with respect to changes or additions to their compensation or benefits by any Person that could reasonably be expected to have authority with respect thereto. The Company is not, and has never been, bound by or a party to, or has a duty to bargain for, any collective bargaining agreement or other Contract with a labor organization representing any Company Employees and there are no labor organizations representing, purporting to represent or, to the Knowledge of the Company, seeking to represent any current Company Employees. The Company is not engaged, and has never been engaged, in any unfair labor practice of any nature. The Company has not had any strike, slowdown, work stoppage, lockout, job action or, to the Knowledge of the Company, threat thereof, or question concerning representation, by or with respect to any of the Company Employees. No event has occurred, and no condition or circumstance exists, that would be reasonably likely to give rise to or provide a basis for the commencement of any such strike, slowdown, work stoppage, lockout, job action, labor dispute or union organizing activity or any similar activity or dispute. Within the past year, the Company has not incurred any liability or obligation under the Worker Adjustment and Retraining Notification Act ("WARN") or any similar state or local law that remains unsatisfied, and no terminations prior to the Closing Date shall result in unsatisfied liability or obligation under WARN or any similar state or local law.

(b) Leave of Absence. Section 2.19(b) of the Disclosure Schedule lists each current Company Employee who is not fully available to perform work because of disability or other leave as of the date of this Agreement.

(c) At Will Employment. The employment of each of the current Company Employees is terminable by the Company at will. The Company has delivered or made available to Parent accurate and complete copies of all employee manuals and handbooks, disclosure materials, policy statements and other materials relating to the employment of the Company Employees.

(d) Employee Departures/Restrictions. To the Knowledge of the Company, as of the date of this Agreement, no current Company Employee: (i) intends to terminate his employment with the Company; (ii) has received an offer to join a business that may be competitive with the Company's business; or (iii) is a party to or is bound by any confidentiality agreement, noncompetition agreement or other Contract (with any Person) that may have an adverse effect on: (A) the performance by such employee of any of his duties or responsibilities as an employee of the Company; or (B) the Company's business or operations.

(e) Employee Plans and Agreements. Section 2.19(e) of the Disclosure Schedule contains an accurate and complete list of each Company Employee Plan and each Company Employee Agreement, excluding employment offer letters providing for at-will employment of individuals below the rank of vice president, employee proprietary information and inventions agreements and agreements pursuant to the Stock Plans. The Company does not intend, nor has it committed to establish or enter into any new Company Employee Plan or Company Employee Agreement, or to modify any Company Employee Plan or Company Employee Agreement (except to conform any such Company Employee Plan or Company Employee Agreement to the requirements of any applicable Legal Requirements, in each case as previously disclosed to Parent in writing or as required by this Agreement). Except as set forth in Section 2.19(e) of the Disclosure Schedule, the Company has no outstanding Liability under any retention agreement or similar agreement with any Company Employee.

(f) Delivery of Documents. As applicable with respect to each Company Employee Plan, the

Company has delivered or made available to Parent: (i) correct and complete copies of all documents setting forth the terms of each Company Employee Plan and each Company Employee Agreement with a current Company Employee, including all amendments thereto and all related trust documents; (ii) the most recent summary plan description together with the summaries of material modifications thereto, if any, with respect to each Company Employee Plan; (iii) all written Contracts relating to each Company Employee Plan, including administrative service agreements and group insurance contracts; (iv) the annual reports (Form 5500 series) for the last three complete plan years required under ERISA or the Code or by any other applicable law in connection with each Company Employee Plan; (v) the most recent letter of determination or opinion letter from the U.S. Internal Revenue Service relating to the tax-qualified status of the Plan; (vi) all written materials provided to any current Company Employee relating to any Company Employee Plan and any proposed Company Employee Plans (other than ordinary course correspondence with respect to Company Options), in each case, relating to any amendments, terminations, establishments, increases or decreases in benefits, acceleration of payments or vesting schedules or other events that would result in any liability to the Company; (vii) all correspondence to or from any Governmental Body relating to any Company Employee Plan other than routine correspondence or correspondence related to routine claims under a Company Employee Plan; (viii) all insurance policies in the possession of the Company pertaining to fiduciary liability insurance covering the fiduciaries for each Company Employee Plan; (ix) if a Company Employee Plan is funded, the most recent annual and periodic accounting of Company Employee Plan assets; (x) all COBRA forms and related notices; (xi) all policies pertaining to fiduciary liability insurance covering the fiduciaries for each such Company Employee Plan; and (xii) all discrimination tests for each such Company Employee Plan for the three most recent plan years.

(g) No Plans.

(i) The Company has not established or maintained: (i) any plan, program, policy, practice, Contract or other arrangement mandated by a Governmental Body other than the United States or a State of the United States; (ii) any Company Employee Plan that is subject to any of the Legal Requirements of any jurisdiction outside of the United States; or (iii) any Company Employee Plan that covers or has covered Company Employees whose services are or have been performed primarily outside of the United States.

(ii) Neither the Company nor any ERISA Affiliate has ever maintained, established, sponsored, participated in, or contributed to, any Pension Plan subject to Part 3 of Subtitle B of Title I of ERISA, Title IV of ERISA or Section 412 of the Code.

(iii) Neither the Company nor any ERISA Affiliate has ever maintained, established, sponsored, participated in or contributed to any self insured plan that provides benefits to Company Employees (including any such plan pursuant to which a stop loss policy or contract applies).

(h) Collectively Bargained, Multiemployer and Multiple Employer Plan. At no time has the Company or any ERISA Affiliate contributed to or been obligated to contribute to any multiemployer plan (as defined in Section 3(37) of ERISA). Neither the Company nor any ERISA Affiliate has at any time ever maintained, established, sponsored, participated in or contributed to any multiple employer plan or to any plan described in Section 413 of the Code.

(i) COBRA; FMLA; HIPAA. The Company and each ERISA Affiliate has, prior to the Effective Time, complied with the Family Medical Leave Act of 1993, as amended ("FMLA"), the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"), the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Women's Health and Cancer Rights Act of 1998, the Newborns' and Mothers' Health Protection Act of 1996, and any similar provisions of foreign or state law applicable to Company Employees. The Company has no unsatisfied obligations to any Company Employees or qualified beneficiaries pursuant to COBRA, HIPAA or any state law governing health care coverage or extension.

(j) Absence of Certain Retiree Liabilities. No Company Employee Plan provides, or reflects or represents any liability of the Company to provide, retiree life insurance, retiree health benefits or other retiree employee welfare benefits to any Person for any reason, except as may be required by applicable Legal Requirements. Other than commitments made that involve no future costs to the Company, the Company has never represented, promised or contracted (whether in oral or written form) to any Company Employee (either individually

or to Company Employees as a group) or any other Person that such Company Employee(s) or other Person would be provided with retiree life insurance, retiree health benefit or other retiree employee welfare benefits, except to the extent required by applicable Legal Requirements.

(k) No Defaults. The Company has performed all obligations required to be performed by it, including the timely filing of annual reports (Form 5500 series), under each Company Employee Plan and is not in default or violation of, and the Company has no Knowledge of any default or violation by any other party to, the terms of any Company Employee Plan. Each of the Company Employee Plans has been operated and administered in all material respects in accordance with applicable Legal Requirements, including ERISA and the applicable tax qualification requirements under the Code. No Company Employee Plan and no grants, awards or benefits thereunder are subject to Section 409A(a) or 409A(b) of the Code or, if subject to Section 409A(a) of the Code, have failed or will fail as determined, in accordance with Internal Revenue Service guidance issued under Section 409A of the Code, in form or operation, to meet the requirements of Section 409A(a)(2), 409A(a)(3) or 409A(a)(4) of the Code and the applicable Treasury Regulations issued under Section 409A of the Code. All contributions to, and payments from, any Company Employee Plan which may have been required to be made in accordance with the terms of such Company Employee Plan or applicable Legal Requirements have been timely made, and all contributions for any period ending on or before the Closing Date which are not yet due, but will be paid on or prior to the Closing Date, are reflected as an accrued liability on the Interim Balance Sheet. Each Company Employee Plan can be amended, terminated or otherwise discontinued after the date of this Agreement, without liability to the Company or Parent (other than ordinary administration expenses). There are no audits, inquiries or Legal Proceedings pending or, to the Knowledge of the Company, threatened by any Governmental Body, including the Internal Revenue Service and Department of Labor, with respect to any Company Employee Plan. Neither the Company nor any trade or business (whether or not incorporated) which is treated as a single employer with the Company (an "ERISA Affiliate") is subject to any liability or penalty under Sections 4976 through 4980D of the Code or Title I of ERISA with respect to any of the Company Employee Plans. With respect to each Company Employee Plan, no "reportable event" within the meaning of Section 4043 of ERISA (excluding any such event for which the 30 day notice requirement has been waived under the regulations to Section 4043 of ERISA) nor any event described in Section 4062, 4063 or 4041 of ERISA has occurred. No Company Employee Plan is covered by Title IV of ERISA, No "prohibited transaction," within the meaning of Section 4975 of the Code or Sections 406 and 407 of ERISA, and not otherwise exempt under Section 408 of ERISA, has occurred with respect to any

Company Employee Plan. No compensation paid or payable to any employee of the Company has been, or will be, non-deductible by reason of application of Section 162(m). No Company Employee Plan is a "multiemployer plan" within the meaning of Section 3(37) of ERISA.

(l) No Conflict; No Increase in Maintenance Expense. Except as set forth in Section 2.19(l) of the Disclosure Schedule, neither the execution, delivery or performance of this Agreement, nor the consummation of the Merger or any of the other transactions contemplated by this Agreement, will or may (either alone or upon the occurrence of any additional or subsequent events): (i) constitute an event under any Company Employee Plan, Company Employee Agreement, trust or loan that will or may result (either alone or in connection with any other circumstance or event) in any payment (whether of severance pay, bonus, golden parachute or otherwise), acceleration of the time of payment or vesting of any such benefits (including with respect to any Company Options), forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any Company Employee; or (ii) create or otherwise result in any Liability with respect to any Company Employee Plan. There has been no amendment to, written interpretation or announcement (whether or not written) by the Company or other ERISA Affiliate relating to, or change in participation or coverage under, any Company Employee Plan which would materially increase the expense of maintaining such Company Employee Plan above the level of expense incurred with respect to that Company Employee Plan for the most recent fiscal year included in the Company Financial Statements.

(m) Compliance. The Company: (i) is in compliance in all material respects with all applicable Legal Requirements, Contracts and orders, rulings, decrees, judgments or arbitration awards of any arbitrator or any court or other Governmental Body respecting employment, employment practices, terms and conditions of employment, wages, hours or other labor-related matters, including Legal Requirements, orders, rulings, decrees, judgments and awards relating to discrimination, wages and hours, labor relations, leave of absence requirements, occupational health and safety, privacy, harassment, retaliation, immigration, wrongful discharge or

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violation of the personal rights of Company Employees or prospective employees; (ii) has withheld and reported all amounts required by any Legal Requirement or Contract to be withheld and reported with respect to wages, salaries and other benefits or payments to any Company Employee; (iii) has no Liability for any arrears of wages or any Taxes or any penalty for failure to comply with any of the foregoing; and (iv) has no Liability for any payment to any trust or other fund governed by or maintained by or on behalf of any Governmental Body with respect to unemployment compensation benefits, social security or other benefits or obligations for any Company Employee (other than routine payments to be made in the normal course of business and consistent with past practice).

(n) Claims.

(i) There are no pending or, to the Knowledge of the Company, threatened or reasonably anticipated claims or Legal Proceedings against any of the Company Employee Plans, the assets of any of the Company Employee Plans or the Company, or the Company Employee Plan administrator or any fiduciary of the Company Employee Plans with respect to the operation of such Company Employee Plans (other than routine, uncontested benefit claims) or asserting any rights or claims to benefits under such Company Employee Plan, and there are no facts or circumstances which would be reasonably likely to form the basis for any such claims or Legal Proceedings.

(ii) There is no Legal Proceeding, claim, labor dispute or grievance pending or, to the Knowledge of the Company, threatened or reasonably anticipated relating to any employment Contract, compensation, wages and hours, leave of absence, plant closing notification, employment statute or regulation, privacy right, labor dispute, workers' compensation policy, long-term disability policy, safety, retaliation, immigration, wrongful termination or discrimination matter, charges of unfair labor practices or harassment complaints, involving any Company Employee.

(iii) Except as set forth on Section 2.19(n) of the Disclosure Schedule, all Company Employees terminated by the Company executed a general release of claims in favor of the Company.

(o) Independent Contractors; Consultants. Section 2.19(o) of the Disclosure Schedule accurately sets forth, with respect to each Person who is an independent contractor, consultant or similar non- employee third party of the Company as of the date of this Agreement:

(i) the name of such independent contractor, consultant or similar non-employee third party and the date as of which such independent contractor was originally engaged by the Company;

(ii) a general description of the services, duties and responsibilities of such independent contractor, consultant or similar non-employee third party;

(iii) the aggregate dollar amount of the compensation (including all payments or benefits of any type) received by such independent contractor, consultant or similar non-employee third party from the Company with respect to services performed in the twelve month period prior to the Interim Balance Sheet Date;

(iv) the terms of compensation of such independent contractor, consultant or similar non-employee third party; and

(v) any Governmental Authorization that is held by such independent contractor, consultant or similar non-employee third party and that relates to or is useful in connection with the business of the Company.

(p) No Misclassified Employees. No current or former independent contractor, consultant or similar non-employee third party of the Company could be deemed to be a misclassified employee. No independent contractor, consultant or similar non-employee third party is eligible to participate in any Company Employee Plan. The Company has never had any temporary or leased employees that were not treated and accounted for in all respects as employees of the Company.

(q) Severance Obligations. Except as set forth in Section 2.19(q) of the Disclosure Schedule, the Company does not have any Liability in respect of, or any obligation to pay, any severance, retention, termination, settlement or similar payment to any Company Employee or any other Person.

2.20 Environmental Matters.

(a) No material Third-Party Environmental Claim or Regulatory Action is pending or threatened against the Company.

(b) To the Company's Knowledge, no Property is listed on a List.

(c) All transfer, transportation or disposal of Hazardous Materials by the Company to properties not owned, leased or operated by the Company has been in compliance with applicable Environmental Law in all material respects. The Company has not transported or arranged for the transportation of any Hazardous Materials to any location that is: (i) listed on a List; (ii) listed for possible inclusion on any List; or (iii) the subject of any Regulatory Action or Third-Party Environmental Claim.

(d) To the Knowledge of the Company, there has not been any Release of any Hazardous Material on, under, about, from or in connection with any Property. The Company has not Released any Hazardous Material on, under, about, from or in connection with any Property.

(e) To the Knowledge of the Company, each Property at all times has been used and operated by the Company in compliance with all applicable Environmental Law.

(f) The Company has obtained all Permits relating to the Environmental Laws necessary for operation of the Company, if any, each of which is listed on Section 2.20(f) of the Disclosure Schedule. All Permits relating to the Environmental Laws necessary for the operation of the Company's business are valid and in full force and effect. The Company has filed all reports and notifications required to be filed under and pursuant to all applicable Environmental Law, if any.

(g) To the Knowledge of the Company: (i) no Hazardous Materials have been generated, treated, contained, handled, located, used, manufactured, processed, buried, incinerated, deposited or stored on, under or about any part of the Property; (ii) the Property contains no asbestos, urea, formaldehyde, radon at levels above natural background, PCBs or pesticides; and (iii) no aboveground or underground storage tanks are located on, under or about the Property, or have been located on, under or about the Property and then subsequently been removed or filled.

(h) The Company has not obtained or ordered any environmental reports and investigations with respect to the Property.

(i) No Lien has been attached or filed against the Company in favor of any Person for (i) any liability under or violation of any applicable Environmental Law; (ii) any Release of Hazardous Materials; or (iii) any imposition of Environmental Costs.

2.21 Insurance. Section 2.21 of the Disclosure Schedule identifies each insurance policy maintained by, at the expense of or for the benefit of the Company and identifies any material claims made thereunder at any time prior to the date of this Agreement. The Company has insurance policies of the type and in the amounts customarily carried by Persons conducting businesses or owning assets similar to those of the Company. The Company has delivered to Parent accurate and complete copies of the insurance policies identified on Section 2.21 of the Disclosure Schedule. Each of the insurance policies identified in Section 2.21 of the Disclosure Schedule is in full force and effect. All premiums due and payable under all such policies have been paid and the Company is otherwise in compliance with the terms of such policies. Since January 1, 2011, or the commencement of the last policy period, whichever is earlier, the Company has not received any notice or other communication regarding any actual or possible: (i) cancellation or invalidation of any insurance policy; (ii) refusal of any coverage or rejection of any claim under any insurance policy; or (iii) material adjustment in the amount of the premiums payable with

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respect to any insurance policy.

2.22 Related Party Transactions. Except as set forth in Section 2.22 of the Disclosure Schedule: (a) no Related Party has, and no Related Party has had, any interest in any material asset used in or otherwise relating to the business of the Company; (b) no Related Party is, or has been, indebted to the Company (other than for ordinary travel advances); (c) no Related Party has entered into, or has had any financial interest in, any material Contract, transaction or business dealing or involving the Company; (d) to the Knowledge of the Company, no Related Party is competing, or has at any time competed, with the Company (provided, however, that the activities of other portfolio companies of the venture capital funds and other investors in the Company with whom a director is affiliated shall be deemed not to be competition by such Related Parties for purposes of this clause (d)); and (e) no Related Party has any claim or right against the Company (other than rights under Company Options and rights to receive compensation for services performed as an employee of the Company or other rights arising in the ordinary course of employment). No officer or director of the Company or any Subsidiary of the Company is related to or affiliated with Parent or any of its Affiliates (or with any officer or director of Parent or any of its Affiliates).

2.23 Legal Proceedings; Orders.

(a) Legal Proceedings. There is no pending Legal Proceeding and no Person has threatened in writing or, to the Knowledge of the Company, orally, to commence any Legal Proceeding: (i) that involves the Company or any of the assets owned or used by the Company or any Person whose liability the Company has or may have retained or assumed, either contractually or by operation of law; (ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the Merger or any of the other transactions contemplated by this Agreement; or (iii) that relates to the ownership of any capital stock of the Company, or any option or other right to the capital stock of the Company, or right to receive consideration as a result of this Agreement. No event has occurred, and no claim, dispute or other condition or circumstance exists, that would reasonably be expected to, give rise to or serve as a basis for the commencement of any such Legal Proceeding. Since January 1, 2011, no Legal Proceeding involving claims in excess of $50,000 has been commenced by, and no Legal Proceeding involving claims in excess of $50,000 has been pending against, the Company.

(b) Orders. There is no order, writ, injunction, judgment or decree of any Governmental Body to which the Company, or any of the assets owned or used by the Company, is subject. To the Knowledge of the Company, no officer or other employee of the Company is subject to any order, writ, injunction, judgment or decree of any Governmental Body that prohibits such officer or other employee from engaging in or continuing any conduct, activity or practice relating to the Company's business.

2.24 Authority; Binding Nature of Agreement.

(a) Authority; Binding Nature. The Company has the absolute and unrestricted right, power and authority to enter into and, subject to the Required Merger Stockholder Vote, to perform its obligations under this Agreement and under each other agreement, document or instrument referred to

in or contemplated by this Agreement to which the Company is or will be a party; and the execution, delivery and performance by the Company of this Agreement and of each such other agreement, document and instrument have been duly authorized by all necessary action on the part of the Company and its board of directors. This Agreement and each other agreement, document and instrument referred to in or contemplated by this Agreement to which the Company is a party constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to: (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

(b) Board Approval. The Company's board of directors has: (i) unanimously determined that the Merger is advisable and fair and in the best interests of the Company and its stockholders; (ii) unanimously recommended the adoption of this Agreement by the holders of Company Capital Stock and directed that this Agreement and the Merger be submitted for consideration by the Company's stockholders in accordance with Section 5.2 and (iii) to the extent necessary, adopted a resolution having the effect of causing the Company not to be subject to any state takeover law or similar Legal Requirement that might otherwise apply to the Merger or any of

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the other transactions contemplated by this Agreement.

(c) No Takeover Statute. No state or foreign takeover statute or similar Legal Requirement applies or purports to apply to the Merger, this Agreement or any of the transactions contemplated hereby.

2.25 Non-Contravention; Consents. Neither: (1) the execution, delivery or performance of this Agreement or any of the other agreements, documents or instruments referred to in this Agreement; nor (2) the consummation of the Merger or any of the other transactions contemplated by this Agreement or any such other agreement, document or instrument, will (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of: (i) any of the provisions of any Charter Documents of the Company; or (ii) any resolution adopted by the stockholders, board of directors or any committee of the board of directors of the Company;

(b) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the transactions contemplated by this Agreement or to exercise any remedy or obtain any relief under, any Legal Requirement or any order, writ, injunction, judgment or decree to which the Company or any of the assets owned or used by the Company, is subject;

(c) contravene, conflict with or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by the Company or that otherwise relates to the Company's business or to any of the assets owned or used by the Company;

(d) contravene, conflict with or result in a violation or breach of, or result in a default under, any provision of any Company Contract that is or would constitute a Material Contract, or give any Person the right to: (i) declare a default or exercise any remedy under any such Company Contract; (ii) accelerate the maturity or performance of any such Company Contract; or (iii) cancel, terminate or modify any such Company Contract; or

(e) result in the imposition or creation of any Lien upon or with respect to any asset owned or used by the Company (except for Permitted Liens).

Except for the filing of the Certificate of Merger with the Secretary of State of the State of Delaware and obtaining the Required Merger Stockholder Vote, the Company is not and will not be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with: (x) the execution, delivery or performance of this Agreement or any of the other agreements referred to in this Agreement; or (y) the consummation of the Merger or any of the other transactions contemplated by this Agreement.

2.26 Vote Required. The affirmative vote of: (i) the holders of at least sixty-six and two-thirds percent (66-2/3%) of the outstanding shares of the Company's Series A Preferred Stock (voting separately as a separate class); (ii) the holders of at least a majority of the outstanding shares of the Company's Series A-1 Preferred Stock (voting separately as a separate class) and (iii) the holders of at least a majority of the outstanding shares of Company Common Stock and Company Preferred Stock (voting together as a single class on an as converted to Company Common Stock basis) are the only votes of the holders of any class or series of capital stock of the Company necessary to adopt this Agreement and approve the Merger and the other transactions contemplated by this Agreement (the votes referred to in clauses "(i)" "(ii)" and "(iii)" of this sentence being referred to collectively as the "Required Merger Stockholder Vote").

2.27 Brokers; Other Service Providers. Except as set forth in Section 2.27 of the Disclosure Schedule, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or any of the other transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company. Except as set forth in Section 2.27 of the Disclosure Schedule, no Person is or may become entitled to receive any fee or other amount from the Company for professional services performed or to be performed in connection with the Merger or any of the other transactions contemplated by this Agreement.

2.28 Certain Business. The Company has never, directly or indirectly: (a) exported, re-exported, sold or supplied any products, technology or services to a Designated Country or a Designated National; (b) imported goods or services of Designated Country origin into the United States; (c) brokered or facilitated any of the activities described in clauses "(a)" through "(c)"; or (d) otherwise conducted any business in or with a Designated Country or a Designated National or engaged in activities that would, in whole or in part, constitute a violation of U.S. export Legal Requirements. (For purposes of this Agreement, "Designated Country" means any of the following: Cuba, Iran, Iraq, Libya, North Korea, Sudan or Syria, and "Designated National" means: (i) any individual who is a subject or citizen of a Designated Country or is domiciled in a Designated Country; or (ii) any Entity that either: (A) is organized under the laws of a Designated Country; (B) has its principal place of business in a Designated Country; or (C) is owned or controlled by a Designated Country or one or more Designated Nationals.)

2.29 Third Party Acquisition Proposals. The Company has ceased any and all activities, discussions or negotiations with any Person (other than Parent) with respect to any proposed Acquisition Proposal. To the extent there were prior negotiations, any confidential information regarding the

Company that was provided in connection with such activities, discussions or negotiations have ceased and such counter parties are required to have destroyed or returned such confidential information to the Company.

2.30 Full Disclosure. To the Company's Knowledge, this Agreement (including the Disclosure Schedule) does not, and the Company Closing Certificate (as defined in Section 6.6(f)) and Merger Consideration Certificate (as defined in Section 6.6(g)) will not: (i) contain any representation, warranty or information that is false or misleading with respect to any material fact; or (ii) omit to state any material fact necessary in order to make the representations, warranties and information contained and to be contained herein and therein (in the light of the circumstances under which such representations, warranties and information were or will be made or provided) not false or misleading. The Company has no Knowledge of any fact that is reasonably likely to result in a Material Adverse Effect that has not been set forth in this Agreement or in the Disclosure Schedule.

2.31 Samples. The Company owns Nine Thousand One Hundred Ninety (9,190) test tubes of Ribonucleic Acid material (collectively, the "Samples"), which are listed on Section 2.31 of the Disclosure Schedule. All such Samples are owned by the Company free and clear of any Liens. Each Sample is in good condition and usable for its intended purpose. At least eighty percent (80%) of the Samples are of sufficient quality to be used for reproducibility testing.

2.32 Source Documentation. All case report forms ("CRFs") and source data for the patients enrolled in the Company's clinical trials, including but not limited to final clinical diagnosis, demographic information and related information (collectively, the "Clinical Information"), but not including medical charts and other documentation belonging to medical institutions or physicians, have been properly assembled and catalogued by the Company. All CRFs and Clinical Information have been provided to Parent.

2.33 Information Statement. The information supplied by the Company for inclusion in the Information Statement will not, as of the date of the Information Statement: (i) contain any statement that is inaccurate or misleading with respect to any material fact; or (ii) omit to state any material fact necessary in order to make such information (in the light of circumstances under which it is provided) not false or misleading.

2.34 Disclaimer. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY STATED IN THIS SECTION 2 (INCLUDING THE DISCLOSURE SCHEDULES THERETO), THE COMPANY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, INCLUDING THE ACCURACY OR COMPLETENESS OF ANY FORECASTS OR PROJECTIONS MADE AVAILABLE TO PARENT OR MERGER SUB IN CERTAIN DATA ROOMS, OR ANY OTHER INFORMATION UNLESS EXPRESSLY AND SPECIFICALLY INCLUDED IN THIS SECTION 2 (INCLUDING THE DISCLOSURE SCHEDULES THERETO), AND PARENT AND MERGER SUB ACKNOWLEDGE AND AGREE THAT THEY HAVE NOT RELIED ON ANY INFORMATION THAT IS NOT EXPRESSLY CONTAINED IN THIS AGREEMENT.

2A REPRESENTATIONS AND WARRANTIES OF THE SELLER PARTIES

Each Seller Party, severally but not jointly, hereby represents and warrants as of the date hereof and as of the Closing Date, as follows:

2A.1 Authorization; Title to Shares. It has the full power and authority to enter into this Agreement, and (assuming due execution by Parent and the other parties to such agreements) such agreement constitutes its valid and legally binding obligation, enforceable against it in accordance with its terms. The board of directors or similar governing body of such Seller Party has duly approved the Transaction Documents to which such Seller Party is a party and has duly authorized the execution and delivery of the Transaction Documents to which such Seller Party is a party and the consummation of the transactions contemplated thereby. No other corporate or other proceedings on the part of such Seller Party are necessary to approve and authorize the execution and delivery of the Transaction Documents to which such Seller Party is a party and the consummation of the transactions contemplated thereby. All Transaction Documents to which such Seller Party is a party have been duly executed and delivered by such Seller Party and constitute the valid and binding agreements of such Seller Party, enforceable against such Seller Party in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights, and as limited by general principles of equity that restrict the availability of equitable remedies. All shares of Company Capital Stock set forth next to such Seller Party's name on Schedule 2A.1 are held of record and owned beneficially by such Seller Party and in the manner described on Schedule 2A.1, free and clear of all Liens. Except as set forth on the Merger Consideration Certificate, such Seller Party is not entitled to any consideration in connection with the Merger. Such Seller Party does not own or have any rights under any Company Option, Company Warrant, Promissory Note or other security to acquire any Company Capital Stock.

2A.2 Purchase Entirely for Own Account. The Consideration Shares are being acquired for investment for the Seller Party's own account, not as a nominee or agent and not with a view to the resale or distribution of any part thereof.

2A.3 Restricted Securities. The Seller Party acknowledges and understands that the Consideration Shares are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from Parent in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act of 1933, as amended (the "Act") only in certain limited circumstances. The Seller Party acknowledges that Parent has no obligation to file a registration statement regarding the Seller Party's resale of the Consideration Shares. In this connection, the Seller Party represents that it is familiar with the Securities and Exchange Commission ("SEC") Rule 144, as presently in effect, and understands the resale limitations imposed thereby. The Seller Party understands that the Seller Party must hold the Consideration Shares indefinitely unless such Consideration Shares, as applicable, are registered with the SEC and qualified by state authorities, or an exemption from such registration and qualification requirements is available. The Seller Party further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Consideration Shares, and on requirements relating to Parent which are outside of the Seller Party's control, and which Parent is under no obligation and may not be able to satisfy.

2A.4 Accredited Investor. Each Seller Party represents and warrants that it is an "accredited investor" within the meaning of SEC Rule 501 of Regulation D, as presently in effect and such Seller Party has executed the Certificate of Accredited Investor Status, attached hereto as Exhibit H.

2A.5 Experience. Each Seller Party has such knowledge and experience in financial and business matters as to be able to evaluate the merits and risks of an investment in the Consideration Shares, a complete loss of Seller Party's investment in the Consideration Shares.

2A.6 Disclosure of Information. Prior to the time of purchase of any Consideration Shares, the Seller Party received a copy of this Agreement. The Seller Party has reviewed this Agreement, and has had the opportunity to ask questions and receive any additional information from persons acting on behalf of Parent to verify the Seller Party's understanding of the terms thereof and of Parent's business and status thereof. The Seller Party acknowledges that no officer, director, attorney, broker-dealer, placement agent, finder or other person affiliated with Parent has given the Seller Party any information or made any representations, oral or written, other than as

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expressly provided in this Agreement, on which the Seller Party has relied upon in deciding to invest in the Consideration Shares, including without limitation, any information with respect to future acquisitions, mergers or operations of Parent or the economic returns which may accrue as a result of the acquisition of the Consideration Shares. The foregoing, however, does not limit or modify the representations and warranties of Parent in Section 3 of this Agreement or the right of the Seller Party to rely thereon. The Seller Party acknowledges and agrees that this Agreement contains all representations and warranties made by Parent to the Seller Party in connection with the offering and issuance of the Consideration Shares.

2A.7 SEC Reports. The Seller Party acknowledges that it has had access to and has reviewed the following (collectively, the "Disclosure Documents"): (i) Parent's Annual Report on Form 10-K for the year ended December 31, 2013, including, without limitation, the section captioned "Risk Factors" regarding risk factors associated with an investment in Parent, (ii) Parent's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, (iii) Parent's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, and (iv) Parent's Current Reports on Form 8-K filed since January 1, 2014, all as filed with the SEC. In making this investment, the Seller Party has not relied upon any information not included in the Disclosure Documents, and the Seller Party has not relied upon any representations or warranties made by Parent, any other director or officer thereof, except as expressly set forth in this Agreement.

2A.8 No General Solicitation. The Seller Party acknowledges that it has not seen, received, been presented with, or been solicited by any leaflet, public promotional meeting, newspaper or magazine article or advertisement, radio or television advertisement, or any other form of advertising or general solicitation with respect to the Consideration Shares.

2A.9 Public Information. The Seller Party understands that Parent has not agreed with the Seller Party to comply with the public information or other provisions of SEC Rule 144 or any other exemption under federal or state law respecting the resale or other transfer of the Shares.

2A.10 Consultation With Own Attorney. The Seller Party has been advised to consult with its own attorney and other financial and tax advisers regarding all legal matters concerning an investment in Parent and the tax consequences of purchasing the Consideration Shares, and has done so, to the extent such Seller Party considers necessary.

2A.11 Legends. The Seller Party understands that the certificates evidencing the Consideration Shares may bear the following legend:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO PARENT THAT SUCH REGISTRATION IS NOT REQUIRED OR UNLESS SOLD PURSUANT TO RULE 144 OF SUCH ACT."

2A.12 Disclaimer. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY STATED IN THIS SECTION 2A (INCLUDING THE DISCLOSURE SCHEDULES THERETO), EACH OF THE SELLER PARTIES DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, INCLUDING THE ACCURACY OR COMPLETENESS OF ANY FORECASTS OR PROJECTIONS MADE AVAILABLE TO PARENT OR MERGER SUB IN CERTAIN DATA ROOMS, OR ANY OTHER INFORMATION UNLESS EXPRESSLY AND SPECIFICALLY INCLUDED IN THIS SECTION 2A (INCLUDING THE DISCLOSURE SCHEDULES THERETO), AND PARENT AND MERGER SUB ACKNOWLEDGE AND AGREE THAT THEY HAVE NOT RELIED ON ANY INFORMATION THAT IS NOT EXPRESSLY CONTAINED IN THIS AGREEMENT.

3. REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub represent and warrant to the Company, as of the date hereof and as of the Closing, as follows:

3.1 Due Organization. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full power and authority to conduct its business in the manner in which its business is currently being conducted and to own and use its assets in the manner in which its assets are currently owned and used. Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

3.2 Non-Contravention; Consents.

(a) Non-Contravention. Neither: (i) the execution, delivery or performance of this Agreement or any of the other agreements, documents or instruments referred to in this Agreement; nor (ii) the consummation of the Merger or any of the other transactions contemplated by this Agreement or any of such other agreements, documents or instruments, will (with or without notice or lapse of time) contravene, conflict with or result in a violation of: (A) any of the provisions of the certificate of incorporation or bylaws of Parent or Merger Sub; (B) any resolution adopted by the stockholders, the board of directors or any committee of the board of directors of Parent or Merger Sub; or (C) any Legal Requirement or any order, writ, injunction or decree of any court or Governmental Body or of any arbitration award regarding Parent or Merger Sub, in each case that would prevent Parent or Merger Sub from performing its obligations under this Agreement.

(b) Consents. Except for the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, the filing contemplated in Section 5.8 to be made by Parent to the Nasdaq Global Market and any filings required to be made with the SEC, neither Parent nor Merger Sub will be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with: (i) the execution, delivery or

performance of this Agreement or any of the other agreements referred to in this Agreement; or (ii) the consummation of the Merger or any of the other transactions contemplated by this Agreement.

3.3 Authority; Binding Nature of Agreement. Parent and Merger Sub have the right, power and authority to enter into and perform their obligations under this Agreement and under each other agreement, document and instrument referred to in this Agreement to which Parent or Merger Sub is a party; and the execution, delivery and performance by Parent and Merger Sub of this Agreement and each such other agreement, document and instrument have been duly authorized by all necessary action on the part of Parent and Merger Sub and their respective boards of directors (or a duly authorized committee thereof). No vote of Parent's stockholders is needed to approve the Merger. This Agreement and each other agreement, document or instrument referred to in this Agreement to which Parent or Merger Sub is a party constitutes the legal, valid and binding obligation of Parent and Merger Sub, as the case may be, enforceable against them in accordance with its terms, subject to: (a) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (b) rules of law governing specific performance, injunctive relief and other equitable remedies.

3.4 Capitalization. As of September 1, 2014, the authorized capital stock of Parent consisted of the following:

(a) Preferred Stock. 5,000,000 shares of preferred stock, par value $0.001 per share, none of which were issued and outstanding.

(b) Common Stock. 125,000,000 shares of common stock, par value $0.001 per share ("Common Stock"), of which 21,487,855 shares were issued and outstanding.

(c) Other Rights. Except for an aggregate of 4,662,023 shares of Parent Common Stock reserved under Parent's stock option plans, of which options to purchase 3,034,943 shares of Parent Common Stock are issued and outstanding, there are not outstanding any options, warrants, rights (including purchase, conversion or preemptive rights), calls, commitments, subscription rights, exchange rights, profit participation, or other agreements for the purchase or acquisition from Parent, or similar rights to acquire from Parent or similar obligations of Parent to issue, any shares of its capital stock.

3.5 Offering.

(a) Subject to the truth and accuracy of each Seller Party's representations set forth in Section 2A of this Agreement, the offer, sale and issuance by Parent of the Consideration Shares will be exempt from the registration requirements of the Act, and are exempt from registration and qualification under the registration, permit or qualification requirements of all applicable securities laws of any state of the United States.

(b) No vote of the holders of Parent's capital stock is necessary to approve the issuance of the Consideration Shares in connection with the Merger.

(c) The Consideration Shares will be duly authorized, validly issued and non-assessable.

3.6 Public Disclosure. Parent has filed with the SEC true and complete copies of all forms, reports, financial statements and other documents, including the Disclosure Documents, required to be filed by it with the SEC as a reporting issuer and registrant respectively since October 29, 2013 (such forms, reports, financial statements and other documents, including any schedules included therein, are referred to as the "Public Documents"). The Public Documents, at the time filed (i) did not contain any misrepresentation (as defined in the Act) and (ii) complied in all material respects with the requirements of Act and the other securities laws of the United States. Parent has not filed any amendment, material change report or any other document confidentially with any securities regulatory authority or any stock exchange which at the date of this Agreement remains confidential.

4. CERTAIN COVENANTS OF THE COMPANY

4.1 Access and Investigation. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement pursuant to Section 7.5 or the Effective Time (the "Pre-Closing Period"), the Company shall, and shall cause its Representatives to: (a) provide Parent and Parent's Representatives with reasonable access during normal business hours to the Company's Representatives, personnel and assets and to all existing books, records, Tax Returns, work papers and other documents and information relating to the Company; and (b) provide Parent and Parent's Representatives with copies of such existing books, records, Tax Returns, work papers and other documents and information relating to the Company, and with such additional financial, operating and other data and information regarding the Company, as Parent may reasonably request. During the Pre-Closing Period, with reasonable advance notice and the Company's consent (not to be unreasonably withheld), Parent may make inquiries of Persons having business relationships with the Company (including suppliers, licensors, distributors and customers) and the Company shall help facilitate (and shall cooperate fully with Parent in connection with) such inquiries.

4.2 Operation of the Business of the Company. During the Pre-Closing Period, the Company shall ensure that:

(a) (i) except as specifically disclosed in Section 4.2 of the Disclosure Schedule, (ii) with the prior written consent of Parent or (iii) as specifically contemplated by this Agreement or the other Transaction Documents, the Company shall conduct its business and operations in the ordinary course and in substantially the same manner as such business and operations have been conducted prior to the date of this Agreement;

(b) the Company shall use reasonable efforts to preserve intact its current business organization, keep available the services of its current officers and employees and maintain its relations and good will with all suppliers, customers, landlords, creditors, employees and other Persons having business relationships with the Company;

(c) the Company's officers shall report regularly to Parent concerning the status of the business of the Company as Parent may reasonably request;

(d) the Company shall not cancel any of its insurance policies identified in Section 2.21 of

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the Disclosure Schedule;

(e) the Company shall not declare, accrue, set aside or pay any dividend or make any other distribution in respect of any shares of capital stock or other securities, or repurchase, redeem or otherwise reacquire any shares of capital stock or other securities;

(f) the Company shall not sell, issue or authorize the issuance of: (i) any capital stock or other security (other than debt securities, which shall be convertible into capital stock of the Company, issued to Catalyst, Kodiak or Kodiak Ventures); (ii) any option or right to acquire any capital stock (or cash based on the value of capital stock) or other security; or (iii) any instrument convertible into or exchangeable for any capital stock (or cash based on the value of capital stock) or other security (except that the Company shall be permitted to issue Company Capital Stock upon the exercise of Company Options or Company Warrants, or upon the conversion of Company Preferred Stock or the Convertible Notes or other convertible notes that shall be issued to Catalyst, Kodiak or Kodiak Ventures, in each case outstanding as of the date of this Agreement and in accordance with their terms as in effect on the date of this Agreement);

(g) the Company shall not amend or waive any of its rights under: (i) any provision of any Company Option Plans; or (ii) any provision of any agreement evidencing any outstanding Company Option;

(h) the Company shall not amend or waive any of its rights under, or permit the acceleration of vesting under any provision of any restricted stock agreement;

(i) the Company shall not amend or permit the adoption of any amendment to its Charter Documents, or effect or become a party to any Acquisition Proposal, recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction;

(j) the Company shall not form any Subsidiary or acquire any equity interest or other interest in any other Entity;

(k) the Company shall not make any capital expenditure, except for capital expenditures that, when added to all other capital expenditures made on behalf of the Company during the Pre-Closing Period, do not exceed $25,000 or which are otherwise set forth on Schedule 4.2(k);

(l) the Company shall not: (i) enter into, or permit any of the assets owned or used by it to become bound by, any Contract that is or would constitute a Material Contract; or (ii) amend or prematurely terminate, or waive any material right or remedy under, any such Contract;

(m) the Company shall not, except as set forth on Schedule 4.2(m): (i) acquire, lease or license any right or other asset from any other Person for an aggregate value in excess of $25,000; (ii) sell or otherwise dispose of, or lease or license, any right or other asset to any other Person; or (iii) waive or relinquish any right material to the conduct of the business of the Company as currently conducted;

(n) the Company shall not: (i) lend money to any Person; or (ii) incur or guarantee any indebtedness for borrowed money (other than Promissory Notes issued to Catalyst, Kodiak or Kodiak Ventures which Promissory Notes shall convert into shares of the Company's Series A-1 Preferred Stock immediately prior to the Closing);

(o) the Company shall not, except as set forth on Schedule 4.2(o): (i) establish, adopt, amend or terminate any Company Employee Plan, except as otherwise contemplated under this Agreement; (ii) pay any bonus or make any profit-sharing payment, cash incentive payment or similar payment, other than commissions paid in the ordinary course of business and consistent with past practices; (iii) increase the amount of the wages, salary, commissions, fringe benefits or other compensation (including equity-based compensation, whether payable in cash or otherwise) or remuneration payable to any of its directors, officers or employees; (iv) promote or change the title of any of its employees (retroactively or otherwise); or (v) hire or make an offer to hire any new employee;

(p) the Company shall not change any of its methods of accounting or accounting practices in any material respect;

(q) the Company shall not make or change any Tax election, file an amended Tax Return, adopt or change an accounting method in respect of Taxes, enter into a Tax allocation agreement or other agreement with respect to Taxes, Tax sharing agreement, Tax indemnity agreement or closing agreement, settle or comprise a claim, notice, audit report or assessment in respect of Taxes, or consent to an extension or waiver of the statutory limitation period applicable to a claim or assessment in respect of Taxes;

(r) the Company shall not commence or settle any Legal Proceeding;

(s) the Company shall not accelerate the collection of any accounts receivable or delay the payment of any accounts payable; and

(t) the Company shall not agree or commit to take any of the actions described in clauses "(d)" through "(s)" above.

Notwithstanding the foregoing, the Company may take any action described in clauses "(a)" through "(t)" above if: Parent gives its prior written consent to the taking of such action by the Company; (B) such action is expressly contemplated by this Agreement or the other Transaction Documents or (C) such action is described in Section 4.2 of the Disclosure Schedule.

4.3 Notification; Updates to Disclosure Schedule.

(a) Notification. During the Pre-Closing Period, the Company shall promptly notify Parent in writing of: (i) the discovery by the Company of any event, condition, fact or circumstance that occurred or existed on or prior to the date of this Agreement and that caused or constitutes a breach of or an inaccuracy in any representation or warranty made by the Company in this Agreement; (ii) any event, condition, fact or circumstance that occurs, arises or exists after the date of this Agreement and that would cause or constitute a breach of or an inaccuracy in any representation or warranty made by the Company in this Agreement if: (A) such representation or warranty had been made as of the time of the occurrence, existence or discovery of such event, condition, fact or circumstance; or (B) such event, condition, fact or circumstance had occurred, arisen or existed on or prior to the date of this Agreement; (iii) any breach of any covenant or obligation of the Company; and (iv) any event, condition, fact or circumstance that would make the timely satisfaction of any of the conditions set forth in Section 6 or Section 7 impossible or unlikely.

(b) Updates. If any event, condition, fact or circumstance that is required to be disclosed pursuant to Section 4.3(a) requires any change in the Disclosure Schedule, or if any such event, condition, fact or circumstance would require such a change assuming the Disclosure Schedule were dated as of the date of the occurrence, existence or discovery of such event, condition, fact or circumstance, then the Company shall promptly deliver to Parent an update to the Disclosure Schedule specifying such change. No such update shall be deemed to supplement or amend the Disclosure Schedule for the purpose of: (i) determining the accuracy of any of the representations and warranties made by the Company in this Agreement; or (ii) determining whether any of the conditions set forth in Section 6 has been satisfied.

4.4 No Negotiation. During the Pre-Closing Period, the Company shall not, whether directly or indirectly: (a) enter into any agreement, understanding or arrangement relating to any Acquisition Proposal; (b) consider, or engage in any discussions or negotiations relating to, any Acquisition Proposal; (c) provide any information regarding the Company or its business or operations to any party (other than to Parent or Parent's Associates) in connection with any possible Acquisition Proposal; (d) solicit or encourage the submission of any Acquisition Proposal; or (e) permit any Associate of the Company to do any of the foregoing. The Company shall promptly (and in any event within 24 hours of receipt thereof) notify Parent orally and in writing of any inquiry, indication of interest, proposal, offer or request for non-public information relating to a possible Acquisition Proposal that is received by the Company or any of its Associates, which notice shall include (subject to any confidentiality restrictions in effect as of the date of this Agreement): (i) the identity of the Person making or

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submitting such inquiry, indication of interest, proposal, offer or request, and the terms and conditions thereof; and (ii) an accurate and complete copy of all written materials provided in connection with such inquiry, indication of interest, proposal, offer or request. The Company shall regularly update Parent as to any material developments concerning any such inquiry, proposal or offer and, in any event, provide such an update whenever requested by Parent.

4.5 Resignation of Officers and Directors. The Company shall use commercially reasonable efforts to obtain and deliver to Parent, at or prior to the Closing, a release of claims from and resignation of each officer and director of the Company from their respective corporate offices (but not their employment) with the Company in each case in the form attached hereto as Exhibit I.

4.6 Termination of Certain Employee Benefit Plans. The Company shall take (or cause to be taken) all actions necessary or appropriate to terminate, effective no later than one business day immediately preceding the Closing Date (i) any Plan that contains a cash or deferred arrangement intended to qualify under Section 401(k) of the Code (a "401(k) Plan") and (ii) all Company Option Plans. Unless Parent provides such notice to the Company, Parent shall receive from the Company, prior to the Effective Time, evidence that the Company's board of directors has adopted resolutions to terminate each 401(k) Plan and Company Option Plan (the form and substance of which resolutions shall be subject to review and approval of Parent, which approval shall not be unreasonably withheld or delayed), effective no later than one business day immediately preceding the Closing Date. In the event that the distributions of assets from the trust of a 401(k) Plan which is terminated is reasonably anticipated to trigger liquidation charges, surrender charges, or other fees to be imposed upon the account of any participant or beneficiary of such terminated plan or upon any Company or plan sponsor, then the Company shall take such actions as are necessary to reasonably estimate the amount of such charges and/or fees and provide such estimate in writing to Parent at least five (5) business days prior to the Effective Time.

4.7 Termination of Agreements. The Company shall cause each agreement referred to in Section 2.15(a)(i)(B) to be terminated effective as of or prior to the Effective Time and, prior to the Effective Time, shall have paid all amounts due thereunder, including all Taxes in respect thereof.

4.8 Third Party Consents; Notices. The Company shall use commercially reasonable efforts to obtain prior to the Closing, and deliver to Parent at or prior to the Closing, all required consents, waivers and approvals under each Contract listed or described in Section 2.15(a) of the Disclosure Schedule (and any Contract entered into after the date hereof that would have been required to be listed or described in such Section 2.15(a) of the Disclosure Schedule if entered into prior to the date of this Agreement).

4.9 FIRPTA Matters. At the Closing: (a) the Company shall deliver to Parent a statement (in such form as may be reasonably requested by counsel to Parent) conforming to the requirements of Section 1.897- 2(h)(1)(i) and Section 1.897-2(h)(2) of the United States Treasury Regulations (the "FIRPTA Statement"); and (b) the Company shall deliver to the Internal Revenue Service the notification required under Section 1.897-2(h)(2) of the United States Treasury Regulations (the "FIRPTA Notification").

5. CERTAIN COVENANTS OF THE PARTIES

5.1 Filings and Consents.

(a) Filings. Each party shall use commercially reasonable efforts to file, as soon as practicable after the date of this Agreement, all notices, reports and other documents required to be filed by such party with any Governmental Body with respect to the Merger and the other transactions contemplated by this Agreement, and to submit promptly any additional information requested by any such Governmental Body. Without limiting the generality of the foregoing, the Company and Parent shall, promptly after the date of this Agreement, prepare and file any notifications required under any applicable antitrust or competition laws or regulations in connection with the Merger. The Company and Parent shall respond as promptly as practicable to any inquiries or requests received from any state attorney general, antitrust authority or other Governmental Body in connection with antitrust or related matters. Subject to the confidentiality provisions of the Confidentiality Agreement, Parent and the Company each shall promptly supply the other with any information which may be required in order to effectuate

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any filings (including applications) pursuant to (and to otherwise comply with its obligations set forth in) this Section 5.1(a). Except where prohibited by applicable Legal Requirements or any Governmental Body, and subject to the confidentiality provisions of the Confidentiality Agreement, the Company shall: (i) cooperate with Parent with respect to any filings made by Parent in connection with the Merger; (ii) permit Parent to review (and consider in good faith the views of Parent in connection with) any documents before submitting such documents to any Governmental Body in connection with the Merger; and (iii) promptly provide Parent with copies of all filings, notices and other documents (and a summary of any oral presentations) made or submitted by the Company with or to any Governmental Body in connection with the Merger. Without limiting the generality of the foregoing, the Company shall duly make all filings set forth on Schedule 5.1(a) which are required to be made prior to the Closing in order for the Company to maintain the Company's IP that is Registered IP.

(b) Efforts. Without limiting the generality of Section 5.1(a), but subject to Section 5.1(c), each party to this Agreement: (i) shall make all filings (if any) and give all notices (if any) required to be made and given by such party in connection with the Merger and the other transactions contemplated by this Agreement; and (ii) shall use commercially reasonable efforts to obtain each Consent (if any) required to be obtained (pursuant to any applicable Legal Requirement or Contract, or otherwise) by such party in connection with the Merger or any of the other transactions contemplated by this Agreement.

(c) Limitations. Notwithstanding anything to the contrary contained in Section 5.1(b) or elsewhere in this Agreement, neither Parent nor Merger Sub shall have any obligation under this Agreement: (i) to divest or agree to divest any of its respective businesses, product lines or assets, or to take or agree to take any other action or to agree to any limitation or restriction on any of its respective businesses, product lines or assets; (ii) to contest any Legal Proceeding relating to the Merger or any of the other transactions contemplated by this Agreement; or (iii) pay any amount or give any consideration to secure a Consent.

5.2 Commercially Reasonable Efforts. Each of the parties hereto agrees to use its commercially reasonable efforts, and to cooperate with each other party hereto, to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, appropriate or desirable to consummate and make effective, in the most expeditious manner practicable, the Merger and the other transactions contemplated hereby, including the satisfaction of the respective conditions set forth in Section 6 and Section 7, and including to execute and deliver such other instruments and do and perform such other acts and things as may be necessary or reasonably desirable for effecting completely the consummation of the Merger and the other transactions contemplated hereby.

5.3 Stockholder Approval. Within two (2) business days of the date of this Agreement, the Company shall, in accordance with its Charter Documents and applicable Legal Requirements, provide to its stockholders an Information Statement and other appropriate documents in connection with the obtaining of: (i) written consents of the stockholders of the Company in favor of the adoption and approval of this Agreement, the Merger and the other transactions contemplated by this Agreement; and (ii) waivers by the stockholders of the Company of their appraisal or dissenters' rights in connection with the Merger. The Company shall use commercially reasonable efforts to obtain such written consents and waivers from holders of all of the outstanding shares of Company Capital Stock. The Information Statement shall, among other things: (A) include the unanimous recommendation of the board of directors of the Company in favor of the adoption and approval of this Agreement, the Merger and the other transactions contemplated hereby; (B) notify the stockholders of the receipt by the Company of the Required Merger Stockholder Vote and their appraisal rights pursuant to Section 262 of the Delaware Law; and (C) comply with all applicable Legal Requirements. Notwithstanding anything to the contrary contained in this Agreement, the Information Statement and any other materials submitted to the Company's stockholders in connection with the transactions contemplated by this Agreement shall be subject to prior review and reasonable approval by Parent.

5.4 Public Announcements. From and after the date of this Agreement, except as expressly contemplated by this Agreement, the Company shall not (and the Company shall ensure that none of its Affiliates or Representatives) issue any press release or make any public statement regarding (or otherwise disclose to any Person (other than financial, tax or legal advisors, and in the case of Covered Securityholders following the Closing, ordinary course communications with their respective limited partners) the existence or terms of) this Agreement or the Merger or any of the other transactions or documents contemplated by this Agreement, without Parent's prior written consent, except as may be required by law.

5.5 Communications with Employees. During the Pre-Closing Period, and subject to reasonable supervision of the Company's Representatives, Parent may communicate with current Company Employees regarding post-Closing employment matters with Parent or any Subsidiary or Affiliate of Parent, including compensation and applicable employee benefit plans. Prior to the Closing Date, without the prior written approval of Parent, the Company shall not (and the Company shall ensure that none of its Affiliates or Representatives) communicate with Company Employees regarding post-Closing employment matters with Parent or any Subsidiary or Affiliate of Parent, including post-Closing employee benefit plans and compensation in a manner that is inconsistent with the offer letters delivered to the Company prior to the date of this Agreement.

5.6 Directors and Officers.

(a) Tail Insurance. Prior to the Effective Time, the Company shall purchase an extended reporting period endorsement under the Company's existing directors' and officers' liability insurance coverage (the "D&O Tail") for the Company's directors and officers in a form mutually acceptable to the Company and Parent, which shall provide such directors and officers with coverage for six (6) years following the Effective Time of not less than the existing coverage under, and have other terms not materially less favorable to, the insured persons than the directors' and officers' liability insurance coverage presently maintained by the Company. Parent shall cause the Surviving Corporation to maintain such policy.

(b) Limitation of Liability and Indemnification. For a period of six (6) years following the Closing, Parent shall cause the Surviving Corporation to maintain in effect in the Surviving Corporation's organizational documents and indemnification agreements the provisions regarding limitation of liability and indemnification of the Company's current or former directors and officers, and the advancement of expenses incurred contained in the certificate of incorporation and bylaws of the Company, as applicable, immediately prior to the Closing.

5.7 Continuing Employees. Employees of the Company who continue employment with the Surviving Corporation or accept employment with Parent immediately following the Effective Time (the "Continuing Employees") will become eligible to participate in Parent's employee benefit programs, such as medical and dental coverage, life insurance, *etc.* (subject to necessary transition period and the terms of such programs). To the extent permitted under applicable law, each Continuing Employee will be given service credit for all purposes, including for eligibility to participate (*provided, however*, that no retroactive contributions shall be required), benefit accrual and eligibility for vesting under Parent employee benefit plans and arrangements with respect to his or her length of service with the Company prior to the Closing Date. Parent shall use reasonable efforts to cause any and all pre-existing conditions (or actively at work or similar) limitations, eligibility waiting periods and evidence of insurability requirements under any Parent employee benefit plans and arrangements to be waived with respect to such Continuing Employees and shall provide them with credit for any co-payments, deductibles and offsets (or similar payments) made during the plan year that includes the Closing Date for the purposes of satisfying any applicable deductible, out-of-pocket or similar requirements under any Parent employee benefit plans or arrangements in which they are eligible to participate after the Closing Date.

5.8 Listing of the Consideration Shares. Parent shall cause the Consideration Shares to be approved for listing on the Nasdaq Global Market within five (5) business days following the Closing Date in accordance with the Nasdaq Global Market rules.

6. CONDITIONS PRECEDENT TO OBLIGATIONS OF PARENT AND MERGER SUB

The obligations of Parent and Merger Sub to cause the Merger to be effected and otherwise cause the transactions contemplated by this Agreement to be consummated are subject to the satisfaction (or waiver by Parent), at or prior to the Closing, of each of the following conditions:

6.1 Accuracy of Representations.

(a) Accuracy at Signing. Each of the representations and warranties made by the Company in this Agreement shall have been accurate in all material respects as of the date of this Agreement, other than (i)

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representations and warranties which by their terms are made as of a specific earlier date, which shall have been accurate in all material respects as of such earlier date and (ii) representations and warranties which contain materiality, Material Adverse Effect and similar qualifications shall have been accurate in all respects; *provided*, *however*, that for purposes of determining the accuracy of such representations and warranties any update of or modification to the Disclosure Schedule made or purported to have been made after the execution and delivery of this Agreement shall be disregarded.

(b) Accuracy at Closing. Each of the representations and warranties made by the Company in this Agreement shall be accurate in all material respects as of the Closing Date as if made on and as of the Closing Date, other than (i) representations and warranties which by their terms are made as of a specific earlier date, which shall have been accurate in all material respects as of such earlier date and (ii) representations and warranties which contain materiality, Material Adverse Effect and similar qualifications shall have been accurate in all respects; *provided*, *however*, that for purposes of determining the accuracy of such representations and warranties: any update of or modification to the Disclosure Schedule made or purported to have been made after the execution and delivery of this Agreement shall be disregarded.

6.2 Performance of Covenants. All of the covenants and obligations that the Company are required to comply with or to perform at or prior to the Closing shall have been complied with and performed in all material respects.

6.3 Governmental and Other Consents.

(a) Governmental Consents. All filings with and other Consents of any Governmental Body required to be made or obtained in connection with the Merger and the other transactions contemplated by this Agreement shall have been made or obtained and shall be in full force and effect and any waiting period under any applicable antitrust or competition law, regulation or other Legal Requirement shall have expired or been terminated.

(b) Other Consents. All Consents identified in Schedule 6.3(b) shall have been obtained and shall be in full force and effect.

6.4 Stockholder Approval. The adoption of this Agreement shall have been duly approved by the Required Merger Stockholder Vote and holders of at least ninety five percent (95%) of the outstanding Company Capital Stock. The number of shares of Company Capital Stock that constitute (or that are or may be eligible to become) Dissenting Shares shall be less than one percent (1%) of the Company Capital Stock outstanding immediately prior to the Closing.

6.5 Termination of Severance Agreements. The Company shall have provided Parent with evidence reasonably satisfactory to Parent as to the termination of each Company Contract required to be disclosed pursuant to in Section 2.15(a)(i)(B) and the payments of all amounts due thereunder, including all Taxes and COBRA-related obligations in respect thereof.

6.6 Agreements and Documents. Parent shall have received the following agreements and documents, each of which shall be in full force and effect:

(a) the Escrow Agreement, duly executed by the Stockholders' Agent and the Escrow Agent;

(b) the Release Agreements, substantially in the form of Exhibit J, duly executed by the Persons identified on Schedule 6.6(c);

(c) a certificate duly executed on behalf of the Company by the chief executive officer of the Company certifying that the conditions set forth in Sections 6.1, 6.2, 6.4, 6.8, 6.9, 6.13 and 6.14, have been duly satisfied (the "Company Closing Certificate");

(d) a certificate (the "Merger Consideration Certificate"), duly executed on behalf of the

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Company by its chief financial officer, containing the following information and the representation and warranty of the Company that all of such information is true and accurate as of the Closing:

(i) the name and address of record of each Person (other than Parent) who is a Covered Securityholder immediately prior to the Effective Time;

(ii) the number of shares of Company Capital Stock held by each such stockholder immediately prior to the Effective Time (together with the corresponding Company Share Certificate number);

(iii) the Merger Consideration that each Covered Securityholder is entitled to receive pursuant to Section 1.3;

(iv) the cash amount to be contributed to the Escrow Account and the Holdback Account with respect to the shares of Company Capital Stock held by each such stockholder pursuant to Section 1.7(a) and Section 1.7(b) respectively; and

(v) the cash amounts to be paid to each Schedule 1.12(d) Payment Recipient.

(e) documentation, reasonably satisfactory to Parent, in support of the calculation of the amounts set forth in the Merger Consideration Certificate;

(f) the written resignations of and release of claims from all officers and directors of the Company required pursuant to Section 4.5, effective as of the Effective Time;

(g) the Certificate of Merger duly executed by the Company;

(h) written acknowledgment and release of claims from each Schedule 1.12(d) Payment Recipient acknowledging that upon receipt by such Person of the amount indicated on the Merger Consideration Certificate, such Person will have been paid in full, and has no other claims of any type against the Company; and

(i) the FIRPTA Statement executed by the Company.

6.7 FIRPTA Compliance. The Company shall have filed with the Internal Revenue Service the FIRPTA Notification.

6.8 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Merger shall have been issued by any court of competent jurisdiction and remain in effect, and there shall not be any Legal Requirement enacted or deemed applicable to the Merger that makes consummation of the Merger illegal.

6.9 No Legal Proceedings. No Governmental Body and no other Person shall have commenced or threatened to commence any Legal Proceeding: (a) challenging the Merger or any of the other transactions contemplated by this Agreement or seeking the recovery of damages in connection with the Merger or any of the other transactions contemplated by this Agreement; (b) seeking to prohibit or limit the exercise by Parent of any material right pertaining to its ownership of stock of Merger Sub or the Company; (c) that may have the effect of preventing, delaying, making illegal or otherwise interfering with the Merger or any of the other transactions contemplated by this Agreement; or (d) seeking to compel the Company, Parent or any affiliate of Parent to dispose of or hold separate any material assets as a result of the Merger or any of the other transactions contemplated by this Agreement.

6.10 Tail Insurance. The Company shall have provided Parent with evidence reasonably satisfactory to Parent of the purchase of the D&O Tail in accordance with Section 5.6(a).

6.11 No Options, Warrants and Other Rights. The Company shall have provided Parent with evidence reasonably satisfactory to Parent as to the termination of all options, warrants or other rights to purchase

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shares of Company Capital Stock.

6.12 Repayment; Conversion and Cancellation of Convertible Notes. At or prior to the Closing, all outstanding Senior Notes and Junior Notes shall have been converted to shares of Company Series A-1 Preferred Stock in full satisfaction of the Company's obligations under such Junior Notes.

6.13 Termination of Employee Plans and Company Option Plans. The Company shall have provided Parent with evidence reasonably satisfactory to Parent as to the termination of each 401(k) Plan and Company Option Plan.

6.14 Non-Operating Debt and Liabilities. The Company shall have provided Parent with evidence reasonably satisfactory to Parent that all Indebtedness and other non-operating debt of the Company had been repaid in full or will be paid in full as part of the payments made to the Schedule 1.12(d) Payment Recipients.

6.15 Release of Liens. The Company shall have provided Parent with evidence reasonably satisfactory to Parent that all security interests and other Liens (other than Permitted Liens) on any assets of the Company have been (or will upon filing of proper executed documentation provided to Parent prior to the Closing be) released.

7. CONDITIONS PRECEDENT TO OBLIGATIONS OF THE COMPANY

The obligations of the Company to effect the Merger and otherwise consummate the transactions contemplated by this Agreement are subject to the satisfaction (or waiver by the Company), at or prior to the Closing, of the following conditions:

7.1 Accuracy of Representations.

(a) Accuracy at Signing. Each of the representations and warranties made by Parent and Merger Sub in this Agreement shall have been accurate in all material respects as of the date of this Agreement, other than (i) representations and warranties which by their terms are made as of a specific earlier date, which shall have been accurate in all material respects as of such earlier date and (ii) representations and warranties which contain materiality, Material Adverse Effect and similar qualifications shall have been accurate in all respects.

(b) Accuracy at Closing. Each of the representations and warranties made by Parent and Merger Sub in this Agreement shall be accurate in all material respects as of the Closing Date as if made on and as of the Closing Date, other than (i) representations and warranties which by their terms are made as of a specific earlier date, which shall have been accurate in all material respects as of such earlier date and (ii) representations and warranties which contain materiality, Material Adverse Effect and similar qualifications shall have been accurate in all respects.

7.2 Performance of Covenants. All of the covenants and obligations that Parent and Merger Sub are required to comply with or to perform at or prior to the Closing shall have been complied with and performed in all material respects.

7.3 Payment of Audit Costs. Parent shall have paid the Company up to One Hundred Thousand Dollars ($100,000) to the Company for costs incurred by the Company in connection with the preparation of the Company Financial Statements, of which Fifty Thousand Dollars ($50,000) was paid to the Company on June 23, 2014 and Fifty Thousand Dollars ($50,000) shall have been paid to the Company within two (2) business day of the date of this Agreement and in any event not later than Closing.

7.4 Documents. The Company shall have received the following documents, each of which shall be in full force and effect:

(a) the Escrow Agreement, duly executed by Parent and the Escrow Agent; and

(b) a certificate duly executed on behalf of Parent by an executive officer of Parent certifying that the conditions set forth in Sections 7.1 and 7.2 have been duly satisfied (the "Parent Closing Certificate").

7.5 No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Merger shall have been issued by any court of competent jurisdiction and remain in effect, and there shall not be any Legal Requirement enacted or deemed applicable to the Merger that makes consummation of the Merger illegal.

8. TERMINATION

8.1 Termination Events. This Agreement may be terminated prior to the Closing (whether before or after the adoption of this Agreement by the Company's stockholders):

(a) by the mutual written consent of Parent and the Company;

(b) by Parent if the Closing has not taken place on or before 5:00 p.m. (Pacific time) on the three (3) month anniversary of the date of this Agreement (the "Expiration Date") (other than as a result of any failure on the part of Parent to comply with or perform any covenant or obligation of Parent or Merger Sub set forth in this Agreement or in any other agreement or instrument delivered to the Company in connection with the transactions contemplated by this Agreement);

(c) by the Company if (i) the Closing has not taken place on or before 5:00 p.m. (Pacific time) on the Expiration Date (other than as a result of any failure on the part of the Company or any of the stockholders of the Company to comply with or perform any covenant or obligation set forth in this Agreement or in any other agreement or instrument delivered to Parent in connection with the transactions contemplated by this Agreement) or (ii) if Parent breaches its obligation to consummate the Merger pursuant to Section 1.3;

(d) by either Parent or the Company if: (i) a court of competent jurisdiction or other Governmental Body shall have issued a final and non-appealable order, decree or ruling, or shall have taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger; or (ii) there shall be any Legal Requirement enacted, promulgated, issued or deemed applicable to the Merger by any Governmental Body that would make consummation of the Merger illegal;

(e) by Parent if: (i) any of the representations and warranties of the Company contained in this Agreement shall be inaccurate as of the date of this Agreement, or shall have become inaccurate as of a date subsequent to the date of this Agreement, such that the condition set forth in Section 6.1 would not be satisfied; or (ii) any of the covenants of the Company contained in this Agreement shall have been breached such that the condition set forth in Section 6.2 would not be satisfied; *provided, however*, that if an inaccuracy in any of the representations and warranties of the Company as of a date subsequent to the date of this Agreement or a breach of a covenant by the Company is curable by the Company through the use of reasonable efforts during the period between the date Parent notifies the Company in writing of the existence of such inaccuracy or breach and the Expiration Date (the "Company Cure Period"), then Parent may not terminate this Agreement under this Section 8.1(e) as a result of such inaccuracy or breach prior to the expiration of the Company Cure Period, provided the Company, during the Company Cure Period, continues to exercise reasonable efforts to cure such inaccuracy or breach (it being understood that Parent may not terminate this Agreement pursuant to this Section 8.1(e) with respect to such inaccuracy or breach if such inaccuracy or breach is cured prior to the expiration of the Company Cure Period);

(f) by the Company if: (i) any of Parent's representations and warranties contained in this Agreement shall be inaccurate as of the date of this Agreement, or shall have become inaccurate as of a date subsequent to the date of this Agreement, such that the condition set forth in Section 7.1 would not be satisfied; or (ii) if any of Parent's covenants contained in this Agreement shall have been breached such that the condition set forth in Section 7.2 would not be satisfied; *provided, however,* that if an inaccuracy in any of Parent's representations and warranties as of a date subsequent to the date of this Agreement or a breach of a covenant by Parent is curable by Parent through the use of reasonable efforts during the period between the date the Company notifies Parent in writing of the existence of such inaccuracy or breach and the Expiration Date (the "Parent Cure Period"), then the Company may not terminate this Agreement under this Section 8.1(f) as a result of such inaccuracy or breach prior to the expiration of the Parent Cure Period, provided Parent, during the Parent Cure Period, continues to exercise reasonable efforts to cure such inaccuracy or breach (it being understood that the Company may not terminate this Agreement pursuant to this Section 8.1(f) with respect to such inaccuracy or breach if such inaccuracy or breach is cured prior to the expiration of the Parent Cure Period); or

(g) by Parent if the Required Merger Stockholder Vote is not obtained within twenty four (24) hours after the execution of this Agreement.

8.2 Termination Procedures. If Parent wishes to terminate this Agreement pursuant to Section 8.1, Parent shall deliver to the Company a written notice stating that Parent is terminating this Agreement and setting forth a brief description of the basis on which Parent is terminating this Agreement. If the Company wishes to terminate this Agreement pursuant to Section 8.1, the Company shall deliver to Parent a written notice stating that the Company is terminating this Agreement and setting forth a brief description of the basis on which the Company is terminating this Agreement.

8.3 Effect of Termination. If this Agreement is terminated pursuant to Section 8.1, all further obligations of the parties under this Agreement shall terminate; *provided, however*, that: (a) none of the Company or Parent shall be relieved of any obligation or liability arising from any prior breach by such party of any provision of this Agreement, which breach was willful or intentional or caused by such party's gross negligence; (b) the parties shall, in all events, remain bound by and continue to be subject to the provisions set forth in Section 10; and (c) the parties shall, in all events, remain bound by and continue to be subject to Section 5.4 and the Confidentiality Agreement.

9. INDEMNIFICATION.

9.1 Survival of Representations and Warranties.

(a) Company and Seller Party Representations and Warranties. The representations and warranties of the Company and each Seller Party contained in this Agreement or in any exhibit, schedule or certificate required to be delivered pursuant to this Agreement (including the Company Closing Certificate and the Merger Consideration Certificate) shall survive the Closing until the fifteen month anniversary of the Effective Time; *provided, that*: (i) the representations and warranties of the Company set forth in Section 2.1 (Due Organization), Section 2.3 (Capitalization) or Section 2.24 (Authority) (collectively, the "Company Fundamental Representations") and (ii) the representations and warranties of the Seller Parties set forth in Section 2A.1 (Authorization, Title to Shares) (the "Seller Party Fundamental Representations" and collectively with the Company Fundamental Representations, the "Fundamental Representations") shall survive until ninety (90) days after the expiration of the applicable statutes of limitations (after giving effect to any waivers or extensions thereof); and (ii) the representations and warranties set forth in Section 2.11 (Title to Assets; Equipment), Section 2.14 (Intellectual Property), Section 2.16 (Compliance with Legal Requirements; Testing Products) and Section 2.18 (Tax Matters) (collectively, the "Specified Representations") shall survive until the date that is thirty six (36) months subsequent to the Effective Time. The right to bring a claim for breach of covenants and agreements set forth in this Agreement requiring performance: (i) prior to the Closing, shall survive for a period of fifteen (15) months after the Effective Time; or (ii) after the Closing, shall survive until fully performed. If written notice of a claim has been given prior to the expiration of the applicable survival period set forth in this Section 9.1(a) by a Buyer Indemnitee, then the relevant survival period shall be extended as to such claim until such claim has been finally resolved and, as to any such claim, such applicable survival period will not adversely affect the rights to indemnification, compensation and reimbursement of the party making such claim. Notwithstanding anything to the contrary, indemnification obligations of any Covered Securityholder for such Covered Securityholder's fraud, willful breach or intentional misrepresentation for which the Covered Securityholder shall be required to provide indemnification, compensation or reimbursement under this Section 9 shall not be subject to the limitations under Section 9.1(a), the Basket, the Cap or any other limitation (even in the case where the claim for fraud, willful breach or intentional misrepresentation is related to or based upon a representation, warranty, covenant or agreement otherwise subject to certain limitations hereunder) (the "Fraud Exception"). All Officer's Certificates must be delivered, and all indemnification claims must be made, in accordance with the provisions, including the applicable time periods, set

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forth in Section 9.5. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, IT IS THE INTENTION OF THE PARTIES THAT THE FOREGOING SURVIVAL PERIODS AND TERMINATION DATES SUPERSEDE ANY APPLICABLE STATUTE OF LIMITATIONS APPLICABLE TO SUCH CLAIMS.

(b) Parent and Merger Sub Representations and Warranties. The representations and warranties of Parent and Merger Sub contained in this Agreement or in any exhibit, schedule or certificate required to be delivered pursuant to this Agreement shall survive the Closing until the fifteen (15) month anniversary of the Effective Time. If written notice of a claim has been given prior to the expiration of the survival period set forth in this Section 9.1(b) by a Seller Indemnitee, then the relevant survival period shall be extended as to such claim until such claim has been finally resolved and, as to any such claim, such applicable survival period will not adversely affect the rights to indemnification, compensation and reimbursement of the party making such claim. Notwithstanding anything to the contrary, nothing in this Section 9.1(b) or elsewhere in this Agreement limits a claim based upon fraud, willful breach or intentional misrepresentation which claim may be brought at any time without regard to any survival period or statute of limitations referenced above.

9.2 Indemnification by the Covered Securityholders. Subject to the provisions of this Section 9, after the Closing the Covered Securityholders shall, severally and not jointly (based upon the Pro Rata Share applicable to such Covered Securityholder), indemnify and hold harmless the Buyer Indemnitees from and against, and shall compensate and reimburse each of the Buyer Indemnitees for, any and all Losses which are, directly or indirectly, sustained or suffered by any such Buyer Indemnitee or to which any of the Buyer Indemnitees otherwise directly or indirectly become subject based upon, arising out of, or by reason of any of the following:

(a) any inaccuracy in or breach of any representation or warranty made by the Company or a Seller Party contained in this Agreement or in any exhibit, schedule or certificate required to be delivered pursuant hereto or thereto or any representation made by a Covered Securityholder in any Letter of Transmittal (it being understood that in the event of an inaccuracy in or breach of any representation or warranty in this Agreement or a Letter of Transmittal made by a Covered Securityholder or Seller Party, Parent shall not be entitled to indemnification, compensation or reimbursement from any Covered Securityholder or Seller Party other than the Covered Securityholder or Seller Party whose representation or warranty was inaccurate or breached) (without giving effect to: (i) any materiality, Material Adverse Effect or similar qualifications limiting the scope of such representation or warranty (except for the definition of "Material Contract", for which such terms will be given effect); or (ii) any update of or modification to the Disclosure Schedule made or purported to have been made on or after the date of this Agreement);

(b) any breach of any covenant or agreement by the Company (to be performed after the Closing) or the Stockholders' Agent contained in this Agreement or in any exhibit, schedule or certificate required to be delivered pursuant hereto or thereto;

(c) any payments made or Losses incurred in respect of Dissenting Shares in excess of the amounts payable for such shares of Company Capital Stock pursuant to this Agreement;

(d) any Pre-Closing Taxes, provided that the Buyer Indemnitees shall not be entitled to indemnification for such Taxes pursuant to any claim made after the termination of the survival period for the Specified Representations set forth in Section 9.1(a);

(e) all Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company (or any predecessor thereof) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation Section 1.1502-6 (or any similar provision of Legal Requirements) and any Taxes of any Person (other than the Company) imposed on the Company as a transferee or successor, by Contract or otherwise, which Taxes relate to an event or transaction occurring at or prior to the Closing, provided that the Buyer Indemnitees shall not be entitled to indemnification for such Taxes pursuant to any claim made after the termination of the survival period for the Specified Representations set forth in Section 9.1(a);

(f) any Losses arising from any inaccuracy in the Merger Consideration Certificate, including any inaccuracy relating to the Merger Consideration, and any Losses arising from any inaccuracy in

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Schedule 1.12(d);

(g) any costs and expenses owed to the Escrow Agent as described in Section 1.7(a) herein to the extent not satisfied out of the Escrow Fund;

(h) any obligations related to funds received by the Company prior to the Closing under any grant program;

(i) any Losses arising from a claim asserted against a director or officer of the Company that is not covered by the D&O Tail;

(j) any Transaction Expenses not paid in full by the Company at or prior to the Closing; and

(k) any claim asserted or held by any current, former or alleged security holder, in such Person's capacity (or alleged capacity) as a security holder, of the Company relating to this Agreement and the transactions contemplated hereby.

By executing his, her or its Letter of Transmittal, each Covered Securityholder will agree, among other things, to be severally but not jointly liable for the indemnification, compensation and reimbursement obligations set forth in this Section 9.2 to the extent of each such Person's Pro Rata Share.

9.3 Indemnification by Parent. Subject to the provisions of this Section 9, after the Closing, Parent shall indemnify and hold harmless the Seller Indemnitees from and against, and shall compensate and reimburse each of the Seller Indemnitees for, any and all Losses which are, directly or indirectly, sustained or suffered by any such Seller Indemnitee or to which any of the Seller Indemnitees otherwise directly or indirectly become subject based upon, arising out of, in connection with or by reason of any of the following:

(a) any inaccuracy in or breach of any representation or warranty made by Parent or Merger Sub contained in this Agreement or in any exhibit, schedule or certificate required to be delivered pursuant hereto or thereto (without giving effect to any materiality, Material Adverse Effect or similar qualifications limiting the scope of such representation or warranty); and

(b) any breach of any covenant or agreement to be performed by Parent or Merger Sub contained in this Agreement or in any exhibit, schedule or certificate required to be delivered pursuant hereto.

9.4 Indemnification Procedures.

(a) Promptly following the incurrence of any Losses or discovery of any potential Losses by an Indemnitee who believes that such party is or will be entitled to indemnification, compensation or reimbursement pursuant to this Section 9, Parent, to the extent such Indemnitee is a Buyer Indemnitee, or the Stockholders' Agent, to the extent such Indemnitee is a Seller Indemnitee, shall notify the Stockholders' Agent or Parent, as applicable, of the Loss (or potential Loss) for which such Indemnitee is entitled to indemnification, compensation and reimbursement pursuant to this Section 9. Subject to the survival periods and time limitations on making claims hereunder set forth in Section 9.1, the failure of any Indemnitee to give timely notice hereunder shall not limit any of the obligations of an Indemnifying Party under this Section 9 (except to the extent (and only to the extent) such failure materially prejudices the defense of such Legal Proceeding).

(b) The obligations and liabilities of the party from whom indemnification is sought under this Section 9 (the "Indemnifying Party") with respect to Losses arising from actual or threatened Legal Proceedings, claims or demands by any third party which are subject to the indemnification provided for in this Section 9 ("Third Party Claims") shall be governed by and contingent upon the following terms and conditions: if a Buyer Indemnitee shall receive notice of any Third Party Claim, Parent, on behalf of a Buyer Indemnitee, shall give the Stockholders' Agent notice of such Third Party Claim (a "Third Party Claim Notice") promptly following the receipt by the Buyer Indemnitee of such notice; and if a Seller Indemnitee shall receive notice of any Third Party Claim, the Stockholders' Agent, on behalf of a Seller Indemnitee, shall give Parent a Third Party Claim Notice promptly following the receipt by the Seller Indemnitee of such notice. Subject to the survival periods and time

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limitations on making claims hereunder set forth in Section 9.1, the failure of Parent or the Stockholders' Agent, as applicable, to give timely notice hereunder shall not limit any of the obligations of an Indemnifying Party under this Section 9 (except to the extent (and only to the extent) such failure materially prejudices the defense of such Legal Proceeding). Such Third Party Claim Notice shall be accompanied by copies of all relevant documentation with respect to such Third Party Claim, including any summons, complaint or other pleading which may have been served, any written demand or any other document or instrument.

(c) In the event of the assertion or commencement by any Person of a Third Party Claim with respect to which any party hereto may become obligated to hold harmless, indemnify, compensate or reimburse any Indemnitee pursuant to this Section 9, Buyer Indemnitee or Seller Indemnitee, as applicable, shall have the right, at its election and subject to Section 9.4(d), to proceed with the defense of such claim or Legal Proceeding on its own with counsel reasonably satisfactory to (x) the Stockholders' Agent, if the Indemnitee is a Buyer Indemnitee, or (y) Parent, if the Indemnitee is a Seller Indemnitee, in each case so long as:

(i) Subject to the other provisions of this Section 9 (including Section 9.4(c)(iii) below and the other limitations in this Section 9), all reasonable expenses relating to the defense of such claim or Legal Proceeding shall be borne and paid exclusively by the Indemnifying Party;

(ii) the Indemnifying Party shall make available to the Indemnitee, as applicable, any documents and materials in the Indemnifying Party's possession or control that may be necessary to the defense of such claim or Legal Proceeding; and

(iii) (A) where the Indemnitee is a Buyer Indemnitee, Parent shall have the right to settle, adjust or compromise such claim or Legal Proceeding; *provided, however,* that if Parent settles, adjusts or compromises any such claim or Legal Proceeding without the consent of the Stockholders' Agent, such settlement, adjustment or compromise shall not be conclusive evidence of the amount of Losses incurred by the Buyer Indemnitee in connection with such claim or Legal Proceeding (it being understood that if Parent requests that the Stockholders' Agent consent to a settlement, adjustment or compromise, the Stockholders' Agent shall not unreasonably withhold or delay such consent); and (B) where the Indemnitee is a Seller Indemnitee, the Stockholders' Agent shall have the right to settle, adjust or compromise such claim or Legal Proceeding; *provided, however,* that if the Stockholders' Agent settles, adjusts or compromises any such claim or Legal Proceeding without the consent of Parent, such settlement, adjustment or

compromise shall not be conclusive evidence of the amount of Losses incurred by the Seller Indemnitee in connection with such claim or Legal Proceeding (it being understood that if the Stockholders' Agent requests that Parent consent to a settlement, adjustment or compromise, Parent shall not unreasonably withhold or delay such consent).

(d) If an Indemnitee does not elect to proceed with the defense of any claim or Legal Proceeding as contemplated in Section 9.4(c) above, then the Stockholders' Agent, where the Indemnitee is a Buyer Indemnitee, or Parent, where the Indemnitee is a Seller Indemnitee, shall proceed with the defense of such claim or Legal Proceeding with counsel reasonably satisfactory to the Indemnitee; *provided, however,* that the Indemnifying Party may not settle, adjust or compromise any such claim or Legal Proceeding without the prior written consent of the Indemnitee (which consent may not be unreasonably withheld or delayed).

9.5 Manner of Indemnification.

(a) Escrow Fund. To provide a fund against which a Buyer Indemnitee may assert claims of indemnification, compensation and reimbursement under this Section 9 (an "Indemnification Claim"), the Escrow Amount shall be deposited into the Escrow Account pursuant to the Escrow Agreement in accordance with Section 1.7(a). The Escrow Fund shall be held and distributed in accordance with this Section 9 and the Escrow Agreement, and each Indemnification Claim made by a Buyer Indemnitee shall be made only in accordance with this Section 9 and the Escrow Agreement. Any interest or other income paid on the Escrow Amount shall be added to the Escrow Fund and become a part thereof and available for satisfaction of Indemnification Claims made by a Buyer Indemnitee. Subject to the terms and conditions of this Agreement, the entire amount of the Escrow Fund shall be available to the Buyer Indemnitees for satisfaction of any Losses they may suffer that are subject to indemnification, compensation or reimbursement pursuant to this Section 9, regardless of whether or not such Losses were caused by any of the Company, a Covered Securityholder or any of their Affiliates and irrespective of whether

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indemnification, compensation or reimbursement claims under this Section 9 were first asserted by the Buyer Indemnitees against one or more of such Persons. No Covered Securityholder may recover from the Buyer Indemnitees, and none of the Buyer Indemnitees has any Liability for, any amount by which the Escrow Fund is properly reduced thereby in accordance with this Agreement and the Escrow Agreement. Notwithstanding anything to the contrary contained in this Agreement, none of the limitations set forth in this Section 9 shall apply to any action for specific performance, injunctive relief or other equitable remedy or with regard to any claim or action subject to the Fraud Exception.

(b) Release From Escrow. On the Escrow Release Date, the Escrow Agent shall, subject to the terms set forth in the Escrow Agreement, disburse any portion of the Escrow Fund which exceeds any amounts on that date reserved against pending claims of the Buyer Indemnitees for indemnifiable, compensable or reimbursable Losses. Such disbursement shall be made to the Covered Securityholders by the Escrow Agent in accordance with the Escrow Agreement.

(c) Claims for Indemnification by the Buyer Indemnitees Against the Escrow Fund.

(i) On or before the Escrow Release Date, Parent may deliver to the Escrow Agent and the Stockholders' Agent a certificate signed by an officer of Parent (an "Officer's Certificate"): (A) stating that Parent has paid, incurred, sustained or accrued Losses; (B) specifying in reasonable detail the individual items of Loss included in the amount so stated and the nature of the misrepresentation, breach of warranty or covenant to which such item is related or the indemnification, compensation or reimbursement obligation to which such Losses are related; and (C) the amount of the Escrow Fund sought to be delivered to Parent (for the benefit of the pertinent Buyer Indemnitee) in compensation for such Losses.

(ii) At the time of delivery of any Officer's Certificate to the Escrow Agent, a duplicate copy of such Officer's Certificate shall be delivered to the Stockholders' Agent by Parent (on behalf of itself or any other Buyer Indemnitee) and for a period of thirty (30) days after such delivery to the Escrow Agent of such Officer's Certificate, the Escrow Agent shall make no payment pursuant to this Section 9.5 unless the Escrow Agent shall have received written authorization from the Stockholders' Agent to make such delivery. After the expiration of such 30-day period, the Escrow Agent shall make delivery of cash from the Escrow Fund to Parent in accordance with this Section 9.5; *provided, however*, that no such delivery may be made if and to the extent the Stockholders' Agent has objected in a written statement to any claim or claims made in the Officer's Certificate, and such written statement shall have been delivered to the Escrow Agent and to Parent prior to the expiration of such 30-day period.

(d) Resolution of Objections to Claims by Buyer Indemnitees Against the Escrow Fund.

(i) If the Stockholders' Agent objects in writing to any claim or claims by Parent made in any Officer's Certificate within such 30-day period, Parent and the Stockholders' Agent shall attempt in good faith for twenty (20) days after Parent's receipt of such written objection to resolve such objection. If Parent and the Stockholders' Agent shall so agree, a memorandum setting forth such agreement shall be prepared and signed by both parties and delivered to the Escrow Agent. The Escrow Agent shall be entitled to conclusively rely on any such memorandum and the Escrow Agent shall, as applicable, distribute cash from the Escrow Fund in accordance with the terms of such memorandum.

(ii) If no such agreement can be reached during the 20-day period for good faith negotiation, but in any event upon the expiration of such 20-day period, either Parent or the Stockholders' Agent may pursue any legal remedy available to him, her or it with respect to the portion of the Escrow Fund in dispute.

(e) Interest and Earnings on Escrow Fund. Parent and the Stockholders' Agent agree that all investment earnings and income with respect to the Escrow Fund shall be allocated to the Covered Securityholders. Parent, Merger Sub and the Company (and after the Closing, the Surviving Corporation) shall file all Tax Returns consistently with the foregoing. Any investment earnings and income on the Escrow Fund shall be paid by the Escrow Agent, upon release from the Escrow Fund, to the Covered Securityholders.

(f) Claims for Indemnification Other than Against the Escrow Fund. In the event of a claim by an Indemnitee not against the Escrow Fund, Parent, if the Indemnitee is a Buyer Indemnitee, or the Stockholders' Agent, if the Indemnitee is a Seller Indemnitee, shall deliver notice of such claim to the applicable Indemnifying Party and the Indemnitee and the Indemnifying Party shall endeavor in good faith to resolve such claim in accordance with the terms and conditions of this Section 9.

9.6 Limitations on Indemnification; Calculation of Losses. Notwithstanding anything to the contrary contained in this Agreement:

(a) The Covered Securityholders shall not be liable for (and the Escrow Fund shall not be available for) any claim for indemnification pursuant to Section 9.2 unless and until the aggregate amount of indemnifiable Losses which may be recovered pursuant to Section 9.2 exceeds $100,000 (the "Basket"), at which point the Buyer Indemnitee will be entitled to indemnification under Section 9 from and against all Losses relating back to the first dollar; *provided, however*, that the Basket will not apply to Losses arising from or related to any claim for indemnification by the Buyer Indemnitees for: (i) any inaccuracy in or breach of a Fundamental Representation, a Specified Representation or any representation and warranty set forth in Section 2.19(q); or (ii) a claim pursuant to Sections 9.2(b), (c), (d), (e), (f), (g), (h), (i), (j) or (k).

(b) The aggregate Losses for which a Covered Securityholder shall be required to provide indemnification, compensation or reimbursement hereunder shall not exceed an amount equal to such Covered Securityholder's Pro Rata Share of the Escrow Fund (the "Cap") and the Escrow Fund shall be the sole and exclusive source of payment for such Losses; *provided, however,* that the aggregate Losses resulting from or relating to: (A) any inaccuracy in or breach of a Fundamental Representation or a Specified Representation; or (B) a claim pursuant to Sections 9.2(b), (c), (d), (e), (f), (g), (h), (i), (j) or (k) for which the Covered Securityholders shall be required to provide indemnification, compensation or reimbursement under this Section 9 (including all other Losses subject to indemnification, compensation or reimbursement hereunder), shall not be subject to the Cap, but such aggregate Losses shall not exceed the Merger Consideration and such aggregate Losses for each Covered Securityholder shall not exceed such Covered Securityholder's Pro Rata Share of the Merger Consideration.

(c) Parent shall not be liable for any claim for indemnification pursuant to Section 9.3 unless and until the aggregate amount of indemnifiable Losses which may be recovered pursuant to Section 9.3 exceeds the Basket, at which point the Seller Indemnitee will be entitled to indemnification under Section 9 from and against all Losses relating back to the first dollar; provided however, that the aggregate Losses for which Parent shall be required to provide indemnification, compensation or reimbursement hereunder shall in no event (other than in the case of a claim based upon Parent's fraud, willful breach or intentional misrepresentation) exceed Five Hundred Thousand Dollars ($500,000).

(d) No Indemnitee may make a claim for indemnification, compensation or reimbursement under Section 9.2 for breach by any Person of a particular representation, warranty or covenant after the expiration of the survival period thereof specified in Section 9.1 (other than in the case of a claim based upon a Fraud Exception).

(e) Notwithstanding anything in this Agreement to the contrary, for purposes of the Covered Securityholders' indemnification, compensation and reimbursement obligations under this Section 9, all of the representations and warranties set forth in this Agreement that are qualified as to "material," "materiality," "material respects," "Material Adverse Effect" or words of similar import or effect or exception related thereto shall be deemed to have been made without any such qualification or exception for purposes of determining the amount of Losses resulting from, arising out of or relating to any breach of representation or warranty (but not whether a breach of such representation or warranty has occurred).

(f) The Indemnitee's right to indemnification, compensation and reimbursement under this Section 9 will not be affected or deemed waived by reason of any investigation made by or on behalf of the Indemnitee (including by any of its Representatives) or by reason of the fact that the Indemnitee or any of its Representatives knew or should have known at any time that any such representation or warranty is, was or might be inaccurate or by reason of the Indemnitee's waiver of any condition set forth in Section 6.

9.7 No Circular Recovery. With respect to any claim brought by any Buyer Indemnitee relating to this Agreement and any of transactions contemplated hereby, each Covered Securityholder, by virtue of receiving payments pursuant to this Agreement and, if applicable, pursuant to the execution and delivery of his, her or its Letter of Transmittal, will be deemed to waive any right of subrogation, contribution, advancement, indemnification or other claim against the Surviving Corporation with respect to any amounts owed by such Person pursuant to this Section 9 as of such date.

9.8 Tax Consequences of Indemnification Payments. Any payments made to an Indemnitee pursuant to any indemnification, compensation or reimbursement obligations under this Section 9 will be treated as adjustments to the Merger Consideration for Tax purposes and such agreed treatment will govern for purposes of this Agreement, unless otherwise required by law.

9.9 Losses Net of Insurance; Mitigation. The amount of any Loss for which indemnification is provided under this Section 9 shall be net of (a) any amounts recovered by the Indemnitee pursuant to any indemnification by or indemnification agreement with any third party in excess of any costs incurred by such Indemnitee and its Affiliates in obtaining such indemnification (it being understood that none of such Indemnitee or its Affiliates shall be required to seek such indemnification), and (b) the amount by which (i) any insurance proceeds received under insurance policies of the Company in effect prior to the Closing as an offset against such Loss; exceed (ii) all costs incurred by Parent and its Affiliates, including attorneys' fees and the costs of any premium increases in obtaining, such insurance proceeds (it being understood that none of Parent or its Affiliates shall be required to seek recovery against any such insurance policies). If the amount to be netted hereunder from any payment ("Recovered Amount") required under this Section 9 is determined after payment by the Indemnifying Party of any amount otherwise required to be paid to an Indemnitee pursuant to this Section 9, the Indemnitee shall repay to the Indemnifying Party, promptly after receiving the Recovered Amount, any amount that the Indemnifying Party would not have had to pay pursuant to this Section 9 had such determination been made at the time of such payment. Each party shall use commercially reasonable efforts to mitigate any Losses.

9.10 Setoff. In addition to any rights of setoff or other similar rights that any party may have at common law or otherwise, such party shall have the right to withhold and deduct any sum that may be owed to any party under this Section 9 (subject to the limitations set forth herein) from any amount otherwise payable to such party under this Agreement.

10. MISCELLANEOUS PROVISIONS

10.1 Stockholders' Agent.

(a) The parties hereto agree that it is desirable to designate Andrey Zarur as an agent of the Covered Securityholders and as their attorney in fact (the "Stockholders' Agent"), with full power of substitution to act on behalf of the Covered Securityholders to the extent and in the manner set forth in this Agreement and the other Transaction Documents. The Company has designated the Stockholders' Agents as the agent and representative of the Covered Securityholders for purposes of this Agreement and the other Transaction Documents, and approval of this Agreement and the Merger by such holders pursuant to the Required Merger Stockholder Vote and each Letter of Transmittal shall constitute ratification and approval of such designation on the

terms set forth herein and therein. All decisions, actions, consents and instructions by the Stockholders' Agent with respect to this Agreement and the other Transaction Documents shall be binding upon all of the Covered Securityholders in his capacity as such at and following the Effective Time under this Agreement and the other Transaction Documents, and no such Covered Securityholder shall have the right to object to, dissent from, protest or otherwise contest the same. Parent and Merger Sub shall be entitled to rely on any decision, action, consent or instruction of the Stockholders' Agent as being the decision, action, consent or instruction of the Covered Securityholders, and Parent and Merger Sub are hereby relieved from any liability to any person for acts done by them in accordance with any such decision, act, consent or instruction. By way of amplification and not limitation, as the Stockholders' Agent, the Stockholders' Agent shall be authorized and empowered, as agent of and on behalf of all Covered Securityholders to give and receive notices and communications as provided herein, to object to any Indemnification Claims or purchase price adjustments, to agree to, negotiate, enter into settlements and compromises of, and comply

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with orders of courts and awards of arbitrators with respect to, such Indemnification Claims, Losses or purchase price adjustments, to waive after the Effective Time any breach or default of Parent or Merger Sub of any obligation to be performed by it under this Agreement, to receive service of process on behalf of each Covered Securityholder in connection with any claims against such Covered Securityholder arising under or in connection with this Agreement, any document or instrument provided for hereby or any of the transactions contemplated hereby or under any Transaction Document, and to take all other actions that are either (i) necessary or appropriate in the judgment of the Stockholders' Agent for the accomplishment of the foregoing, or (ii) specifically mandated by the terms thereof. Notices or communications to or from the Stockholders' Agent shall constitute notice to or from the Covered Securityholders. Any writing signed or action taken by the Stockholders' Agent shall be sufficient to constitute a writing signed or action taken on behalf of the Covered Securityholders.

(b) The Stockholders' Agent may resign at any time, and in the event of the death, incapacity or resignation of the Stockholders' Agent, a new Stockholders' Agent may be appointed by the vote or written consent of Covered Securityholders holding a majority of the shares of Series A-1 Preferred Stock (or if following the Closing, by those Covered Securityholders that held a majority of the shares of Series A-1 Preferred Stock immediately prior to the Closing). Notice of such vote or a copy of the written consent appointing such new Stockholders' Agent shall be sent to Parent and, after the Effective Time, to the Surviving Corporation, such appointment to be effective upon the later of the date indicated in such consent and the date such consent is received by Parent and, after the Effective Time, the Surviving Corporation; *provided* that until such notice is received, Parent, Merger Sub and the Surviving Corporation, as applicable, shall be entitled to rely on the decisions, actions, consents and instructions of such prior Stockholders' Agent as described in Section 10.1(a).

(c) In dealing with this Agreement and any notice, instrument, agreement or document relating thereto, and in exercising or failing to exercise all or any of the powers conferred upon the Stockholders' Agent hereunder or thereunder, (i) the Stockholders' Agent and his, her or its agents, counsel, accountants and other Representatives shall not assume any, and shall not incur any, responsibility whatsoever (in each case, to the extent permitted by applicable Legal Requirements) to any stockholder, optionholder or warrantholder of the Company, Parent, the Company, Merger Sub or the Surviving Corporation, including by reason of any error in judgment or other act or omission performed or omitted hereunder or in connection with this Agreement or any such other agreement, instrument or document, except to the extent such actions shall have been determined by a court of competent jurisdiction to have constituted willful misconduct or fraud; and (ii) the Stockholders' Agent shall be entitled to rely in good faith on the advice of counsel, public accountants or other independent experts experienced in the matter at issue, and any error in judgment or other act or omission of the Stockholders' Agent pursuant to such advice shall in no event subject such Stockholders' Agent to liability to any stockholder, optionholder or warrantholder of the Company, Parent, the Company, Merger Sub or the Surviving Corporation.

(d) The Stockholders' Agent may establish a reserve account (the "Reserve Account") on account of all Covered Securityholders in accordance with their Pro Rata Shares in an aggregate amount equal to One Hundred Thousand Dollars ($100,000) (the amount so established, the "Reserve Amount") to pay costs, fees and expenses incurred by or for the benefit of the Covered Securityholders on or after the Closing in connection with the transactions contemplated by this Agreement. Upon the written request of the Stockholders' Agent given to Parent at least two (2) business days prior to Closing, at the Closing Parent shall wire transfer the Reserve Amount to an account designated by the Stockholder Representative, which account shall be deemed to be a Schedule 1.12(d) Payment Recipient. To the extent amounts placed into the Reserve Account are not used, or in the judgment of the Stockholders' Agent are not expected to be used, to pay fees and expenses incurred in connection with the transactions contemplated by this Agreement including costs associated with any indemnification claims, such remaining amount, together with all earnings thereon, shall be distributed to the Covered Securityholders in proportion to their respective Pro Rata Shares. The Stockholders' Agent shall have sole and exclusive authority to disburse and pay amounts placed into the Reserve Account consistent with the provisions of this Agreement.

(e) The grant of authority provided for in this Section 10.1 is coupled with an interest and is being granted, in part, as an inducement to Parent and Merger Sub to enter into this Agreement and the other Transaction Documents, and shall be irrevocable and survive the dissolution, liquidation or bankruptcy of the Company or the death, incompetency, liquidation or bankruptcy of any Covered Securityholder, shall be binding on any successor thereto and shall survive the assignment by any Covered Securityholder of the whole or any portion of his, her or its interest in the Merger Consideration.

(f) All of the immunities and powers granted to the Stockholders' Agent under this Agreement with respect to this Agreement and the other Transaction Documents shall survive the Closing and/or any termination of this Agreement, except that such powers shall terminate upon termination of this Agreement and if applicable the other Transaction Documents.

10.2 Further Assurances. Each party hereto shall execute and cause to be delivered to each other party hereto such instruments and other documents, and shall take such other actions, as such other party may reasonably request (prior to, at or after the Closing) for the purpose of carrying out or evidencing any of the transactions contemplated by this Agreement.

10.3 Fees and Expenses. All fees and expenses incurred in connection with or related to this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby shall be paid by each party incurring such fees or expenses, whether or not such transactions are consummated.

10.4 Attorneys' Fees. To the extent not already recovered by Parent as an indemnifiable Loss under Section 9, if any Legal Proceeding relating to this Agreement or the enforcement of any provision of this Agreement is brought against any party hereto, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements (in addition to any other relief to which the prevailing party may be entitled).

10.5 Notices. Any notice or other communication required or permitted to be delivered to any party under this Agreement shall be in writing and shall be deemed properly delivered, given and received: (a) if delivered by hand, when delivered; (b) if sent via facsimile before 5:00 p.m. (Pacific time) with confirmation of receipt, when transmitted and receipt is confirmed; (c) if sent via facsimile after 5:00 p.m. (Pacific time) with confirmation of receipt, the business day after being sent; (d) if sent by registered, certified or first class mail, the third business day after being sent; and (e) if sent by overnight delivery via a national courier service, one business day after being sent, in each case to the address or facsimile telephone number set forth beneath the name of such party below (or to such other address or facsimile telephone number as such party shall have specified in a written notice given to the other parties hereto):

If to Parent or Merger Sub:

Veracyte, Inc.
7000 Shoreline Court, Suite 250
South San Francisco, CA 94080
Attention: General Counsel
Facsimile: 650.243.6301

with a copy (which shall not constitute notice) to:

Silicon Counsel LLP
228 Hamilton Ave., 3rd Floor
Palo Alto, CA 94301
Attention: David Hubb
Facsimile: 650-440-4380

If to the Company (if before the Closing):

Allegro Diagnostics, Corp.
6 Clock Tower Place, Suite 255
Maynard, MA 01754
Attention: CFO
Facsimile:

with a copy (which shall not constitute notice) to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
Attention: William T. Whelan, Esq.
Telephone: (617) 542-6000
Fax: (617) 542-2241

If to the Company (if after the Closing):

Veracyte, Inc.
7000 Shoreline Court, Suite 250
South San Francisco, CA 94080
Attention: General Counsel
Facsimile: 650.243.6301

with a copy (which shall not constitute notice) to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
Attention: William T. Whelan, Esq.
Telephone: (617) 542-6000
Fax: (617) 542-2241

If to the Stockholder's Agent:

Andrey Zarur, Stockholders' Agent
c/o Kodiak Venture Partners III, L.P.
80 Williams Street, Suite 260
Wellesley, Massachusetts 02481
Fax: (781) 672-2501
Phone: (617) 240-4311

with a copy (which shall not constitute notice) to:

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
Attention: William T. Whelan, Esq.

Telephone: (617) 542-6000
Fax: (617) 542-2241

10.6 Headings. The headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

10.7 Counterparts and Exchanges by Electronic Transmission or Facsimile. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement. The exchange of a fully executed Agreement (in counterparts or otherwise) by electronic transmission in PDF format or by facsimile shall be sufficient to bind the parties to the terms and conditions of this Agreement.

10.8 Governing Law; Forum.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the

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State of California applicable to contracts executed in and to be performed in that state and without regard to any applicable conflicts of law.

(b) Except as otherwise permitted under Section 10.10 and subject to Section 10.8(c), in any action between the parties hereto arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement: (i) each of the parties irrevocably and unconditionally consents and submits to the exclusive jurisdiction and venue of any federal or state court sitting in Santa Clara County; and (ii) each of the parties irrevocably consents to service of process by first class certified mail, return receipt requested, postage prepaid.

10.9 Successors and Assigns. This Agreement shall be binding upon: (a) the Company and its successors and assigns (if any); (b) Parent and its successors and assigns (if any); and (c) Merger Sub and its successors and assigns (if any). This Agreement shall inure to the benefit of the Company, Parent, Merger Sub, the other Indemnitees and their respective successors and assigns (if any). The Persons referenced in Section 5.6 are intended third-party beneficiaries of such provisions and shall be entitled to enforce such provisions. After the Closing Date, Parent may freely assign any or all of its rights under this Agreement (including its indemnification, compensation and reimbursement rights under Section 9), in whole or in part, to any other Person without obtaining the consent or approval of any other party hereto or of any other Person.

10.10 Exclusive Remedy; Remedies Cumulative; Specific Performance. Notwithstanding anything to the contrary herein but subject to the following sentence, the indemnification rights set forth in Section 9 are and shall be the sole and exclusive remedies of Parent, the Buyer Indemnitees and the Seller Indemnitees with respect to this Agreement and the transactions contemplated hereby. The rights and remedies of the parties hereto shall be cumulative (and not alternative). Subject to Section 8.3, the parties to this Agreement agree that, in the event of any breach or threatened breach by any party to this Agreement of any covenant, obligation or other provision set forth in this Agreement, for the benefit of any other party to this Agreement: (a) such other party shall be entitled (in addition to any other remedy that may be available to it) to: (i) a decree or order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision; and (ii) an injunction restraining such breach or threatened breach; and (b) such other party shall not be required to provide any bond or other security in connection with any such decree, order or injunction or in connection with any related action or Legal Proceeding. Each party to the extent permitted by applicable Legal Requirements hereby waives any defenses it may have to the remedy of specific performance provided for herein.

10.11 Waiver. No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

10.12 Waiver of Jury Trial. Each of the parties hereto hereby irrevocably waives any and all right to trial by jury in any Legal Proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

10.13 Amendments. This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered: (a) prior to the Closing Date, on behalf of all parties hereto; and (b) after the Closing Date, on behalf of Parent and the Stockholders' Agent (acting exclusively for and on behalf of all of the Covered Securityholders).

10.14 Severability. In the event that any provision of this Agreement, or the application of any such provision to any Person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to Persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

10.15 Parties in Interest. Except for the provisions of Section 5.6 and Section 9, none of the provisions of this Agreement is intended to provide any rights or remedies to any Person other than the parties hereto and their respective successors and assigns (if any).

10.16 Entire Agreement. This Agreement and the other Transaction Documents set forth the entire understanding of the parties hereto relating to the subject matter hereof and thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter hereof and thereof; *provided*, *however*, that the Confidentiality Agreement shall not be superseded by this Agreement and shall remain in effect in accordance with its terms until the earlier of (a) the Effective Time; or (b) the date on which such Confidentiality Agreement is terminated in accordance with its terms.

10.17 Disclosure Schedule. The Disclosure Schedule shall be arranged in separate parts corresponding to the numbered and lettered sections contained herein permitting such disclosure, and the information disclosed in any numbered or lettered part shall be deemed to relate to and to qualify only the particular representation or warranty set forth in the corresponding numbered or lettered section herein permitting such disclosure.

10.18 Representation of the Company and the Covered Securityholders. Parent agrees, on its own behalf and on behalf of the Surviving Corporation, that, following the Closing, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. may serve as counsel to the Covered Securityholders, the Stockholders' Agent and their respective Affiliates in connection with any matters related to this Agreement and the transactions contemplated hereby, including any litigation, claim or obligation arising out of or relating to this Agreement or the transactions contemplated by this Agreement notwithstanding any representation by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. prior to the Closing Date of the Company.

10.19 Construction.

(a) Ambiguities. The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

(b) Including. As used in this Agreement, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

(c) References. Except as otherwise indicated, all references in this Agreement to "Sections," "Schedules" and "Exhibits" are intended to refer to Sections of this Agreement and Schedules and Exhibits to this Agreement.

(d) Singular; Plural; Gender. For purpose of this Agreement, whenever the context requires: (i) the singular number shall include the plural, and vice versa; (ii) the masculine gender shall include the feminine and neuter genders; (iii) the feminine gender shall include the masculine and neuter genders; and (iv) the neuter gender shall include the masculine and feminine genders.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first written above.

VERACYTE, INC.,
A Delaware corporation

By: /s/ Bonnie H. Anderson

Name: Bonnie H. Anderson

Title: President and Chief Executive Officer

FULL MOON ACQUISITION, INC.
A Delaware corporation

By: /s/ Julie A. Brooks

Name: Julie A. Brooks

Title: President

ALLEGRO DIAGNOSTICS, CORP.
A Delaware corporation

By: /s/ Michael D. Webb
Name: Michael D. Webb
Title: President and Chief Executive Officer

[SIGNATURE PAGE TO MERGER AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first written above.

SELLER PARTIES

CHTP/FUNDING LLC

By: Catalyst Health and Technology Partners II, LLC, Its Manager
By: CHTP GP, LLC, Its Manager

By: /s/ Joshua S. Phillips
Name: Joshua S. Phillips
Title: Managing Member

CATALYST HEALTH VENTURES L.P.

By: CHV GP, LLC, Its General Partner

By: /s/ Joshua S. Phillips
Name: Joshua S. Phillips
Title: Managing Member

CATALYST HEALTH VENTURES (P.F.) L.P.

By: CHV GP, LLC, Its General Partner

By: /s/ Joshua S. Phillips
Name: Joshua S. Phillips
Title: Managing Member

[SIGNATURE PAGE TO MERGER AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first written above.

SELLER PARTIES

Kodiak Venture Partners III, L.P.

By: Kodiak Ventures Management III, L.P., its General Partner
By: Kodiak Ventures Management (GP), LLC, its General Partner
By: Kodiak Ventures Management Corporation, Inc., its Member

By: /s/ Louis J. Volpe
Name: Louis J. Volpe
Title: Managing Member

Kodiak III Entrepreneurs Fund, L.P.

By: Kodiak Ventures Management III, L.P., its General Partner
By: Kodiak Ventures Management (GP), LLC, its General Partner
By: Kodiak Ventures Management Corporation, Inc., its Member

By: /s/ Louis J. Volpe
Name: Louis J. Volpe
Title: Managing Member

[SIGNATURE PAGE TO MERGER AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first written above.

STOCKHOLDERS' AGENT, and solely in his capacity as such,

By: /s/ Andrey Zarur
Name: Andrey Zarur

[SIGNATURE PAGE TO MERGER AGREEMENT]

LIST OF EXHIBITS

Exhibit A:	Definitions
Exhibit B:	Certificate of Merger
Exhibit C:	Certificate of Incorporation of Merger Sub
Exhibit D:	Escrow Agreement
Exhibit E:	Letter of Transmittal
Exhibit F:	Irrevocable Instructions
Exhibit G:	Proprietary Information and Confidentiality Agreement
Exhibit H:	Accredited Investor Status

Exhibit I: Resignations
Exhibit J: Release

EXHIBIT A
CERTAIN DEFINITIONS

For purposes of the Agreement (including this Exhibit A):

"Accounts Payable" means cash trade obligations related to vendors incurred in the normal course of business in the forty five (45) days preceding Closing and which are not classified as Indebtedness.

"Accounts Receivable" means cash trade receivables related to customers incurred in the normal course of business in the forty five (45) days preceding Closing.

"Agreement" shall have the meaning set forth in the introductory paragraph hereto.

"Acquisition Proposal" means any proposal, plan, agreement, understanding or arrangement contemplating (directly or indirectly) (i) any merger, consolidation, reorganization, recapitalization or similar transaction involving the Company, any of the Company's Subsidiaries or any other entity controlled by the Company or any of the Company's Subsidiaries, (ii) any transfer or issuance of any capital stock or other securities of the Company, any of the Company's Subsidiaries or any other entity controlled by the Company or any of the Company's Subsidiaries, except for stock options granted and shares issued upon the exercise of stock options, in each case in the ordinary course of business and consistent with the Company's past practices, (iii) any transfer of any material asset of the Company, any of the Company's Subsidiaries or any other entity controlled by the Company or any of the Company's Subsidiaries, or (iv) any similar transaction that may be inconsistent with or that may have an adverse effect upon any of the transactions contemplated by the Agreement (it being understood that, for the avoidance of doubt and without limiting the foregoing, this clause "(iv)" prohibits the Company from entering into transactions in which the Company assigns, sells or licenses any of its Intellectual Property Rights to a third party or transactions that would result in the other contracting party having any consent, other approval rights or adverse consequences that may be triggered by the Merger and the other transactions contemplated hereunder).

"Act" shall have the meaning set forth in Section 2A.3.

"Affiliate" or "Affiliate" of a specified person means a person who directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such specified person.

"Affymetrix Note" means the promissory note issued by the Company to Affymetrix, Inc., a Delaware corporation.

"Agreement" shall have the meaning set forth in the introductory paragraph hereto.

"Associate" or "Associates" means, with respect to either party, (i) such party's Subsidiaries and other entities under the control of such party, (ii) such party's directors, officers, employees, agents, representatives, accountants, attorneys and advisors, and (iii) the directors, officers, employees, partners, agents, representatives, accountants, attorneys and advisors of such party's Subsidiaries and other Affiliates.

"Audited Financial Statements" shall have the meaning set forth in Section 2.4(a).

"Basket" shall have the meaning set forth in Section 9.6(a).

"Buyer Indemnitees" means the following Persons: (a) Parent; (b) Parent's current and future Affiliates (including Merger Sub and, following the Merger, the Surviving Corporation); and (c) the respective successors and assigns of the Persons referred to in clauses "(a)" and "(b)" above.

"Cancelled Shares" shall have the meaning set forth in Section 1.5(b).

"Cap" shall have the meaning set forth in Section 9.6(b).

"Cash Consideration" means an amount, in cash, equal to the aggregate of the following: (i) the Initial Cash Consideration; *minus* (i) the Escrow Amount; *minus* (ii) the Holdback Amount; *minus* (iii) an amount equal to the Estimated Closing Indebtedness (as set forth on the Indebtedness Certificate), *plus* (iv) an amount equal to the Estimated Adjustment, if any (which may be a positive or negative number), *plus* (ii) an amount equal to the adjustment required for purposes of the Final Adjustment in accordance with Section 1.8(d) (which may be a positive or negative number), if any.

"Catalyst" shall have the meaning set forth in the introductory paragraph hereto.

"Certificate of Merger" shall have the meaning set forth in Section 1.3.

"Charter Documents" shall have the meaning set forth in Section 2.2.

"CLIA" means the Clinical Laboratory Improvement Amendments of 1988, as amended together with any rule, regulation, interpretation, guidance document, policy, judgment lawfully issued or promulgated thereunder by the Center for Medicare and Medicaid (or any predecessor entity).

"Closing" shall have the meaning set forth in Section 1.3.

"Closing Indebtedness Statement" shall have the meaning set forth in Section 1.9(b).

"Closing Date" shall have the meaning set forth in Section 1.3.

"Closing Indebtedness" shall have the meaning set forth in Section 1.9(a).

"COBRA" shall have the meaning set forth in Section 2.19(i).

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" shall have the meaning set forth in the introductory paragraph hereto.

"Company Capital Stock" means the shares of Company Common Stock and Company Preferred Stock, collectively.

"Company Charter Documents" shall have the meaning set forth in Section 5.6(b).

"Company Closing Certificate" shall have the meaning set forth in Section 6.6(f).

"Company Common Stock" means the shares of Common Stock of the Company, $0.01 par value per share

"Company Contract" means any Contract: (a) to which the Company is a party; (b) by which the Company or any of its assets is or may become bound or under which the Company has, or may become subject to, any obligation; or (c) under which the Company has or may acquire any right or interest.

"Company Cure Period" shall have the meaning set forth in Section 8.1(e).

"Company Databases" shall have the meaning set forth in Section 2.14(p).

"Company Employee" means any current or former employee, independent contractor, consultant (or similar relationship) or director of the Company or any affiliate of the Company.

"Company Employee Agreement" means each management, employment, severance, separation, bonus, commissions, consulting, contractor, relocation, repatriation or expatriation agreement, loan, visa, change in control,

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work permit, offer letter or other Contract between the Company and any Company Employee, whether written, unwritten or otherwise.

"Company Employee Plan" means any plan, program, policy, practice, Contract or other arrangement providing for compensation, bonus, commissions, incentive pay or benefits, severance, termination pay, deferred compensation, performance awards, options, stock, restricted stock units, stock appreciation rights or other stock- related awards, welfare benefits, fringe benefits or other employee benefits or remuneration of any kind, whether written, unwritten or otherwise, funded or unfunded, that is or has been maintained, contributed to, or required to be contributed to, by the Company for the benefit of any Company Employee, or with respect to which the Company has or may have any liability or obligation, including each "employee benefit plan," within the meaning of Section 3(3) of ERISA, and excluding any Company Employee Agreement.

"Company Financial Statements" shall have the meaning set forth in Section 2.4(a).

"Company IP" means all Intellectual Property and Intellectual Property Rights in which the Company has (or purports to have) an ownership interest or an exclusive license or similar exclusive right.

"Company IP Contract" means any Contract to which the Company is or was a party or by which the Company is or was bound, that contains any assignment or license of, or any covenant not to assert or enforce, any Intellectual Property Right or that otherwise relates to any Company IP or any Intellectual Property developed by, with or for the Company.

"Company Option" means all the outstanding stock options, stock issuance rights, stock appreciation rights, limited stock appreciation rights and stock purchase rights heretofore granted under any stock option, incentive or similar plan, agreement or arrangement of the Company and any subsidiaries.

"Company Option Holder" means a legal record holder of a Company Option.

"Company Option Plans" means the 2008 Equity Incentive Plan.

"Company Permits" shall have the meaning set forth in Section 2.16(c)(v).

"Company Preferred Stock" means the shares of Series A Preferred Stock, $0.01 par value per share of the Company, the shares of Series A-1 Preferred Stock, $0.01 par value per share of the Company, and any other series of preferred stock authorized and issued as of the date hereof, collectively.

"Company Products" means all products produced, manufactured, marketed or distributed at any time by the Company.

"Company Real Property" shall have the meaning set forth in Section 2.13(b).

"Company Returns" shall have the meaning set forth in Section 2.18(a).

"Company Software" shall have the meaning set forth in Section 2.14(l)(iv).

"Company Stock Certificates" shall have the meaning set forth in Section 1.12(d).

"Company Warrant" means all warrants to purchase or otherwise acquire shares of Company Capital Stock that are outstanding as of the date hereof or immediately prior to the Closing.

"Confidential Information" shall have the meaning set forth in Section 2.14(o).

"Confidentiality Agreement" means the Confidential Disclosure Agreement by and between the Company and Parent dated November 16, 2012.

"Consent" means any approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

"Consideration Shares" means the shares of Parent Common Stock issued pursuant to the Merger as part of the Stock Consideration.

"Contaminant" shall include any material, substance, chemical, gas, liquid, waste, effluent, pollutant or contaminant which, whether on its own or admixed with another, is identified or defined in or regulated by or pursuant to any Environmental Laws or which upon release into the Environment presents a danger to the Environment or to the health or safety or welfare of any Person, including petroleum or petroleum products, natural gas, synthetic gas, radon, methylene chloride and asbestos.

"Continuing Employee" shall have the meaning set forth in Section 5.7.

"Contract" means any written, oral or other agreement, contract, subcontract, lease, understanding, arrangement, instrument, note, warranty, insurance policy, benefit plan or legally binding commitment or undertaking of any nature.

"Convertible Notes" means the Senior Notes and the Junior Notes.

"Covered Securities" means shares of Series A-1 Preferred Stock (other than Cancelled Shares and Dissenting Shares).

"Covered Securityholders" means the holders of Covered Securities.

"D&O Tail" shall have the meaning set forth in Section 5.6.

"Delaware Law" shall have the meaning set forth in paragraph A. of the recitals hereto.

"Designated Country" shall have the meaning set forth in Section 2.28.

"Designated National" shall have the meaning set forth in Section 2.28

"Disclosure Documents" shall have the meaning set forth in Section 2A.7.

"Disclosure Schedule" means the schedule (dated as of the date of the Agreement) delivered to Parent on behalf of the Company and prepared in accordance with Section 10.17.

"Dissenting Shares" shall have the meaning set forth in Section 1.11.

"Effective Time" shall have the meaning set forth in Section 1.3.

"Entity" means any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization or entity.

"Environment" includes: (a) any and all buildings, structures, fixtures, fittings, appurtenances, pipes, conduits, valves, tanks, vessels and containers whether above or below ground level; and (b) ambient air, land surface, sub-surface strata, soil, surface water, ground water, river sediment, marshes, wet lands, flora and fauna.

"Environmental Costs" means any and all losses, liabilities, obligations, damages (including, compensatory and punitive damages), fines, penalties, judgments, actions, claims, costs, and expenses (including, fees, disbursements and expenses of legal counsel, experts, engineers and consultants and the costs of investigation and feasibility studies and clean up, remedial, removal or treatment activities, or in any other way addressing any Hazardous Materials) arising from, under or pursuant to any Environmental Law.

"Environmental Law" means: (a) the common law; and (b) all Legal Requirements, by-laws, orders, instruments, directives, decisions, injunctions and judgments of any government, local government, international, supranational, executive, administrative, judicial or regulatory authority or agency and all approved codes of practice (whether voluntary or compulsory) relating to the protection of the Environment or of human health or safety or welfare or to the manufacture, formulation, processing, treatment, storage, containment, labeling, handling, transportation, distribution, recycling, reuse, release, disposal, removal, remediation, abatement or clean-up of any Contaminant and any amendment thereto and any and all regulations, orders and notices made or served thereunder or pursuant thereto).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall have the meaning set forth in Section 2.19(k).

"Escrow Account" shall have the meaning set forth in Section 1.7(a).

"Escrow Agent" shall have the meaning set forth in Section 1.7(a).

"Escrow Agreement" shall have the meaning set forth in Section 1.7(a).

"Escrow Amount" shall have the meaning set forth in Section 1.7(a).

"Escrow Fund" shall have the meaning set forth in Section 1.7(a).

"Escrow Release Date" shall have the meaning set forth in Section 1.7(a).

"Estimated Adjustment" shall have the meaning set forth in Section 1.8(a).

"Estimated Closing Indebtedness" shall have the meaning in Section 1.9(d).

"Estimated Net Working Capital" shall have the meaning set forth in Section 1.8(a).

"Estimated Net Working Capital Statement" shall have the meaning set forth in Section 1.8(a).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Expiration Date" shall have the meaning set forth in Section 8.1(b).

"Facilities" will mean all buildings and improvements on any Property.

"Fair Market Value" means the average closing prices of Parent Common Stock as reported on the Nasdaq Global Market for the twenty (20) trading days prior to the date of the Agreement, which is $13.27 per share.

"FDA" means the United States Food and Drug Administration.

"FDCA" means the Federal Food, Drug and Cosmetic Act, as amended, together with any rule, regulation, interpretation, guidance document, policy, judgment lawfully issued or promulgated by the FDA.

"Final Adjustment" shall have the meaning in Section 1.8(b).

"Final Closing Indebtedness" shall have the meaning set forth in Section 1.9(d).

"Final Net Working Capital" shall have the meaning set forth in Section 1.8(b).

"Final Net Working Capital Statement" shall have the meaning set forth in Section 1.8(b).

"FIRPTA Notification" shall have the meaning set forth in Section 4.9.

"FIRPTA Statement" shall have the meaning set forth in Section 4.9.

"FMLA" shall have the meaning set forth in Section 2.19(i).

"Food and Drug Regulations" mean the Federal Food Drug and Cosmetic Act and all Legal Requirements that have been issued, enacted, adopted, passed, approved, promulgated, made, implemented or otherwise put into effect thereunder or otherwise by or under the authority of the FDA.

"401(k) Plan" shall have the meaning set forth in Section 4.6.

"Fraud Exception" shall have the meaning set forth in Section 9.1(a).

"Fundamental Representations" shall have the meaning set forth in Section 9.1(a).

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, that are applicable to the circumstances of the date of determination, consistently applied.

"Gala Therapeutics" means Gala Therapeutics BVBA — SPRL, an entity formed under the laws of Belgium.

"Governmental Authorization" means any: (a) permit, license, certificate, franchise, permission, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement; or (b) right under any Contract with any Governmental Body.

"Governmental Body" means any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; or (c) governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, unit, body or Entity and any court or other tribunal).

"Hazardous Material" means any substance, material or waste that is regulated, classified, or otherwise characterized under or pursuant to any Environmental Law as "hazardous," "toxic," "pollutant," "contaminant," "radioactive," or words of similar meaning or effect, including petroleum and its by-products, asbestos, polychlorinated biphenyls, radon, mold or other fungi and urea formaldehyde insulation.

"HIPAA" shall have the meaning set forth in Section 2.19(i).

"Holdback Amount" shall have the meaning set forth in Section 1.7(b).

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indebtedness" means, without duplication, all obligations (including all obligations for principal, interest, premiums, penalties, fees, and breakage costs) of the Company (i) in respect of indebtedness for money borrowed and indebtedness evidenced by notes, debentures, bonds or other similar instruments; (ii) issued or assumed as the deferred purchase price of property, or services, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities); (iii) under leases required to be capitalized in accordance with GAAP; (iv) secured by a Lien against any of its property or assets; (v) for bankers' acceptances or similar credit transactions issued for the account of the Company; (vi) under any

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currency or interest rate swap, hedge or similar protection device; (vii) under any letters of credit, performance bonds or surety obligations; (viii) in respect of all obligations of other persons of the type referred to in clauses "(i)" through "(iv)" the payment of which the Company is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations; (ix) any unpaid Transaction Expenses; (x) unpaid dividends or other obligations to any holder of Company Capital Stock, Company Options, Convertible Notes or other Company security regardless of whether incurred in connection with borrowed money or in the normal course of business; (xi) with respect to employee obligations, including all withholding and payroll tax amounts; (xii) vendor obligations for which payment has been deferred contractually or for which payment has not been made according to invoice or contractual terms; (xiii) obligations related to the Company's facility located at 6 Clock Tower Place, Suite 255, Maynard, MA 01754; (xiv) obligations related to testing, collection, maintenance, or assessment of patients and related samples; and (xv) any consulting arrangements with terms that extend beyond Closing which do not include a 30-day termination provision.

"Indebtedness Certificate" shall have the meaning set forth in Section 1.9(a).

"Indemnification Claim" shall have the meaning set forth in Section 9.5(a).

"Indemnitees" means any and all Buyer Indemnitees and Seller Indemnitees.

"Independent Accountant" shall have the meaning set forth in Section 1.8(c).

"Information Statement" means a statement prepared by the Company and relating to the vote by the stockholders of the Company on the adoption of the Agreement and the approval of the Merger and the other transactions contemplated by the Agreement.

"Initial Cash Consideration" means an amount, in cash, equal to $8,202,682.

"Intellectual Property" means intellectual property in its customary broad sense, including sales methodologies and processes, training protocols and similar methods and processes, algorithms, APIs, apparatus, circuit designs and assemblies, gate arrays, IP cores, net lists, photomasks, mask works, mask work rights, test vectors, databases, data collections, design rules, diagrams, formulae, inventions (whether or not patentable), know- how, logos, marks (including brand names, product names, logos, and slogans), methods, network configurations and architectures, processes, proprietary information, protocols, schematics, specifications, software, software code (in any form, including source code and executable or object code), subroutines, techniques, user interfaces, URLs, web sites, works of authorship and other forms of technology (whether or not embodied in any tangible form and including all tangible embodiments of the foregoing, such as instruction manuals, laboratory notebooks, prototypes, samples, studies and summaries).

"Intellectual Property Rights" means all rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (a) rights associated with works of authorship, including exclusive exploitation rights, copyrights and moral rights; (b) trademark and trade name rights and similar rights; (c) trade secret rights; (d) patent and industrial property rights; (e) other proprietary rights in Intellectual Property; and (f) rights in or relating to registrations, renewals, extensions, combinations, divisions, and reissues of, and applications for, any of the rights referred to in clauses "(a)" through "(e)" above.

"Interim Balance Sheet" shall have the meaning set forth in Section 2.4(a).

"Interim Balance Sheet Date" shall have the meaning set forth in Section 2.4(a).

"Interim Balance Sheet Accounts Receivable" shall have the meaning set forth in Section 2.8(a).

"Irrevocable Instructions" shall have the meaning set forth in Section 1.12(d).

"Junior Lenders" means Kodiak, Kodiak Venture and Catalyst.

"Junior Notes" means the convertible promissory notes in the aggregate principal amount of $4,000,000 issued by the Company to the Junior Lenders pursuant to the terms of the Junior Note Purchase Agreement.

"Junior Note Purchase Agreement" means that Note Purchase Agreement dated as of June 28, 2013 by and among the Company and the Junior Lenders pursuant to which the Company issued the Junior Notes to the Junior Lenders.

An individual shall be deemed to have "Knowledge" of a particular fact or other matter if: (a) such individual is actually aware of such fact or other matter; or (b) a prudent individual, after reasonable investigation, should have known such fact or other matter under the circumstances. The Company shall be deemed to have "Knowledge" of a particular fact or other matter if any officer or director of the Company or any of the following individuals has Knowledge of such fact or other matter: Michael D. Webb, Avrum Spira, M.D., MSc, Duncan Whitney, Ph.D, Ed Parson and Kate Porta.

"Kodiak" shall have the meaning set forth in the introductory paragraph hereto.

"Kodiak Venture" shall have the meaning set forth in the introductory paragraph hereto.

"Legal Proceeding" means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Body or any arbitrator or arbitration panel.

"Legal Requirement" means any federal, state, local, municipal, foreign or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body, including with respect to the import or export of Company Products.

"Letter of Transmittal" shall have the meaning set forth in Section 1.12(d).

"Liability" means any debt, obligation, duty or liability of any nature (including any unknown, undisclosed, unmatured, unaccrued, unasserted, contingent, indirect, conditional, implied, vicarious, derivative, joint, several or secondary liability), regardless of whether such debt, obligation, duty or liability would be required to be disclosed on a balance sheet prepared in accordance with GAAP and regardless of whether such debt, obligation, duty or liability is immediately due and payable.

"Lien" means any lien, encumbrance, mortgage, pledge, hypothecation, charge, security interest, deed of trust, ground lease, lease, sublease, assessment, tenancy, claim, community property interest, easement, equitable interest, option, right of first refusal, voting trust or arrangement, transfer restriction of any kind, including, any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership or restriction of any nature.

"List" means the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or any other list, schedule, log, inventory or record, however defined, maintained by any Governmental Body with respect to sites from which there has been a Release of Hazardous Materials.

"Loss" or "Losses" means any and all actions, suits, proceedings, hearings, investigations, charges, complaints, demands, injunctions, judgments, orders, decrees, rulings, dues, amounts paid in settlement, Taxes, Liens, damages, liabilities, losses (irrespective of the characterization thereof), claims, obligations, assessments, fines, penalties, costs and expenses (including reasonable fees and expenses of counsel, accountants and other applicable professionals), whether direct or indirect, and whether or not arising out of Third Party Claims, and including all amounts paid in investigation, defense, settlement or enforcement of the foregoing. The parties acknowledge and agree that, after the Closing Date, Losses of the Company shall constitute Losses of Parent.

"Material Contracts" shall have the meaning set forth in Section 2.15(a).

"Material Adverse Effect" means any change, event, effect, claim, circumstance or matter (each, an "Effect") that (considered together with all other Effects) is, or would reasonably be expected to be or to become, materially adverse to: (a) the business, condition, assets, capitalization, Intellectual Property, Liabilities, operations, results of operations, financial performance or prospects of the Company; (b) Parent's right to own, or to receive dividends or other distributions with respect to, the stock of the Surviving Corporation; or (c) the ability of the Company to perform any of its material covenants or obligations under the Agreement or under any other Contract or instrument executed, delivered or entered into in connection with any of the transactions contemplated by the Agreement.

"Merger" shall have the meaning set forth in paragraph A. of the recitals hereto.

"Merger Consideration" means the aggregate of the Initial Cash Consideration and the Stock Consideration payable by (or at the direction of) Parent to Covered Securityholders pursuant to the Agreement.

"Merger Consideration Certificate" shall have the meaning set forth in Section 6.6(g).

"Merger Sub" shall have the meaning set forth in the introductory paragraph hereto.

"Net Working Capital" shall have the meaning set forth in Section 1.8(a).

"Net Working Capital Estimate" shall have the meaning set forth in Section 1.8(a).

"Officer's Certificate" shall have the meaning set forth in Section 9.5(c)(i).

"Open Source Code" means any software code that is distributed as "free software" or "open source software" or is otherwise distributed publicly in source code form under terms that permit modification and redistribution of such software. Open Source Code includes software code that is licensed under the GNU General Public License, GNU Lesser General Public License, Mozilla License, Common Public License, Apache License, BSD License, Acquireric License, or Sun Community Source License.

"Parent" shall have the meaning set forth in the introductory paragraph hereto.

"Parent Cash True-Up" shall have the meaning set forth in Section 1.8(d).

"Parent Common Stock" means Parent's common stock, par value $0.001 per share.

"Parent Cure Period" shall have the meaning set forth in Section 8.1(f).

"Permitted Lien" means (i) Liens for Taxes and other governmental charges and assessments which are not yet due and payable, or which are being contested in good faith and for which the Company has provided adequate reserves in accordance with GAAP, (ii) Liens of landlords and liens of carriers, warehousemen, mechanics and materialmen and other like Liens arising in the ordinary course of business for sums not yet due and payable, or which are

being contested in good faith and for which the Company has provided adequate reserves in accordance with GAAP, (iii) purchase money liens or Liens incurred under equipment leases, (iv) pledges or deposits made in the ordinary course of business not incurred in connection with borrowed money, (v) other Liens or imperfections on property which are not material in amount or do not materially detract from the value or the property affected by such lien or imperfection, (vi) zoning, planning, and other similar limitations and restrictions, and all rights of any Governmental Body to regulate any property, (vii) all matters of record, that would not, in the aggregate, reasonably be expected to materially detract from the value of the affected property, and (viii) any Lien that is released on or prior to the Closing.

"Person" means any individual, Entity or Governmental Body.

"Personal Data" means a natural person's name, street address, telephone number, e-mail address, photograph, social security number, driver's license number, passport number, or customer or account number, or

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any other piece of information that allow the identification of a natural person.

"Pre-Closing Period" shall have the meaning set forth in Section 4.1.

"Pre-Closing Taxes" means any Taxes of the Company for any tax period of the Company (i) ending on or prior to the Closing Date; or (ii) commencing prior to and ending after the Closing Date to the extent allocable to the pre-closing portion of such tax period. The amount of any tax based on or measured by income or receipts of the Company that is allocable to the pre-closing portion of a tax period described in (ii) shall be determined based on an interim closing of the books as of 5:00 p.m. (Pacific time) on the Closing Date (and for such purpose, the taxable period of any partnership or other pass-through entity in which the Company holds a beneficial interest shall be deemed to terminate at such time) and the amount of any other tax of the Company for such a tax period that is allocable to the pre-closing portion thereof shall be deemed to be the amount of such tax for the entire tax period multiplied by a fraction, the numerator of which is the number of days in the tax period ending on the Closing Date and the denominator of which is the total number of days in tax period.

"Privacy Laws" means all applicable security and privacy standards regarding protected health information under (i) the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, including the regulations promulgated thereunder (collectively "HIPAA") and (ii) any applicable state privacy Legal Requirements.

"Promissory Note" means any promissory note or similar instrument issued by the Company, whether or not convertible into shares of Company Capital Stock.

"Pro Rata Share" means with respect to any Covered Securityholder, the percentage obtained by dividing (i) the number of shares of Company Series A-1 Preferred Stock held by such Covered Securityholder immediately prior to the Effective Time *by* (ii) the total number of outstanding shares of Company Series A-1 Preferred Stock immediately prior to the Effective Time (in the cases of clauses "(i)" and "(ii)": (A) excluding Cancelled Shares and (B) excluding Dissenting Shares for purposes of Section 9 of the Agreement).

"Property" means the real property leased, owned, operated, used or occupied by the Company either currently or in the past.

"Proprietary Information and Invention Agreement" means the Company's standard Proprietary Information and Inventions Agreement, substantially in the form of Exhibit E, as such standard form may be amended and supplemented by the Company.

"Recovered Amount" shall have the meaning set forth in Section 9.9.

"Registered IP" means all Intellectual Property Rights that are registered, filed or issued under the authority of, with or by any Governmental Body, including all patents, registered copyrights, registered trademarks and all applications for any of the foregoing.

"Regulatory Action" means any Legal Proceeding with respect to the Company brought or instigated by any Governmental Body in connection with any Environmental Costs, Release of Hazardous Materials or any Environmental Law.

"Regulatory Documentation" shall have the meaning set forth in Section 2.16(c)(vi).

"Related Party" means: (a) each stockholder who holds more than 1% of the Company; (b) each individual who is, or who has at any time since January 1, 2010 been, an officer or director of the Company; (c) each member of the immediate family of each of the individuals referred to in clauses "(a)," and "(b)" above; and (d) any trust or other Entity (other than the Company) in which any one of the Persons referred to in clauses "(a)," "(b)" and "(c)" above holds (or in which more than one of such Persons collectively hold), beneficially or otherwise, a material voting, proprietary or equity interest (provided, however, notwithstanding the foregoing, the other portfolio companies of the venture capital funds and other investors in the Company with whom a director is affiliated shall be deemed not to be Related Parties).

"Release" means any release, spill, emission, leaking, pumping, pouring, injection, deposit, dumping, emptying, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, or into or out of any property.

"Release Agreement" means the general release and waiver of all claims against the Company and Seller and their respective Affiliates, substantially in the form of Exhibit J.

"Representatives" means officers, directors, employees, agents, attorneys, accountants, advisors and any other representatives.

"Required Merger Stockholder Vote" shall have the meaning set forth in Section 2.26(a).

"SEC" shall have the meaning set forth in Section 2A.3.

"Section 280G" means, collectively, the parachute payment provisions of Section 280G of the Code and the Treasury Regulations thereunder.

"Seller Indemnitees" means the following Persons: (a) the Covered Securityholders, (b) the Covered Securityholders' current and future Affiliates and (c) the respective successors and assigns of the Persons referred to in clauses "(a)" and ("b") above.

"Seller Parties" shall have the meaning set forth in the introductory paragraph hereto.

"Senior Lenders" means Kodiak, Kodiak Venture and Catalyst.

"Senior Notes" means the convertible promissory notes in the aggregate principal amount of $1,625,000 issued by the Company to the Senior Lenders pursuant to the terms of the Senior Note Purchase Agreement.

"Senior Note Purchase Agreement" means that Note Purchase Agreement dated as of March 28, 2014 by and among the Company and the Senior Lenders pursuant to which the Company issued the Senior Notes to the Senior Lenders.

"Series A-1 Per Share Cash Amount" means for each share of Company Series A-1 Preferred Stock, an amount equal to the Cash Consideration multiplied by the Pro Rata Share.

"Series A-1 Per Share Stock Amount" means for each share of Company Series A-1 Preferred Stock, the Stock Consideration divided by number of shares of Company Series A-1 Preferred Stock outstanding immediately prior to the Effective Time.

"Series A-1 Per Share Holdback Amount" means for each share of Company Series A-1 Preferred Stock, an amount, in cash, equal to the Holdback Amount multiplied by the Pro Rata Share.

"Significant Supplier" shall have the meaning set forth in Section 2.9.

"Social Security Act" shall have the meaning set forth in Section 2.16(b)(vi).

"Specified Current Assets" means Accounts Receivable, cash, deposits and prepaid expenses.

"Specified Current Liabilities" means Accounts Payable and items that constitute Indebtedness and which have been accrued for on the Estimated Net Working Capital Statement and which are not otherwise reflected in the Closing Indebtedness.

"Specified Offer Letter" means an offer letter for employment with Parent (or any Affiliate thereof) that provides for total compensation and benefits that are substantially similar to the total compensation and benefits such recipient had received at the Company as of the date of the Agreement (it being understood that total

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compensation and benefits might still be substantially similar even though individual items of compensation and benefits will differ).

"Specified Representations" shall have the meaning set forth in Section 9.1(a).

"Stockholders' Agent" shall have the meaning set forth in Section 10.1(a).

"Stockholders' Agent Fees" shall have the meaning set forth in Section 10.1(f).

"Stock Consideration" means the number of shares of Parent Common Stock issuable by Parent to the Covered Securityholders determined by dividing (i) the difference of Twenty-One Million Dollars ($21,000,000) minus the Initial Cash Consideration by (ii) the Fair Market Value of a share of Parent Common Stock.

An entity shall be deemed to be a "Subsidiary" of another Person if such Person directly or indirectly owns or purports to own, beneficially or of record: (a) an amount of voting securities of or other interests in such Entity that is sufficient to enable such Person to elect at least a majority of the members of such Entity's board of directors or other governing body; or (b) at least 50% of the outstanding equity, voting, beneficial or financial interests in such Entity.

"Subordinated Lender" means Gala Therapeutics.

"Subordinated Note" means the Senior Secured Convertible Promissory Note issued by the Company on October 30, 2013 to the Subordinated Lender in the aggregate principal amount of $1,300,000.

"Support Agreement" shall have the meaning set forth in paragraph D. of the recitals hereto.

"Surviving Corporation" shall have the meaning set forth in Section 1.1.

"Tax" includes all forms of taxation and statutory, governmental, supra-governmental, state, principal, local government or municipal impositions, duties, contributions, charges and levies, whenever imposed, and all penalties, charges, surcharges, costs, expenses and interest relating thereto and without limitation all employment taxes and any deductions or withholdings of any sort regardless of whether any such taxes, impositions, duties, contributions, charges and levies are chargeable directly or primarily against or attributable directly or primarily to the Company, or any other person and of whether any amount in respect of any of them is recoverable from any other person.

"Tax Return" means any return (including any information return), report, statement, declaration, estimate, schedule, notice, notification, form, election, certificate or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in

connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

"Testing Product" shall have the meaning set forth in Section 2.16(b)(i).

"Third Party Claim" shall have the meaning set forth in Section 9.

"Third Party Claim Notice" shall have the meaning set forth in Section 9.5(b).

"Third-Party Environmental Claim" means any Legal Proceeding (other than a Regulatory Action) based on negligence, trespass, strict liability, nuisance, toxic tort or any other cause of action or theory relating to any Environmental Costs, Release of Hazardous Materials or any violation of Environmental Law.

"Transaction Documents" means the Agreement, the Escrow Agreement, the Letter of Transmittal and each other agreement, document or instrument referred to in or contemplated by the Agreement.

"Transaction Expenses" means the aggregate amount of all payments that become due and payable as a

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result of the Merger including, but not limited to (in each case only to the extent that (A) payment is sought from Parent, the Company or the Surviving Corporation and (B) such payment has not been made prior to the Closing or included in the calculation of Final Net Working Capital) employee bonuses, third party fees, costs and expenses that are or may be incurred by the Company and if applicable any security holders of the Company, or the Stockholders' Agent on behalf of such security holders, in connection with the preparation, negotiation and execution of the Agreement and the consummation of the transactions contemplated hereby, including: (i) the fees and disbursements of the financial advisor and outside counsel to the Company and/or the Stockholders' Agent incurred in connection with the transactions contemplated hereby; (ii) the out-of-pocket fees and expenses of any other agents, advisors, consultants and experts employed or engaged by the Company and/or the Stockholders' Agent in connection with the Merger, including the fees and expenses payable to Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. and Covington Associates LLC; (iii) the expenses of the Stockholders' Agent incurred, or that may be incurred, in such capacity; and (iv) the total premium paid or payable by the Company to satisfy its obligations under Section 5.6 with respect to the purchase of the D&O Tail.

"Transfer Agent" means Broadridge Financial Solutions, Inc.

"WARN" shall have the meaning set forth in Section 2.19(a).

Exhibit 10.1

****** CONFIDENTIAL TREATMENT REQUESTED.***
Confidential portions of this document have been redacted and have been separately filed with the Commission.

Execution Version

AMENDED AND RESTATED U.S. CO-PROMOTION AGREEMENT

BETWEEN

Genzyme Corporation, with offices located at 500 Kendall Street, Cambridge, Massachusetts 02142 (hereinafter referred to as "Genzyme")

and

Veracyte, Inc., with offices located at 7000 Shoreline Ct., Ste. 250, South San Francisco, CA 94080 (hereinafter also referred to as "Veracyte")

WHEREAS

A. Veracyte has developed the Afirma® Thyroid FNA Analysis, which includes centralized cytopathology and molecular testing services for the assessment of thyroid nodules;

B. Genzyme is engaged in the business of and has expertise in, among other things, the sales and marketing of Thyrogen® (thyrotropin alfa for injection), a product for patients with thyroid cancer;

C. Veracyte and Genzyme entered into that certain Co-Promotion Agreement dated as of January 18, 2012 and amended as of April 9, 2013 (the "Prior Agreement") to co-promote the Afirma Thyroid FNA Analysis in the United States and its territories and possessions (the "U.S.") and in the countries in Territory B (as defined in the Prior Agreement); and

D. Veracyte and Genzyme desire to amend and restate the Prior Agreement as of the Amendment Effective Date to, among other things, change the terms and conditions of the co-promotion of the Afirma Thyroid FNA Analysis in the U.S. and eliminate the co-promotion of the Alfirma Thyroid FNA Analysis outside the U.S. subject to the parties' obligation to negotiate in good faith to enter into a separate co-promotion agreement with respect to certain ex-U.S. countries under a separate agreement entered in by the parties simultaneously with this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1 - DEFINITIONS

1.1 In the terms defined herein, the singular shall include the plural and vice versa.

"Ad/Prom Materials" shall have the meaning set forth in Section 3.6.1.

"Affiliate" shall mean any entity that directly or indirectly controls, is controlled by or is under common control with another entity. The term "control", including the terms "controlled by" or "under common control with" means the possession of, directly or indirectly, the capability to control the direction of the management and policies of any entity, whether through the ownership of shares, by contract or otherwise.

"Afirma" shall mean Afirma Thyroid FNA Analysis.

"Agreement" shall mean this Amended and Restated U.S. Co-Promotion Agreement and its Exhibits.

"Amendment Effective Date" shall mean January 1, 2015.

"Annual Commercial Plan" shall have the meaning set forth in Section 3.2.

"Call" shall mean a face-to-face visit by a direct professional sales representative of Genzyme or its Affiliates or Veracyte or its Affiliates to a Healthcare Professional for the purposes of promoting the Test. For the avoidance of doubt, visits primarily related to complaints or otherwise primarily related to customer service shall not be deemed "Calls".

"Call Obligations" shall have the meaning set forth in Section 3.1.2.

"CAPAs" shall have the meaning set forth in Section 4.8.2.

"Change of Control" shall mean that (i) any person/entity controlling a party ceases to control that party; (ii) any person/entity not controlling a party obtains control of that party; (iii) the acquisition, directly or indirectly, by any Person or group of related Persons (other than any Person that controls, is controlled by or is under common control with a party) of beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of securities possessing more than fifty percent (50%) of the total combined voting power of a party's outstanding securities; (iv) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of such party's outstanding securities are transferred to a Person or Persons different from the Persons holding those securities immediately prior to such transaction; or (v) the sale, transfer or other disposition of all or substantially all of such party's assets; *provided, however,* that in the case of Genzyme, if any of the foregoing occurs in connection with or as a result of reorganization or a transaction with Sanofi and/or

another Affiliate, then it shall not be deemed a Change of Control for purposes of this Agreement. The term "control", including the term "controlling" means

the possession of, directly or indirectly, the capability to control the direction of the management and policies of a party, whether through the ownership of shares, by contract or otherwise. The term "Person" shall mean an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, governmental authority, or any other form of entity not specifically listed herein.

"CLIA" shall have the meaning set forth in Section 4.1.1(e).

"Collection Activities" shall have the meaning set forth in Section 4.11.

"Collection Kits" shall mean the sample collection and sample transport supplies intended for the collection and transport of human thyroid FNA samples for the Test, which may include, without limitation, collection tubes with preservation solution, slide holders, and sample shipment materials, as may be determined by Veracyte from time to time in a manner consistent with applicable laws and Marketing Authorizations. For the avoidance of doubt, Collection Kits do not include syringes, needles or other devices for sample aspiration from patients or any other materials intended to come in physical contact with patients.

"Commercially Reasonable Efforts" shall mean that level of effort which would be devoted by an independent entity seeking to expeditiously and diligently pursue its own business efforts in light of relevant circumstances, but in no case less than that level of efforts and resources, in such a manner, and with such expedition as a party itself would adopt in launching, promoting and detailing its own services or products with similar market value or potential as the Test, taking into consideration all relevant considerations, including without limitation patent protection or trade secret protection. For the avoidance of doubt, the aforementioned examples of relevant considerations are not intended to be exhaustive and no one such consideration (such as the absence of patents or trade secret protection in a particular country alone) is intended to be determinative in and of itself of whether a party exercised the requisite level of diligence.

"Complaint" shall mean a written, electronic or oral communication or expression of dissatisfaction that alleges deficiencies related to the Test (including Improvements), including, without limitation, identity, quality, labelling, safety, accuracy or performance of the Test.

"Confidential Information" shall mean all information not known to the general public or of a confidential nature disclosed (in writing, verbally, electronically, or by any other means directly or indirectly) by or on behalf of one party (the "Disclosing Party") to the other party (the "Receiving Party") under this Agreement, including, without limitation, any information relating to (i) the manufacture, testing, price, Complaints about (except as are required to be disclosed to Regulatory Authorities), Marketing Authorizations for, customers of, or defects in, the Test, (ii) a party's inventions, discoveries, improvements, methods, products, finances, operations, processes, plans, product information (including

new or prototype products), know-how, design rights, trade secrets, market opportunities, regulatory information, customer and supplier information and business affairs, and (iii) the provision of the Test.

"Detail Report" shall have the meaning set forth in Section 3.5.

"Dutch Study" shall mean the clinical studies conducted in accordance with the clinical trial protocols entitled "Clinical Management of Patients with Cytopathology Indeterminate Thyroid Nodules: A Retrospective Study" and "Clinical Management of Patients with Afirma Gene Express Classifier for Thyroid Nodules with Indeterminate FNA Cytopathology."

"Extended Term" shall have the meaning set forth in Section 11.1.

"FNA" shall mean fine needle aspiration biopsy(ies).

"FTE" shall have the meaning set forth in Section 3.3.

"Future Test" shall mean any product or service, other than the Test, and all improvements to such product or service, that Veracyte owns, controls or has rights to at any time during the Term, that (i) is/are for additional thyroid cancer diagnosis or treatment applications including, without limitation, tests developed on cytopathology diagnoses other than Indeterminate, and (ii) require(s) one or more additional clinical study(s) in order to obtain Marketing Authorization or, if Marketing Authorization is not required, to effectively compete in the market. For purposes of clarity, Future Test does not include any product or service used outside of the field of thyroid cancer diagnosis and treatment, including, without limitation, the diagnosis or treatment of any other tissues, organs, or systems or any other diseases or conditions.

"GAAP" shall mean then-current U.S. generally accepted accounting principles, consistently applied.

"Genzyme Activities" shall have the meaning set forth in Section 3.1.1.

"Genzyme Trademarks" shall mean Trademarks of Genzyme.

"Healthcare Professionals" shall mean (i) health care providers qualified to prescribe, recommend, or perform diagnostic testing for thyroid cancer, in each case who are authorized by applicable law to authorize, utilize, or prescribe the Test and (ii) any associated staff who need to be educated about the Test (including without limitation logistics related to the Test), including but not limited to nurses, laboratory technicians, physician assistants, and administrative staff.

"HIPAA" shall have the meaning set forth in Section 4.7.

"Improvement(s)" shall mean any and all modifications, variations, revisions or other improvements to the Test that: (i) are not otherwise described in the Veracyte Intellectual Property as of the Original Effective Date; (ii) are made during the Term of this Agreement, by or on behalf of Veracyte, its Affiliates or any employees, consultants or other persons under Veracyte's direction or control; and (iii) are commercialized or offered for sale by Veracyte or its Affiliates including, without limitation, any product or service sold under the name "Afirma", during the Term of this Agreement in the Territory. For purposes of clarity, Improvements shall not include Future Tests.

"Indeterminate" shall mean, as of the Original Effective Date, the following: follicular lesion of undetermined significance (FLUS)/atypia, follicular/Hurthle cell neoplasm or suspicious for follicular/Hurthle cell neoplasm, and suspicious for malignancy. The definition of Indeterminate may be updated and amended in writing as reasonably determined by Veracyte in good faith, including based on applicable regulatory or clinical practice guidelines or market needs.

"Initial Term" shall have the meaning set forth in Section 11.1.

"Intellectual Property Rights" shall mean all rights, privileges and priorities provided under federal, state, foreign and multinational law relating to intellectual property, including without limitation all (i) (A) U.S. and foreign patents and patent applications, inventions, discoveries, machines, manufactures, compositions of matter, processes, formulae, designs, methods, techniques, procedures, concepts, developments, technology, new and useful improvements thereof and know-how relating thereto, whether or not patented or patentable; (B) copyrights and works of authorship, including computer applications, programs, software, hardware, files, mask works, compilations, databases, documentation and related items; (C) trademarks, service marks, trade names, domain names, URLs, email addresses, brand names, corporate names, logos and trade dress and the goodwill of any business symbolized thereby; (D) trade secrets, drawings, lists and all other proprietary, nonpublic or confidential information, documents or materials in any media; and (ii) all registrations, applications, recordings and other legal protections or rights related to the foregoing.

"Labeled Uses" shall mean the diagnostic indications covered by the Marketing Authorization for the Test or, in the absence of any such Marketing Authorization in the Territory, the supporting clinical documentation approved by Veracyte.

"Lead" shall mean a Healthcare Professional account that may be reasonably appropriate for Calls.

"Liabilities" shall have the meaning set forth in Section 10.1.1.

"Marketing Authorization" shall mean the regulatory authorization required to market and sell the Test in the Territory, if any.

"Minimum Call Requirement" shall have the meaning set forth in Section 3.1.1.

"Minimum Talks Requirement" shall have the meaning set forth in Section 3.6.3.

"Net Revenues" shall mean actual cash received by Veracyte from the sale of Tests in the Territory, including, but not limited to, cash paid on payor claims and out-of-pocket payments by patients. For clarity, (a) Veracyte's Test Processing Costs for the Test shall not be deducted in the calculation of Net Revenues, (b) any royalties, licensing fees, damages, or settlement costs paid in order to obtain or maintain rights to a third party's Intellectual Property Rights, which rights are necessary or useful for using, processing, making or commercializing the Test, shall not be deducted in the calculation of Net Revenues, and (c) any costs or royalties (owed to a third party) associated with a third party's performance of any part(s) of Veracyte's responsibilities under this Agreement shall not be deducted in the calculation of Net Revenues.

"New Genzyme Product" shall have the meaning set forth in 3.1.3.

"Original Effective Date" shall mean January 18, 2012.

"Prior Agreement" shall have the meaning set forth in the recitals.

"Promotion Fees" shall have the meaning set forth in Section 6.1.

"Qualified Regulatory Event" shall have the meaning set forth in Section 11.6.4.

"Quarterly Net Revenue Report" shall have the meaning set forth in Section 6.2.

"RE Notice" shall have the meaning set forth in Section 11.6.1.

"Regulatory Authority" shall mean the authority or agency responsible for granting a Marketing Authorization or approving the provision and provider of the Test.

"Regulatory Event" shall have the meaning set forth in Section 11.6.4.

"Regulatory Termination" shall have the meaning set forth in Section 11.6.1.

"Sales Force Maintenance Default" shall have the meaning set forth in Section 3.3.

"Steering Committee" shall have the meaning set forth in Section 5.1.

"Subject Products" shall mean Thyrogen and any New Genzyme Product, but excludes any Third Genzyme Product.

"Term" shall mean the Initial Term and the Extended Term, if any.

"Territory" shall mean the United States and its territories and possessions.

"Territory Sales Force FTEs" shall have the meaning set forth in Section 3.3.

"Test" shall mean the Afirma service that includes the assessment of thyroid nodule FNAs by cytopathology and/or the assessment of cytopathology Indeterminate FNAs by the Afirma Gene Expression Classifier to reclassify the nodule as benign or suspicious for malignancy, including any Improvements thereto. The term "Test" includes the utilization of the Collection Kits, preparation, analysis and reporting of patient results and for the avoidance of doubt does not include any devices used for sample aspiration from the patient. Any second or subsequent generation of the Afirma service will be included in the definition of "Test".

"Test Processing Costs" shall mean all direct and indirect costs incurred by Veracyte for activities associated with the collection of FNAs and processing (including, without limitation, direct costs associated with finishing processes such as packaging, labelling and other preparation, quality assurance, quality control, testing, storage and shipping) of the Test including, without limitation, costs of labor (including, but not limited to, salaries, bonuses, benefits and stock-based compensation), raw materials, supplies, services, license and royalty fees, costs associated with third party cytopathology laboratory services, and other resources directly consumed or used in the conduct of the applicable activity and any fees payable to any third party to the extent attributable to the collection of FNAs and processing of the Test, and all indirect costs including without limitation costs of indirect labor (including but not limited to salaries, bonuses, benefits and stock-based compensation), facilities, utilities, insurance, administrative costs, and facility and equipment depreciation and amortization, where applicable to the extent directly related to the applicable activity, allocated consistent with GAAP and as historically applied by Veracyte prior to the Original Effective Date of this Agreement. All such cost determinations shall be made in accordance with GAAP and shall be supported by appropriate documentation.

"Third Genzyme Product" shall have the meaning set forth in Section 3.1.3.

"Thyrogen" shall mean Thyrogen® (thyrotropin alfa for injection) and any and all modifications, variations, revisions, uses or other improvements thereto.

"Trademarks" shall mean all registered trademarks, trademarks or trade names (whether or not appearing in large print or with the trademark symbol) of Genzyme and Veracyte and their respective Affiliates, licensors or joint venture partners, as applicable, listed on Exhibit B. The use of these Trademarks or any other materials, except as permitted by this Agreement, is expressly prohibited and may be in violation of copyright law, trademark law or other proprietary rights of Genzyme or Veracyte. Exhibit B shall be

updated and amended by the parties in writing in the event that (a) Veracyte adopts a new Trademark for use in connection with Improvements or any Future Tests that is added to this Agreement pursuant to Section 2.5, (b) Genzyme adds an additional product to the portfolio pursuant to Section 3.1.3 and (c) either party uses a new Trademark for the portion of its business operations related to the co-promotion of the Test.

"U.S." shall have the meaning set forth in the recitals.

"Veracyte Intellectual Property" shall mean any and all Intellectual Property Rights exclusively or non-exclusively (with the right to grant sublicenses) owned or controlled by Veracyte or its Affiliates during the Term that are required for Genzyme to carry out its obligations to promote, market and detail the Test under this Agreement. For the avoidance of doubt, Veracyte Intellectual Property includes any Intellectual Property Rights related to Improvements required to promote, market and detail any such Improvements to the Test. The Veracyte Intellectual Property includes the patents and patent applications identified in Exhibit A, as well as any patent or patent application that claims priority to any such patent or patent application. Veracyte shall promptly update Exhibit A from time to time as appropriate to list any additional patents and patent applications that existed as of the Amendment Effective Date but were not included in Exhibit A (if any) or are conceived, developed or acquired by or on behalf of Veracyte or its Affiliates after the Amendment Effective Date that constitute Veracyte Intellectual Property.

"Veracyte Owned Intellectual Property" shall mean any and all Veracyte Intellectual Property exclusively owned or controlled by Veracyte including the patents and patent applications indicated on Exhibit A, including without limitation their foreign counterparts.

SECTION 2 - GENERAL ARRANGEMENTS

2.1 Grant of Rights.

2.1.1 Subject to the terms of this Agreement and subject to Veracyte's retained rights under Section 2.1.2, Veracyte hereby grants to Genzyme and its Affiliates (to the extent such Affiliates are promoting, marketing, and detailing the Test hereunder), on a co-exclusive basis in the Territory, the right and license under the Veracyte Intellectual Property to promote, market and detail the Test in the Territory during the Term and to conduct its obligations under this Agreement as permitted under and subject to the terms and conditions set forth in this Agreement.

2.1.2 Notwithstanding anything contained herein, or elsewhere, to the contrary, the license grant to Genzyme and its Affiliates (to the extent such Affiliates are granted a license grant pursuant to Section 2.1.1) is expressly made subject to Veracyte's reservation of the right to promote, market, detail, make, have made, use, sell, offer for sale, import and export the Test in the Territory. Except as expressly set forth hereunder, nothing in this Agreement shall be construed to

grant to Genzyme or its Affiliates by implication, estoppel or otherwise any licenses under Intellectual Property Rights owned or controlled by Veracyte other than the Veracyte Intellectual Property.

2.2 Use of Trademarks.

2.2.1 Veracyte hereby grants to Genzyme and its Affiliates a non-exclusive, royalty-free right and license to use the Trademarks of Veracyte solely in connection with performing its obligations hereunder. Genzyme hereby grants to Veracyte and its Affiliates a non-exclusive, royalty-free right and license to use the Trademarks of Genzyme solely in connection with performing its obligations hereunder. Genzyme and its Affiliates may use the Veracyte Trademarks on leaflets, brochures, advertising and other promotional material that describe the Test and products promoted, marketed and detailed by the Genzyme sales force promoting the Test. Veracyte and its Affiliates may use the Genzyme Trademarks on leaflets, brochures, advertising and other promotional and sales materials that describe the Test and products promoted by the Genzyme sales force promoting the Test. Notwithstanding the foregoing, any usage of a party's Trademarks by the other party must be approved in advance by the party who owns the Trademarks, such approval not to be unreasonably withheld, delayed, or conditioned. It is understood and agreed that neither party shall use the other party's Trademarks in Test labeling (which includes without limitation Collection Kit packaging, labels and package inserts, laboratory requisitions, and patient report forms) unless otherwise required by applicable laws and regulations (in which case the prior approval must still be obtained for such usage pursuant to the immediately preceding sentence).

2.2.2 Each party shall use the Trademarks only for the purposes authorized hereunder and, in particular, shall not use the Trademarks in a manner that would reduce or diminish the reputation, image and distinctiveness of the Trademarks.

2.2.3 Neither party shall, by virtue of this Agreement, obtain or claim any right, title or interest in or to the Trademarks of the other party, except the rights of use as are specifically set out herein, and each party hereby acknowledges and agrees that the goodwill arising from such use shall at all times inure for the benefit of the existing owner of the Trademark.

2.2.4 Neither party shall adopt or use any trademark, symbol or device which includes or which is confusingly similar to, or is a simulation or colorable imitation of, any of the Trademarks. Neither party shall apply to register the Trademarks or any trademark so nearly resembling them or any of them as may be likely to cause confusion and nothing in this Agreement shall be deemed to give either party any such right.

2.2.5 Each party shall, promptly upon written request by the other party, submit to the requesting party samples of any packaging, leaflets, brochures, advertising,

promotional material and any other material relating to the Test necessary in order to monitor such party's compliance with its obligations hereunder. Each party shall use the other party's Trademarks in such font, form, color, size or other representation as are promptly approved in writing by such other party (such approval not to be unreasonably withheld, conditioned or delayed).

2.2.6 Nothing in this Agreement shall entitle Genzyme or Veracyte to use the other party's Trademarks as part of any corporate business or trading name or logo or to use the Trademarks or any marks which are similar to the Trademarks in respect of any goods which are similar to the Test without the express written consent of the other party.

2.2.7 Each party shall ensure that whenever it uses the Trademarks of the other party, the party shall use Commercially Reasonable Efforts to ensure that such Trademarks accompanied by the appropriate wording and symbols (® or TM) necessary to either show that the Trademarks are registered trademarks or trademarks, as the case may be, of the other party or to otherwise protect such Trademarks.

2.2.8 Genzyme shall give Veracyte prompt written notice of any infringement or threatened infringement of any Trademarks of Veracyte used in connection with this Agreement that it becomes aware of, and Veracyte shall give Genzyme prompt written notice of any infringement or threatened infringement of any of the Trademarks of Genzyme used in connection with this Agreement that it becomes aware of. Veracyte shall determine in its sole discretion what action, if any, to take in response to the infringement or threatened infringement of any Veracyte Trademark. Genzyme shall determine in its sole discretion what action, if any, to take in response to the infringement or threatened infringement of any Genzyme Trademark.

2.3 [Reserved.]

2.4 Covenants Not to Compete.

2.4.1 During the Term of this Agreement, Genzyme and its Affiliates (including, without limitation, Sanofi) shall not, directly or indirectly, market, promote, detail, perform or process for commercial use, sell or offer for sale, import or commercialize any diagnostic test, diagnostic service, or diagnostic product in any country in the world that is either for the assessment of thyroid nodules, or that otherwise competes with the Test (or any Improvements thereto) in any way. For the avoidance of doubt, this Section 2.4.1 shall not prohibit Genzyme or its Affiliates (including, without limitation, Sanofi), from marketing, promoting, selling, offering to sell, importing or commercializing Thyrogen.

2.4.2 During the Term of this Agreement, Veracyte and its Affiliates shall not, directly or indirectly, market, promote, detail, perform or process for commercial use, sell

or offer for sale, import or commercialize any test, service, or product in any country in the world that competes with Thyrogen:

(a) in Thyrogen's labelled indications described below,

(b) as a therapy for treating multinodular goiter or

(c) in any future labeled indications for Thyrogen approved by the regulatory authorities for such country (with it being understood that if Veracyte or any of its Affiliates directly or indirectly conducts research, product development, or clinical studies, or otherwise markets, promotes, details, performs or processes for commercial use, sells or offers for sale, imports or commercializes any test, product or service for an indication (other than solely for multinodular goiter) that is not an approved labelled indication for Thyrogen at the time Veracyte or its Affiliate, as the case may be, has commenced such activities and such indication is subsequently included in the approved labelled uses for Thyrogen, then Veracyte or its Affiliates, as the case may be, may continue such activities without being deemed to be in violation of this Section 2.4.2).

Thyrogen is indicated for use as (i) an adjunctive diagnostic tool for serum thyroglobulin (Tg) testing with or without radioiodine imaging in the follow-up of patients with well-differentiated thyroid cancer and (ii) an adjunctive treatment for radioiodine ablation of thyroid tissue remnants in patients who have undergone a near-total or total thyroidectomy for well-differentiated thyroid cancer and who do not have evidence of metastatic thyroid cancer. For the avoidance of doubt, Veracyte's obligations under this Section 2.4.2 shall include commercial substitutes for Thyrogen (including without limitation low functional sensitivity assays, any form of recombinant thyroid stimulating hormones or modified formulations thereof) whether or not the labeled use for such substitute overlaps with the then-current Thyrogen label. It is understood and agreed that this Section 2.4.2 shall not prohibit Veracyte or its Affiliates from marketing, promoting, selling, offering to sell, importing or commercializing (A) the Test or (B) any Future Test that does not directly compete with Thyrogen as described above.

2.5 Right of First Offer. If during the Term of the Agreement (i) Veracyte owns or controls a Future Test and (ii) Veracyte decides to commercialize such Future Test in the Territory, Veracyte will offer Genzyme the first opportunity to obtain the right to co-promote such Future Test in the Territory. In such case, the following procedure shall apply:

2.5.1 Within ten (10) business days after its decision under Section 2.5(ii) above, Veracyte shall invite Genzyme in writing to enter into negotiations, setting forth, in such invitation, Veracyte's proposed terms for co-promotion of the Future Test and any and all information about such Future Test as is reasonably requested by Genzyme;

2.5.2 If Genzyme wishes to enter into such negotiations, Genzyme shall, within thirty (30) calendar days following receipt of Veracyte's invitation, deliver to Veracyte written notice of Genzyme's intent to negotiate for rights to said Future Test. Promptly after receipt of such notice, the parties shall commence good faith negotiations exclusively with each other for a period not to exceed one hundred twenty (120) calendar days after the date Genzyme gives the requisite notice to Veracyte (unless extended by mutual written agreement of the parties); and

2.5.3 If Genzyme does not deliver to Veracyte written notice of its intent to negotiate for such rights within such thirty (30) calendar day period, then Veracyte shall be free to negotiate and enter into a co-promotion agreement or similar agreement for the relevant Future Test and the Territory with any third party unless such Future Test directly competes with Thyrogen as described in Section 2.4.2 above.

2.5.4 If Veracyte and Genzyme do not enter into a legally binding, written agreement within the said one hundred twenty (120) calendar day period (and such period has not been extended by mutual written agreement of the parties), Veracyte shall be free to negotiate and enter into a co-promotion agreement or similar agreement for the relevant Future Test and the Territory with any third party on terms (considered as a whole) not materially more favorable than the one last offered to Genzyme unless such Future Test directly competes with Thyrogen as described in Section 2.4.2 above.

2.5.5 It is the understanding of the parties that the following transactions shall not be subject to the Right of First Offer described in this Section 2.5: (i) any Change of Control transaction involving Veracyte, including any proposed merger, acquisition, or sale of all or substantially all the assets of Veracyte; or (ii) any bona fide financing transaction for Veracyte.

SECTION 3 — GENZYME'S UNDERTAKINGS

3.1 Genzyme's Roles and Responsibilities.

3.1.1 Genzyme Sales Efforts and Activities. Subject to the provisions of and during the Term of this Agreement, Genzyme and, to the extent any of its Affiliates employ sales and marketing personnel used to promote, market, sell, or detail Thyrogen, or otherwise promotes, markets, sells, or details Thyrogen, such Affiliates shall use Commercially Reasonable Efforts to market, promote and detail the Test to Healthcare Professionals for the Labeled Uses (if and as applicable) in the Territory. Genzyme's activities to market, promote and detail the Test to Healthcare Professionals in the Territory shall solely be limited to (i) Lead generation and identification, (ii) Lead qualification, (iii) Calls intended to convince the applicable Healthcare Professional of the benefits of the Test, and (iv) Healthcare Professional account support and maintenance, including maintaining conversion ((i) through (iv) collectively "Genzyme Activities"). Genzyme shall reasonably consider any input provided by Veracyte regarding

*** Confidential material redacted and filed separately with the Commission.

such activities. Genzyme shall make an average of *** (***) or more Calls per Territory Sales Force FTE during each calendar quarter ("Minimum Call Requirement"). If Genzyme fails to satisfy the Minimum Call Requirement for a calendar quarter to a substantial degree, defined as a 20% or greater shortfall from the Minimum Call Requirement for that calendar quarter, and fails to cure such failure (cure meaning to conduct the number of calls by which Genzyme fell more than 20% short of the Minimum Call Requirement in the such calendar quarter) in the next complete calendar quarter that commences not less than one (1) month following Genzyme's receipt of written notice from Veracyte of such shortfall, then Veracyte may terminate this Agreement in accordance with Section 11.2.2. Notwithstanding anything to the contrary, however, Genzyme will be deemed to have fulfilled its obligation to use Commercially Reasonable Efforts to market, promote and detail the Test so long as it is in compliance with the Minimum Call Requirement and Minimum Talks Requirement.

3.1.2 Call Position. During Calls, in addition to the Test, Subject Products may be presented, but the promotional message involving the Test must be presented in a substantive manner in the first, second or third position (the "Call Obligations"). Genzyme and its Affiliates shall observe the Call Obligations on Calls conducted by their respective sales forces used to promote Thyrogen in the Territory unless otherwise agreed by Veracyte in writing in its sole discretion.

3.1.3 New Genzyme Products. It is acknowledged by the parties that Genzyme has stated that it intends to use its and its Affiliates' sales and marketing personnel that promote, market and detail Thyrogen to promote, market and detail another Genzyme product, in accordance with and subject to the terms and conditions of this Agreement after it receives marketing approvals from the Regulatory Authorities (any such product so promoted by such sales force, a "New Genzyme Product"). If, at any time during the Term, Genzyme desires to add a product other than the New Genzyme Product (a "Third Genzyme Product") to the portfolio of products promoted by the sales force that is promoting, marketing and detailing the Test and Thyrogen (other than pursuant to Section 2.5), Genzyme will obtain Veracyte's written consent to add such Third Genzyme Product to the portfolio as soon as practicable prior to doing so, *provided*, *however*, that if (a) such product is in the field of thyroid cancer, (b) the addition of such product would not affect Genzyme or its Affiliates' ability to comply with its obligations under this Agreement, and (c) the addition of such product would not otherwise violate the terms and conditions of this Agreement, then Veracyte shall not unreasonably withhold, delay or condition its consent. The exact number, targeting and frequency of Calls to be provided by Genzyme and Veracyte (if applicable) will be determined by the Steering Committee and stated in the Annual Commercial Plan. Genzyme shall reasonably consider any input provided by Veracyte regarding Calls.

3.1.4 Compliance. In performing their duties hereunder, Genzyme and its Affiliates shall, and shall cause their respective employees and agents who perform

*** Confidential material redacted and filed separately with the Commission.

activities related to the Test to, comply with all reasonable policies and directives issued by Veracyte from time to time with respect to the Test (*provided* that such polices and directives are compliant with applicable local laws and regulations, the Labeled Uses and the Marketing Authorizations) and with all applicable regulatory, professional and legal requirements which may be applicable to the services to be provided by Genzyme hereunder. Neither Genzyme nor its Affiliates, nor any of their respective employees and agents, shall make any claim, representation, statement, warranty or guaranty with respect to the Test that is not consistent with the then current Labeled Uses, this Agreement or the advertising and promotional materials approved by the Steering Committee, that is deceptive or misleading or that disparages the Test or the good name, goodwill and reputation of Veracyte. Genzyme and its Affiliates shall use Commercially Reasonable Efforts to ensure that any services provided hereunder will be provided in a professional, ethical and competent manner.

3.1.5 Costs. Genzyme shall be solely responsible for the costs and expenses of establishing and maintaining Genzyme's and its Affiliates' sales force (including travel related costs), and conducting its other activities under this Agreement; *provided*, *however*, that such training shall be conducted in accordance with Section 4.3.

3.1.6 Review of Promotional and Training Materials. To the extent practicable, all promotional and training materials provided to any of Genzyme's or its Affiliates' sales representatives regarding strategy, positioning or selling messages for the Test will be subject to review and approval by the Steering Committee. At any time during the Term, the Steering Committee may delegate a representative from each party to assume the responsibilities set forth in this Section 3.1.6.

3.2 Annual Commercial Plan. The Steering Committee has approved the Annual Commercial Plan for the calendar year commencing on January 1, 2015. Before April 1st of each calendar year commencing in the year 2015, Genzyme and Veracyte shall jointly submit an initial draft of a commercial plan for the subsequent calendar year (each, an "Annual Commercial Plan") to the Steering Committee for review and comment. Before October 1st of each calendar year commencing in the year 2015, Genzyme and Veracyte shall jointly submit a final draft of the Annual Commercial Plan for the subsequent calendar year to the Steering Committee for approval. Before November 15th of each calendar year commencing in the year 2015, the Steering Committee shall approve the final Annual Commercial Plan for the subsequent calendar year. The Annual Commercial Plan will specify in reasonable detail all marketing and promotional activities that Genzyme (and, where applicable, Veracyte) will undertake in the Territory during the relevant calendar year. Each Annual Commercial Plan must include, without limitation, the following: (a) the minimum number of quarterly and annual Calls to be provided by Genzyme and Veracyte, which in the case of Genzyme shall not be less than or exceed an average of *** Calls per Territory Sales Force FTE per calendar quarter and *** Calls per Territory Sales Force FTE per calendar year; (b) Test positioning, strategy and tactics with supporting

advertising and promotional activity to be undertaken; (c) a determination of the Healthcare Professional accounts that are appropriate and are not appropriate for Calls; (d) any training programs to be conducted; (e) medical and education programs to be conducted; (f) professional and trade relations activities; (g) any information to be specifically included in any Detail Report (as defined in Section 3.5 hereof); (h) specifications for the development of promotional and training materials (including the specific types of such materials to be developed); (i) projections for rebates and discounts for the Test; (j) such other information relating to the marketing and sales of the Test as deemed advisable by the Steering Committee;

(k) the projected budget for all of the activities and materials anticipated under such plan, including without limitation projected gross billings and Net Revenues (in each case for both cytopathology and the molecular testing), projected billing rates by payor, and a breakdown of the projected costs for the activities and materials anticipated under the Annual Commercial Plan; and (l) a three (3) year rolling sales forecast. Neither party shall make any material change in any previously approved Annual Commercial Plan without the prior written approval of the Steering Committee.

3.3 Sales Force. Genzyme and its Affiliates shall directly employ a sufficient number of suitably qualified and trained personnel to ensure the fulfilment of Genzyme's obligations under this Agreement, *provided*, *however*, that in the Territory, the full time equivalent ("FTE") number of such personnel (the "Territory Sales Force FTEs") shall be substantially similar to the number of sales personnel that exists as of the Amendment Effective Date in the Territory as described on Exhibit D. If, at any time and without the prior written consent of Veracyte (which consent shall not be unreasonably withheld, delayed or conditioned), the number of Territory Sales Force FTEs is materially reduced from the number of FTEs set forth on Exhibit D (a "Sales Force Maintenance Default"), Veracyte may deliver a written notice to Genzyme notifying it of such Sales Force Maintenance Default, requiring it to cure such default and stating its intention to terminate this Agreement if such default is not cured. If the Sales Force Maintenance Default is not cured within three (3) months after receipt of such notice, Veracyte may terminate this Agreement in accordance with Section 11.2.2.

3.4 Funding Commitments. Genzyme shall fund the Dutch Study in accordance with the protocol and budget of the Dutch Study existing as of the Amendment Eff*ective Date; provided*, *however*, Genzyme shall not be required to fund any costs incurred in the performance of the Dutch Study following December 31, 2015; and *provided further* Genzyme shall not be required to fund any costs incurred in the performance of the Dutch Study in excess of $170,000. For the avoidance of doubt, (i) funding of the Dutch Study after December 31, 2015 or in excess of $170,000 shall be Veracyte's sole responsibility and at Veracyte's sole option, and (ii) the funding provided by Genzyme under this Section 3.4 shall satisfy in full Genzyme's obligations under Section 3.4 of the Prior Agreement.

3.5 Access to Reporting Data. Veracyte shall give Genzyme access to its CRM system and permit Genzyme to read, review and extract data that Genzyme deems necessary to

conduct its obligations under this Agreement. Genzyme shall provide Veracyte with data files on a monthly basis that include information necessary for Veracyte to track sales metrics of FTEs, including without limitation quarterly FTE call requirements, and other relevant data in a format that may be integrated into Veracyte's CRM system. Such information available to each party shall include the following information regarding the efforts of Genzyme and its Affiliates' or Veracyte and its Affiliates sales forces, as applicable, in promoting, marketing and detailing the Test during the preceding quarter (or part thereof) for the Territory:

(a) physician-level Call activity, including the number and frequency of Calls; and

(b) such further information as agreed upon by the parties.

All such data obtained shall be treated as Confidential Information of the party from whom such data is obtained and shall be maintained by the other party in accordance with Section 7 hereof. In addition, the parties may periodically discuss current Leads and marketing intelligence.

3.6 Advertising and Promotional Materials; Medical Affairs.

3.6.1 Ad/Prom Materials. All advertising and promotional materials for the Test ("Ad/Prom Materials") authorized by the Steering Committee pursuant to Section 5.2.2 shall be created and developed by Veracyte, and Veracyte shall reasonably consider any input provided by the Steering Committee or Genzyme. Except as provided below, neither party may use any Ad/Prom Materials that have not been previously approved by the Steering Committee. The Steering Committee may delegate such authorization and approval of Ad/Prom Materials to the marketing review committees of each of Genzyme and Veracyte, and if the marketing review committees of both parties separately approve the Ad/Prom Materials, the Steering Committee shall be deemed to have approved such Ad/Prom Materials. At its sole cost and expense during the Term, Genzyme shall produce, print and distribute all Ad/Prom Materials intended for use by the Genzyme sales force and the Veracyte sales force in the Territory, based on English language content developed by Veracyte, and in accordance with Genzyme's reasonable policies and procedures; *provided*, *however*, in the event of a material increase (defined as a 20% or greater increase) in the size of the Veracyte sales force, the cost and expense of production, printing and distribution of Ad/Prom Materials to accommodate such material increase in the size of the Veracyte sales force shall be solely borne by Veracyte. Veracyte shall be solely responsible, at its sole cost and expense, for the production, printing and distribution of all other Ad/Prom Materials and for any other costs associated with the advertising, promoting and marketing of the Test, including advertisements, mailings and medical education activities. Genzyme shall reasonably consider any input provided by the Steering Committee or Veracyte regarding such materials for future productions and printings of such materials. In the event that the Steering Committee does not

approve a particular type or form of Ad/Prom Material under Section 5.2.2 but one party still desires to create such type or form of material, such party may do so at it sole expense; *provided, however,* that such party must obtain Steering Committee review and approval of such Ad/Prom Material prior to any use thereof. Notwithstanding the foregoing, Veracyte may create and use Ad/Prom Materials at its sole expense that do not reference Genzyme, any Genzyme Trademark, Thyrogen or any Genzyme product, without the approval of the Steering Committee; *provided*, *however*, Veracyte must provide a copy of such Ad/Prom Materials to Genzyme's Business Head of Endocrinology or her designee reasonably in advance of the first use of such Ad/Prom Materials and reasonably consider any input provided by Genzyme regarding such Ad/Prom Materials; and *provided further* that Veracyte's creation and use of such Ad/Prom Materials will not be deemed approval by the Steering Committee of such Ad/Prom Materials for use by Genzyme. All Ad/Prom Materials produced by Genzyme under this Agreement are and shall remain the property of Genzyme; *provided, however,* that as between the parties hereto and except as expressly provided otherwise elsewhere in this Agreement, Veracyte shall exclusively own all right, title and interest in all Intellectual Property Rights in all Ad/Prom Materials, except for any content specifically related to Thyrogen or other Genzyme products and any Genzyme Trademarks

(which shall be exclusively owned by Genzyme), and Genzyme shall have a royalty-free right and license under such Intellectual Property Rights during the Term.

3.6.2 Observers. Each party shall have the right to have an employee participate as an observer in the other party's promotional review committee or board meetings related to the Ad/Prom Materials for the Test; *provided*, *however*, that each party shall retain sole discretion regarding the management and scheduling of its promotional review committees or boards and the availability of the observer shall not influence the scheduling and timing of such meetings.

3.6.3 Talks and Grants. In its sole discretion, Genzyme will (i) participate in speaker training events (at its sole cost and expense), (ii) participate in, and promote the Test at, key symposia and industry events as described in the Annual Commercial Plan (at its sole cost and expense) and (iii) provide grants to patient organizations, continuing medical education providers, and other appropriate recipients (at its sole cost and expense). In addition, Genzyme will participate in at least a total of two (2) medical content education talks (which participation will focus solely on the Test) for each Territory Sales Force FTE per year (the "Minimum Talks Requirement"), which as of the Amendment Effective Date will total approximately fifty (50) per year. If Genzyme fails to satisfy the Minimum Talks Requirement for a calendar quarter to a substantial degree, defined as a 20% or greater shortfall from the Minimum Talks Requirement for that calendar quarter, and fails to cure such failure (cure meaning to conduct the number of talks by which Genzyme fell more than 20% short of the Minimum Talks Requirement in such calendar quarter) in the next complete calendar quarter that commences not less than one (1) month following Genzyme's receipt of written notice from

Veracyte of such shortfall, then Veracyte may terminate this Agreement in accordance with Section 11.2.2. As between the parties hereto and except as expressly provided otherwise elsewhere in this Agreement, Veracyte shall develop all slide decks and promotional materials (including booth design for symposia and industry events) in the English language to be used by Genzyme for the above activities and shall exclusively own all right, title and interest in any such slide presentations except for any content specifically related to Thyrogen or other Genzyme products and any Genzyme Trademarks (which shall be exclusively owned by Genzyme). Genzyme may modify such materials with prior written approval of the Steering Committee.

3.6.4 Joint Brand Presence. The parties shall, each at its own expense, jointly maintain a brand presence of Afirma and Thyrogen at up to four (4) key symposia and industry events per year in accordance with the Annual Commercial Plan. For the avoidance of doubt, Veracyte will be responsible for all costs associated with the Afirma brand presence at such key symposia and industry events and Genzyme will be responsible for all costs associated with the Thyrogen brand at such key symposia and industry events. Each party shall be free to choose which events it supports under this paragraph and extent to its presence at such events.

3.7 Customer Support, Complaints and Inquiries.

3.7.1 Customer Support. In the Territory, Veracyte shall have sole responsibility for direct, front-line customer support including, without limitation, medical information support. Veracyte shall perform these activities in a manner consistent with the responsibilities outlined in Exhibit C hereto. Such activities shall be at Veracyte's cost and expense. Veracyte shall reasonably consider any input provided by Genzyme regarding such customer support. Genzyme shall provide reasonable support and assistance to Veracyte as reasonably requested at Veracyte's cost and expense, subject to the availability of such resources. In the Territory, Genzyme shall refer any requests or inquiries directly to Veracyte.

3.7.2 Complaints.

(a) If Genzyme or any of its Affiliates becomes aware of any Complaint or concern regarding the Test (including, without limitation, accuracy, quality or performance of the Test or any complaints or concerns regarding the sales, promotion, or marketing of the Test), Genzyme shall submit a written report of such Complaint or concern, along with any documentation involved with the Complaint, if available, to Veracyte within two (2) business days after receipt of such notice by Genzyme. As between the parties, Veracyte shall have the sole authority and responsibility to respond to any governmental agency or Regulatory Authority including, without limitation, the FDA, to respond to Complaints, and to handle all returns field alerts, recalls or market withdrawals of the Test in accordance with applicable law; *provided*,

however, that the foregoing shall not be construed to prevent Genzyme or its Affiliates in any way from complying with any governmental agency or Regulatory Authority or applicable laws, rules or regulations or from responding to governmental agencies or Regulatory Authorities, including without limitation the FDA, with respect to Complaints regarding the conduct of Genzyme's or its Affiliates' sales force or the portion of any content of Ad/Prom Materials related to Genzyme's or its Affiliates' products.

(b) Genzyme or its Affiliates shall forward all Complaints and inquiries to Veracyte in a timely manner as set forth in Section 3.7.2(a) hereof and shall follow any reasonable and timely directions Veracyte may provide in that respect including, without limitation, to allow Veracyte to comply with applicable local laws and regulations in the Territory. If an investigation by Veracyte is needed in response to a Complaint or inquiry, Genzyme and its Affiliates shall assist Veracyte as reasonably requested by Veracyte and Veracyte shall forward the results of the investigation to Genzyme within a reasonable timeframe to allow Genzyme to comply with applicable local laws and regulations in the Territory. Genzyme and its Affiliates shall retain records of all Complaints and inquiries for a period of not less than three (3) years beyond the expiration or termination date of this Agreement or for such longer period as may be required by applicable law.

3.8 Audit. Upon reasonable prior written notification, either party shall, during regular business hours, provide authorized representatives of the other party with access to its facilities (including those owned or operated by a third party), systems, personnel, books and records (including

books and records regarding Net Revenues) as reasonably necessary to enable the representatives to audit such party's compliance with its duties and responsibilities under this Agreement. Each party shall be limited to one (1) audit per calendar year during the Term and once during the three (3) year period following the expiration or termination of this Agreement. The records and Net Revenue reports for any particular calendar quarter may not be examined under this Section 3.8 more than once.

3.9 Non-solicitation. Neither party shall, directly or indirectly, take any action to cause the other party to lose any of its employees, agents, customer contacts or other elements of its goodwill, *provided, however*, that the foregoing shall not apply with respect to (i) any person as to whom conversations were initiated by such party after such person terminated his or her employment with the other party, (ii) any public advertisement in any general or industry publication, or (iii) any solicitation made through a recruiting or search firm retained by such party using a database of candidates without targeting the other party or specific individuals.

3.10 Performance by Genzyme Affiliates. Notwithstanding anything to the contrary contained in this Agreement, any Genzyme obligation hereunder may be assumed and

performed by one or more of its Affiliates, and Genzyme may, at its election, delegate to any one or more of its Affiliates any duty or responsibility set forth in this Agreement; *provided* that Genzyme shall remain responsible for any and all acts and omissions by such Affiliate(s) to the same extent as if such were performed, taken or made by Genzyme.

SECTION 4 — VERACYTE'S UNDERTAKINGS

4.1 Veracyte's Roles and Responsibilities.

4.1.1 Veracyte Sales Efforts. Subject to the provisions of, and during the Term of, this Agreement, Veracyte and its Affiliates shall use Commercially Reasonable Efforts to offer and provide the Test in the Territory and shall use Commercially Reasonable Efforts to market, promote and detail the Test to Healthcare Professionals for the Labeled Uses (if and as applicable) in the Territory. Without limitation, Veracyte will have sole responsibility to conduct (i) Healthcare Professional account conversion and set-up, and (ii) all sales activities related to the Test other than Genzyme Activities. This means, among other things, that Veracyte and its Affiliates shall use their respective Commercially Reasonable Efforts:

(a) to conduct and process the Test in accordance with the Test specifications, including without limitation as contained in the applicable Marketing Authorization;

(b) to handle and process all aspects of the Tests including receipt of Collection Kits, processing samples, and issuing patient reports;

(c) to provide all central lab testing and processing required for provision of the Test and communicating Test results;

(d) to seek to obtain and maintain reimbursement and Marketing Authorization for the Test in the Territory in accordance with the then-current Annual Commercial Plan;

(e) to obtain and maintain all licenses, permits and certifications required to perform the foregoing responsibilities, including without limitation Clinical Laboratories Improvements Amendments ("CLIA") certification, and ensure that any third party laboratories used by Veracyte to perform such responsibilities also have the requisite licenses, permits and certifications at all times while performing services on behalf of Veracyte; and

(f) to conduct Healthcare Professional account conversion and set-up.

4.1.2 Terms of Sale. Veracyte shall have the right to establish and modify (in its sole right and responsibility) terms and conditions regarding the sale and provision of

the Test in the Territory, including the price of the Test will be sold, any discounts offered or applied, the availability of the Test, and contracting; *provided, however*, that all matters relating to pricing of the Test will be discussed by the Steering Committee and Genzyme's input will be reasonably considered by Veracyte.

4.2 Advertising and Promotional Materials; Medical Affairs.

4.2.1 Neither Veracyte nor its Affiliates, nor any of their respective employees or agents, shall make any representation, statement, warranty or guaranty with respect to the Test that is inconsistent with the then current Labeled Uses of the Test, this Agreement or the Ad/Prom Materials approved by the Steering Committee, that is deceptive or misleading or that disparages the Test or the good name, goodwill and reputation of Genzyme. Each of Veracyte and its Affiliates shall use Commercially Reasonable Efforts to ensure that its services hereunder will be provided in a professional, ethical and competent manner.

4.2.2 Veracyte shall provide marketing and brand strategy for the Test in accordance with the Annual Commercial Plan and any directions or instructions provided from time to time by the Steering Committee, and shall reasonably consider any input provided by Genzyme. In the Territory in accordance with the Annual Commercial Plan, Veracyte will create and develop in English language (i) all slide decks and other materials for utilization by Genzyme and its Affiliates as set forth in Section 3.6.3 hereof, and (ii) all content for Ad/Prom Materials for use in the Territory in accordance with the Annual Commercial Plan and Section 3.6.1 hereof, at Veracyte's sole cost and expense, *provided, however*, that any such materials shall be approved by the Steering Committee or by the marketing review committees of both parties acting

separately if the Steering Committee has delegated such activities to such marketing review committees in accordance with Section 3.6.1 hereof.

4.3 Education and Training. Unless otherwise agreed upon by the Steering Committee, Veracyte shall educate and train Genzyme's and, to the extent its Affiliates employ sales and marketing personnel used to promote, market and detail the Test, such Affiliates' sales and marketing representatives regarding the Test, it being understood that (i) Veracyte will provide Genzyme, free of charge, with reasonable quantities of training materials which have been created and developed by Veracyte relating to the Test, and (ii) Genzyme and its Affiliates shall not permit any of their respective sales personnel to promote, market and detail the Test unless such sales personnel have been trained by Veracyte (or Genzyme as provided below in this Section 4.3) and qualified under criteria and/or standards supplied by Veracyte. Genzyme and its Affiliates referenced above shall make their respective sales representatives available for such training and participate in conducting such training. As between the parties hereto and except as expressly provided otherwise elsewhere in this Agreement, Veracyte shall exclusively own all right, title and interest in training materials developed under this Agreement except for any content specifically related to Thyrogen or other Genzyme products and any Genzyme Trademarks (which shall be exclusively owned by

Genzyme). Training shall be carried out at times and locations that are mutually acceptable to the parties. As additional members are added to Genzyme's or its Affiliates' sales forces responsible for marketing and promoting the Test, training will be provided to such newly added members by either Veracyte or Genzyme using the training materials initially developed by Veracyte, as mutually agreed upon by the parties. For the avoidance of doubt, any trainings subsequent to the initial training and associated new training materials related to the Tests or Improvements shall be provided by Veracyte in accordance with the terms set forth above in this Section 4.3. The parties shall mutually decide where the training of such sales representatives will occur and, unless the parties agree otherwise in writing, Genzyme and Veracyte will be responsible for the costs of transporting, housing and maintaining their respective personnel conducting or receiving such training.

4.4 Recalls.

4.4.1 Each party shall promptly (but in any case, not later than forty-eight (48) hours) notify the other party in writing of any order, request or directive of a court or other governmental agency or Regulatory Authority to recall or withdraw the Test. Veracyte shall be responsible and have sole authority for handling all inquiries, Complaints, or recalls of the Test at its sole cost and expense, keeping Genzyme fully informed as to its plans and actions related to any such recall. If requested by Veracyte, Genzyme shall fully cooperate with a Test recall in the Territory and follow all instructions given by Veracyte in that regard.

If a party (a) is contacted by any other Regulatory Authority or governmental agency for any purpose pertaining specifically to this Agreement or to the Test or (b) becomes aware of an impending inspection or audit of the facilities or operations involved with the Test, such party shall immediately notify the other party in writing. Genzyme agrees that it shall not respond to any such agency making an inquiry of it until and only as directed by Veracyte; *provided, however*, that the foregoing shall not be construed to prevent Genzyme in any way from complying with any governmental agency or Regulatory Authority or applicable laws, rules or regulations.

4.4.2 In the event that Veracyte considers initiating a voluntarily recall of the Test in the Territory, Veracyte shall promptly inform Genzyme of such deliberations (including the contributing facts and circumstances leading up to such deliberations) and of its final determination, and keep Genzyme fully informed as to its plans and actions related to any such voluntary recall.

4.5 Test Shortage and/or Supply Interruption.

4.5.1 If Veracyte is unable to meet the volume of requisitions for the Test in the Territory, Veracyte shall allocate supply of the Test among all countries where the Test is sold in a fair and equitable manner as reasonably determined by Veracyte. If any such allocation would lead to a material shortage of the Test in the

Territory, the implications thereof in terms of the promotional, marketing and detailing efforts of each party under this Agreement shall be discussed and decided by the Steering Committee as soon as practicable.

4.5.2 In case of a long term inability of Veracyte to provide the Test in the Territory, each party is entitled, pending a decision by the Steering Committee in accordance with Section 4.5.1 above, to unilaterally decrease its promotional, marketing and detailing efforts under this Agreement in the Territory in a way that is fair and proportionate to the shortage or interruption, given the nature and the anticipated duration of the shortage or interruption.

4.6 Communications. Genzyme may from time to time develop and issue press releases pertaining to this Agreement and/or the Test. Such press releases shall contain both parties' names and logos and shall not be published in any manner or form without prior written approval by Veracyte, such approval not to be unreasonably withheld, conditioned or delayed, and in accordance with Section 12.7 hereof. Veracyte may from time to time develop and issue press releases pertaining to this Agreement. Such press releases shall contain both parties' names and logos and shall not be published in any manner or form without prior written approval by Genzyme, such approval not to be unreasonably withheld, conditioned or delayed, and in accordance with Section 12.7 hereof. Notwithstanding the foregoing, Veracyte may from time to time issue press releases pertaining to the Test or any Improvements, including research studies, publications, announcements or other materials. Such Test related press releases may be done only with Veracyte's name and logo and will not require the prior written approval by Genzyme. Veracyte will, however, provide Genzyme with a copy of such press release prior to its issuance and will consider any comments provided in a timely fashion by Genzyme.

4.7 Periodic Reporting. Veracyte shall provide Genzyme with aggregate data regarding (without limitation) Test orders, Test status, Test volume and any other information reasonably requested by Genzyme on a periodic schedule (which may vary by type of information required), to be set forth in the Annual Commercial Plan. In addition, Veracyte shall also provide Genzyme with data in accordance with Section 3.5. Any such data shall

be treated as Confidential Information of Veracyte and shall be maintained by Genzyme in accordance with Section 7 hereof. Notwithstanding the foregoing or any other provision in this Agreement, in no case shall Veracyte be required to provide or disclose to Genzyme any information that would violate any applicable laws and regulations, including, without limitation, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA").

4.8 Complaint Reporting; Result Errors and CAPAs; Pharmacovigilance.

4.8.1 Veracyte shall be responsible for evaluating and reporting any Complaints to Regulatory Authorities or other entities in the Territory as required by applicable laws and regulations. In addition, Veracyte shall provide Genzyme with any and all Complaints and other related information obtained by Veracyte regarding the

Test as well as all correspondence to and from Regulatory Authorities or other entities related thereto.

4.8.2 Veracyte shall provide Genzyme with (i) reports regarding all patient result errors, (ii) all Corrective Actions/Preventative Actions ("CAPAs") that relate to matters that would reasonably be deemed material to the normal commercialization of the Test and (iii) copies of all similar reports submitted to Regulatory Authorities or other entities as well as all correspondence to and from Regulatory Authorities or other entities related thereto. Notwithstanding the foregoing or anything to the contrary, Veracyte will not be required to provide Genzyme with any information or data that would violate any applicable rule or regulation including HIPAA or any other rule regarding the confidentiality or non-disclosure of patient information or data.

4.8.3 Veracyte shall report safety information pertaining to the Subject Products in accordance with the procedures described in Exhibit E. The procedures described in Exhibit E do not restrict Genzyme's ability to take such action as it deems appropriate or required under applicable law or regulations.

4.9 Regulatory Matters.

4.9.1 Veracyte shall be responsible and have sole authority for seeking, obtaining and maintaining Marketing Authorization for the Test in the Territory in accordance with the then current Annual Commercial Plan. Such activities shall be at Veracyte's sole cost and expense.

4.9.2 Veracyte shall be responsible and have sole authority for seeking, obtaining and maintaining pricing approval and reimbursement for the Test in the Territory in accordance with the then current Annual Commercial Plan. Such activities shall be at Veracyte's sole cost and expense. Genzyme shall provide such assistance as may be reasonably required for the purpose of seeking, obtaining and maintaining pricing approval and reimbursement in the Territory, subject to the availability of such resources and at Veracyte's expense.

4.10 Performance by Veracyte Affiliates and Subcontractors. Notwithstanding anything to the contrary contained in this Agreement, any Veracyte obligation hereunder may be assumed and performed by one or more of its Affiliates, and Veracyte may, at its election, delegate to any one or more of its Affiliates any duty or responsibility set forth in this Agreement; *provided, however,* that Veracyte shall remain responsible for any and all acts and omissions by such Affiliate(s) to the same extent as if such were performed, taken or made by Veracyte. Furthermore, it is anticipated that Veracyte may perform certain of its obligations hereunder through third party laboratories and other subcontractors. In such event, as between the parties, Veracyte shall remain responsible for any and all acts and omissions by such third parties to the same extent as if such were performed, taken or made by Veracyte.

4.11 Billing and Collections. Unless otherwise required by applicable laws and regulations, Veracyte and its Affiliates shall be responsible for the billing, invoicing, claims submissions, and collection of receivables and amounts due resulting from the sales of the Test in the Territory (collectively, "Collection Activities"), and such activities shall be at Veracyte's cost and expense. Veracyte and its Affiliates shall use Commercially Reasonable Efforts in performing the Collection Activities. Genzyme shall provide reasonable support and assistance to Veracyte as requested by Veracyte (including if Veracyte and its Affiliates are prohibited from performing Collection Activities in the Territory under applicable laws and regulations) at Veracyte's cost and expense, subject to the availability of such resources.

4.12 Test Collection Kits. Veracyte shall be responsible for managing Collection Kit supply, inventory, tracking, and distribution in the Territory, shall be responsible for the costs associated with the supply and distribution of Collection Kits, and shall use its Commercially Reasonable Efforts in such activities. The Steering Committee shall determine the number of Collection Kits that will be provided to each sales representative in the Territory (at Veracyte's cost) as demonstration samples.

SECTION 5 — MANAGEMENT AND GOVERNANCE

5.1 Steering Committee. The sales and marketing program for the Test will be managed by a steering committee having equal representation of the parties (the "Steering Committee"). The Steering Committee will include three (3) members from each party and will meet at least quarterly with at least one meeting per year being conducted in-person while more frequent meetings or teleconferences will be held anytime they are needed and requested by the Steering Committee's members of either party. If an in-person meeting is impracticable, meetings may be held by videoconference or teleconference. When meetings are held in person, individual members of the Steering Committee may nonetheless participate by videoconference or teleconference. If unable to attend in person or by videoconference or teleconference, an individual member of the Steering Committee may grant a proxy to another individual member of the Steering Committee in order to act on his or her behalf on any matter to be acted upon at any meeting of the Steering Committee. Other representatives of the parties may attend Steering Committee meetings as non-voting participants. At least one week prior to any meeting of the Steering Committee, the parties shall agree upon a proposed agenda of the matters to be discussed at such meeting. The parties shall agree, at the first meeting of the Steering Committee, upon procedures for maintaining meeting minutes. The Steering Committee may take action on a matter at a meeting only if a quorum exists with respect to that matter. The attendance of at least two (2) members of the Steering Committee of each party at a meeting shall constitute a quorum for the

transaction of business. Each member of the Steering Committee shall be entitled to cast one (1) vote, either in person or by proxy, on any matter to be acted upon at any meeting of the Steering Committee. All decisions made by the Steering Committee shall require a majority vote by the members of the Steering Committee, either in person or by proxy. Any action required or permitted to be taken at any meeting of the Steering Committee may be taken without a meeting if the action is

*** Confidential material redacted and filed separately with the Commission.

taken by all members of the Steering Committee. Such action must be evidenced by one or more written consents describing the action taken and signed by each member of the Steering Committee. In the event the Steering Committee is unable to achieve a majority vote on any issue, then the dispute resolution process set forth in Section 1.1 hereof will be followed with respect to such issue.

5.2 Responsibilities. The responsibilities of the Steering Committee (which may be delegated to sub-groups by approval of the Steering Committee) will include, without limitation:

5.2.1 approving the Annual Commercial Plan (including the budget therein); *provided*, *however*, the Annual Commercial Plan approved by the Steering Committee must conform with the requirements of Section 3.2;

5.2.2 determining the types and forms of Ad/Prom Materials to be created (e.g., printed materials, television media, digital media such as website content or e-marketing) and reviewing and approving all Ad/Prom Materials for the Test and sales force training materials before first use in the Territory; *provided*, *however*, that the Steering Committee may delegate review and approval of the Ad/Prom Materials to Genzyme's and Veracyte's respective marketing review committees, and if the marketing review committees of both parties separately approve the Ad/Prom Materials, the Steering Committee shall be deemed to have approved such Ad/Prom Materials;

5.2.3 planning, monitoring and evaluating the overall sales and marketing program for the Test in the Territory and ensuring the program is compliant with best practices in the Territory and all applicable laws and regulations;

5.2.4 implementing the marketing and promotion strategy for the Test in the Territory, including the planned number of Calls for each calendar year, provided that the average minimum number of calls per quarter per FTE shall be *** and the targets for such Calls, in order to market, promote and detail the Test in the most effective and efficient fashion; *provided*, *however*, the Steering Committee may not require Genzyme to make more or fewer than an average of *** (***) Calls per Territory Sales Force FTE during each calendar quarter; and

5.2.5 any other activities specifically provided for in this Agreement.

The members of the Steering Committee from each party shall have the right to comment upon and make recommendations to the members of the other party regarding the other party's activities under this Agreement, which recommendations the other party shall be reasonably considered.

5.3 Steering Committee Dispute Resolution.

5.3.1 Should the Steering Committee be unable to reach a unanimous decision on any matter after ten (10) business days following the date on which the relevant meeting or teleconference has been held, the decision will be escalated to senior management representatives of the parties, who will have an additional ten (10) business days to reach a mutually agreeable decision. If the senior management representatives are unable to resolve such a dispute or issue within such ten (10) day period after being requested to resolve such dispute or issue, the dispute or issue shall be referred to the Chief Executive Officers of Veracyte and Genzyme, or their designees, for attempted good faith resolution by negotiation within thirty (30) calendar days after such referral. If the Chief Executive Officers of the parties, or their designees, are unable to resolve such dispute or issue, then the matter may be referred to mediation as set forth in Section 5.3.2 hereof.

5.3.2 If a dispute cannot be resolved pursuant to Section 5.3.1 hereof, the parties shall in good faith attempt to resolve such dispute by non-binding mediation administered by JAMS End Dispute in accordance with its commercial mediation rules. The mediation will be conducted by a single mediator appointed by agreement of the parties or, failing such agreement, by JAMS End Dispute in accordance with its commercial mediation rules. Unless otherwise mutually agreed by the parties, the mediation proceedings will be conducted in Chicago, Illinois. The parties shall share equally the cost of the mediation including, without limitation, filing fees, hearing fees and the cost of the mediator(s). Each party will bear its own attorneys' fees and associated costs and expenses. If the dispute has not been resolved by the means provided herein within one hundred eighty (180) calendar days of the initiation of such procedure, either party shall have the right to file a lawsuit to resolve the dispute; *provided*, *however*, if Veracyte files such lawsuit, it must be filed in the courts of Boston, Massachusetts and if Genzyme files such lawsuit, it must be filed in the courts in San Francisco, California.

5.4 Coordination of Calls. Efforts will be made by the Steering Committee to coordinate the Calls by the Veracyte sales forces, if any and as applicable, with the Calls by the Genzyme sales forces to ensure the most effective coverage of the target audiences and to minimize duplication of efforts to the extent practicable.

5.5 Participation Cost. Each party shall bear its own costs associated with its participation in the Steering Committee and its activities performed under this Agreement, except as otherwise set forth herein.

SECTION 6 - FINANCIAL TERMS

6.1 Compensation to Genzyme. Subject to the provisions of and during the Term of this Agreement, as compensation for its marketing, promotion, and other activities and obligations under this Agreement following the Amendment Effective Date, Genzyme

shall receive a fee (the "Promotion Fees") equal to fifteen percent (15%) of Net Revenues received by Veracyte on the Test in the Territory after the Amendment Effective Date through the effective date of the expiration or termination of this Agreement (inclusive). Such Promotion Fees shall be due on a quarterly basis as set forth in Section 6.3 below. For clarity, any unpaid amount owed by Veracyte to Genzyme pursuant to the Prior Agreement as compensation for marketing, promotion and other activities conducted prior to the Amendment Effective Date shall continue to be payable, and Veracyte shall pay Genzyme such amounts when due.

6.2 Quarterly Net Revenue Report. Within thirty (30) calendar days after the close of each calendar quarter that occurs during the Term of this Agreement and within thirty (30) calendar days after the end of the Term, Veracyte shall submit to Genzyme a statement (the "Quarterly Net Revenue Report") showing, with respect to the Territory:

6.2.1 Net Revenues, with breakouts of revenues attributable to cytopathology versus molecular testing services and regional breakouts;

6.2.2 the amount billed and the amount reimbursed for each claim, and the payor associated with each such claim; and

6.2.3 the calculation of the Promotion Fees due to Genzyme pursuant to Section 6.1.

Any such Quarterly Net Revenue Report shall be treated as Confidential Information of Veracyte in accordance with Section 7 hereof.

6.3 Invoicing and Payment. Invoicing shall take place on a quarterly basis. Each invoice shall be based on the data contained in the Quarterly Net Revenue Reports received by Genzyme in accordance with Section 6.2 above and payment shall be due not more than thirty (30) calendar days from the date of invoice and may be made in the form of a wire transfer. With respect to invoices for assistance and support provided by one party to the other party at such other party's expense pursuant to the terms and conditions of this Agreement, payment shall be due within thirty (30) calendar days after receipt of a reasonably detailed invoice for such assistance and support.

6.4 Annual Reconciliation. The Quarterly Net Revenue Report for the fourth quarter of each calendar year shall contain an annual reconciliation indicating the difference, if any, between the annual Promotion Fees (calculated on the basis of the Net Revenue reported for the entire calendar year) and the sum of all quarterly Promotion Fees (calculated on the basis of the Net Revenue reported per calendar quarter). In case of a difference, the relevant amount shall be settled in Genzyme's invoice for the fourth quarter of the relevant calendar year.

SECTION 7 - CONFIDENTIALITY

7.1 Non-Disclosure and Non-Use of Confidential Information. All Confidential Information shall remain the exclusive property of the Disclosing Party during the

Term of this Agreement and thereafter. The Receiving Party shall disclose such Confidential Information only to those of its (and its Affiliates') agents, advisors, consultants and employees to whom it is necessary in order to carry out their duties hereunder as limited by the terms and conditions of this Agreement. During the Term of this Agreement and thereafter, all of the Disclosing Party's Confidential Information shall be maintained in strict confidence by the Receiving Party's agents and employees, and shall not be used by the Receiving Party for any purpose other than in connection with the Receiving Party's performance of its duties under this Agreement. The Receiving Party shall, at its expense and at the Receiving Party's option, either return or destroy (and certify such destruction to the Disclosing Party in a written instrument signed by an officer of the Receiving Party) all Confidential Information of the Disclosing Party within sixty (60) days after the expiration or termination of this Agreement, *provided, however*, that the Receiving Party may retain one (1) copy of the Confidential Information of the Disclosing Party for archival purposes.

7.2 Exceptions to Confidentiality Obligations. The limitations on use and disclosure set forth in Section 7.1 hereof shall not apply to information which the Receiving Party can demonstrate:

7.2.1 was in the public domain at the time of disclosure without breach of this Agreement by the Receiving Party;

7.2.2 was known to or contained in the records of the Receiving Party from a source other than the Disclosing Party at the time of disclosure and can be so demonstrated by written records of the Receiving Party;

7.2.3 was independently developed by the Receiving Party without use of, reference to or reliance upon the Disclosing Party's Confidential Information and can be so demonstrated by written records of the Receiving Party; or

7.2.4 became known or was disclosed to the Receiving Party without restriction on further disclosure from a third party source having the right to make such disclosure.

7.3 Disclosure Pursuant to Legal Obligation. Notwithstanding any other provision of this Agreement, disclosure of any portion of the Disclosing Party's Confidential Information shall not be prohibited to the extent that it is required to (i) comply with applicable law, order or regulation of a governmental agency or a court of competent jurisdiction, (ii) to comply with any governmental agency for purposes of obtaining Marketing Authorization for the Test, or (iii) as necessary to establish the rights of either party under this Agreement, *provided* in either case that the Receiving Party shall (A) provide to the Disclosing Party prompt written notice of the existence, terms and circumstances of such required disclosure with at least sufficient detail to enable such Disclosing Party to seek a protective order or otherwise prevent or limit the extent of such disclosure, (B) consult with the Disclosing Party on the advisability of taking legally available steps to resist or narrow such disclosure, (C) take all reasonable and

lawful actions to obtain confidential treatment for such disclosure and (D) thereafter disclose only such Confidential Information as is reasonably necessary under the circumstances. Each of the parties agrees that the foregoing exceptions are to be narrowly construed and that its obligations (and those of its representatives) under this Section 7 are released solely with respect to those specific portions of the Disclosing Party's Confidential Information that fall within the foregoing exceptions and not with respect to related portions.

7.4 Disclosure to Prospective Investors. Notwithstanding any other provision of this Agreement, Veracyte may disclose Confidential Information, including the terms of this Agreement, to current and prospective investors in Veracyte, *provided* any such recipients are bound by confidentiality and non-use provisions no less restrictive than those contained in this Section 7.

SECTION 8 - INFRINGEMENT AND LITIGATION

8.1 Infringement. If either party reasonably believes or learns that a third party is infringing or misappropriating Veracyte Intellectual Property in the Territory, that party shall give the other party prompt written notice of its belief and documentation supporting its belief. The parties shall use good faith efforts to coordinate and cooperate in any action, negotiation, or settlement of the alleged infringement.

8.2 Litigation. If Genzyme reasonably believes that there is infringement of any Veracyte Owned Intellectual Property by a third party and Genzyme submits documentary support of such activity to Veracyte, then Veracyte, acting at its own expense and for its own account, shall have the right, but not the obligation, to enforce the Veracyte Owned Intellectual Property against such infringers, including bringing any legal action for infringement and defending against any counter claims in such action. Genzyme shall provide to Veracyte, at Veracyte's expense, such assistance and cooperation as may reasonably be requested by Veracyte or required in Veracyte's action against such third party. If Veracyte does not initiate action to terminate any infringement of the Veracyte Owned Intellectual Property within six (6) months after receiving such documentary support, or earlier notifies Genzyme in writing that it does not intend to bring such action, then Genzyme, upon receipt of consent from Veracyte, which consent shall not unreasonably withheld, conditioned or delayed, may bring such suit regarding infringement or misappropriation of such Veracyte Owned Intellectual Property in the Territory, acting in its own name or in the name of Veracyte, but for Genzyme's own account and at Genzyme's own expense, any recovery to be for its own account. Veracyte hereby agrees to cooperate and be joined as a nominal party plaintiff to such suit and shall render, at Genzyme's expense, all reasonable assistance and cooperation as may be reasonably necessary in such a suit. Notwithstanding the foregoing, Genzyme may not enter into any settlement, consent judgment or other voluntary final disposition of such action which adversely affects any Veracyte Intellectual Property without the prior written consent of Veracyte, which will not be unreasonably withheld, conditioned or delayed. Each party instituting any such infringement actions shall, subject the foregoing, have the right to make all

decisions regarding the prosecution of any such action and shall keep the other party reasonably informed as to the status of such action. It is understood and agreed that the provisions of this Section 8.2 shall only apply to Veracyte Intellectual Property that Veracyte or its Affiliates have the right to enforce (by virtue of ownership, license terms, or otherwise).

8.3 Licenses. If a third party license is required in order that the activities required pursuant to this Agreement do not infringe a third party's Intellectual Property Rights, then Veracyte, at Veracyte's expense and acting in its own name, shall negotiate with such third party and use Commercially Reasonable Efforts to obtain such a license. Genzyme shall give to Veracyte, at Veracyte's sole expense, such assistance as may reasonably be requested by Veracyte in connection with Veracyte's negotiation with such third party, subject to the availability of such resources.

8.4 Notification. In the event that either party receives notification of any alleged or actual infringement from a third party, that party shall provide the other party with a copy of such notification within five (5) business days after its receipt of the notification.

SECTION 9 - REPRESENTATIONS AND WARRANTIES

9.1 Veracyte represents and warrants to Genzyme that as of the Amendment Effective Date:

9.1.1 Veracyte and its Affiliates exclusively owns or controls the Veracyte Owned Intellectual Property and has the right to license or sublicense to Genzyme and its Affiliates all Veracyte Intellectual Property licensed hereunder, that such rights to such Veracyte Intellectual Property have been validly granted to Genzyme and its Affiliates, and that the granting of such rights to Genzyme and its Affiliates does not require the consent of a third party in accordance with the terms of this Agreement;

9.1.2 (a) there are no claims, judgments or settlements against or owed by Veracyte or its Affiliates, or to the best of its knowledge, any pending or threatened claims or litigation relating to the Veracyte Owned Intellectual Property, the Test or the Ad/Prom Material used by Veracyte prior to the Amendment Effective Date; (b) to the best of its knowledge, there are no claims, judgments or settlements against or owed by Veracyte or its Affiliates relating to any other Veracyte Intellectual Property and (c) to the best of its knowledge, there are no pending or threatened claims or litigation relating to other Veracyte Intellectual Property that to the knowledge of Veracyte would have a material adverse effect on the Test, Veracyte, or the ability of the parties to perform under of this Agreement;

9.1.3 to the best of Veracyte's knowledge, there are no third party patent, patent application or other third party Intellectual Property Rights that would be infringed by making, using, or selling the Test;

9.1.4 to the best of Veracyte's knowledge, (a) there is no infringement or misappropriation by a third party of the Veracyte Owned Intellectual Property and/or the Test and (b) there is no misappropriation by a third party of other Veracyte Intellectual Property that to the knowledge of Veracyte would have a material adverse effect on the Test, Veracyte, or the ability of the parties to perform under of this Agreement;

9.1.5 Veracyte has the full right, power and authority and legal capacity to enter into this Agreement and to grant the rights and licenses granted under Section 2 hereof and the execution, delivery and performance of this Agreement by Veracyte does not conflict with, or constitute a breach of or under, any order, judgment, agreement or instrument to which Veracyte is a party;

9.1.6 Veracyte is a duly organized and validly existing corporation under the laws of its jurisdiction of incorporation;

9.1.7 Veracyte (and any third party laboratories and other subcontractors used by Veracyte) has all necessary licenses, permits and certifications under all applicable laws, regulations, codes, and standards determined by any governmental authority or Regulatory Authority (including without limitation CLIA and similar state laws, as well as all generally applicable industry standards whether the same are regional, national or international), to use, make and commercialize Afirma in the Territory;

9.1.8 neither Veracyte nor any of its Affiliates has granted any right or license to any third party relating to the Veracyte Owned Intellectual Property and/or the Test that would conflict with the rights granted to Genzyme and its Affiliates under this Agreement; and

9.1.9 Exhibit A hereto includes all patents or patent applications of Veracyte that are included in the Veracyte Owned Intellectual Property that are in existence or filed as of the Amendment Effective Date (other than foreign counterparts).

9.2 No Conflicting Obligations. Each party represents and warrants that the execution of this Agreement and the performance of its obligations hereunder will not conflict with, result in the breach of, or constitute a default under, any agreement to which it, its officers, directors, agents or employees are parties, or by which it, its officers, directors, agents or employees are or may be bound.

9.3 Compliance with Applicable Laws. Each party represents and warrants that in the performance of its obligations under this Agreement it shall comply with all applicable laws, regulations, codes, and standards determined by any governmental authority or Regulatory Authority, as well as all generally applicable industry standards whether the same are regional, national or international.

9.4 Ad/Prom Materials and Training Materials. Veracyte hereby represents and warrants to Genzyme that all Ad/Prom Materials and training materials used by Veracyte as of the Amendment Effective Date in connection with the Test comply, and all Ad/Prom Materials and training materials to be created and developed by Veracyte pursuant to Section 3.6 hereof will comply, with all applicable laws, regulations, codes and standards determined by any governmental authority or Regulatory Authority, as well as all generally applicable industry standards whether the same are regional, national or international.

9.5 Performance Standards. Each party represents and warrants that all activities and obligations performed under this Agreement will be performed by it and its Affiliates (i) in a professional and workmanlike manner, (ii) by appropriately qualified individuals who are licensed in accordance with applicable laws and regulations in the country in which they are performed, (iii) at an appropriately qualified and licensed laboratory facility, and (iv) in accordance with the standard of care and best industry practices in the country in which they are performed.

9.5.1 Veracyte represents and warrants that neither Veracyte nor its Affiliates (to the extent its Affiliates are performing services related to the Test), nor any of their respective employees or agents performing services related to Test in connection with this Agreement, has been: (i) convicted of an offense related to any federal or state health care program; (ii) debarred under the Federal Food, Drug and Cosmetic Act; or (iii) excluded or is otherwise ineligible for federal or state health care program participation. No convicted, debarred, excluded or ineligible person will in the future be employed by Veracyte or its Affiliates, to their knowledge, in connection with any of its obligations under this Agreement. If Veracyte becomes aware that Veracyte or its Affiliates performing services related to the Test or any person employed or contracted by Veracyte or its Affiliates in connection with this Agreement has become or is in the process of being convicted, debarred, excluded or otherwise rendered ineligible for federal or state health care program participation, Veracyte shall so notify Genzyme in writing.

9.5.2 Genzyme represents and warrants that neither Genzyme nor its Affiliates (to the extent its Affiliates either employ sales and marketing personnel used to promote, market or detail any Thyrogen or the Test or otherwise perform services hereunder), nor any employee or agent of Genzyme or such Affiliates marketing, promoting, or detailing the Test in connection with this Agreement, has been: (i) convicted of an offense related to any federal or state health care program; (ii) debarred under the Federal Food, Drug and Cosmetic Act; or (iii) excluded or is otherwise ineligible for federal or state health care program participation. No convicted, debarred, excluded or ineligible person will in the future be employed by Genzyme or its Affiliates, to their knowledge, in connection with any of its obligations under this Agreement. If Genzyme becomes aware that Genzyme its Affiliates mentioned above or any person employed or contracted by Genzyme or such Affiliates in connection with this Agreement has become or is in the process of being convicted, debarred, excluded or otherwise rendered ineligible for federal

or state health care program participation, Genzyme shall so notify Veracyte in writing.

9.6 Genzyme represents and warrants to Veracyte that as of the Amendment Effective Date:

9.6.1 Genzyme has the full right, power and authority and legal capacity to enter into this Agreement;

9.6.2 the execution, delivery and performance of this Agreement by Genzyme does not conflict with, or constitute a breach of or under, any order, judgment, agreement or instrument to which Genzyme is a party; and

9.6.3 Genzyme or its Affiliates directly employs a direct sales force in the Territory and, with respect to Thyrogen such sales force operates with all necessary licenses, permits and certifications under all applicable laws, regulations, codes, and standards determined by any applicable governmental authority or Regulatory Authority as of the Amendment Effective Date.

9.7 EXCEPT AS EXPRESSLY STATED IN THIS SECTION 9, ALL OTHER WARRANTIES, CONDITIONS AND REPRESENTATIONS, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING A WARRANTY AS TO THE QUALITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE TEST, ARE HEREBY EXCLUDED.

SECTION 10 - INDEMNIFICATION AND LIMITATION OF LIABILITY

10.1 Indemnification by Veracyte.

10.1.1 Veracyte shall defend, indemnify and hold Genzyme, its Affiliates and their respective officers, directors and employees harmless from and against any liabilities, charges, costs, or expenses, including reasonable attorneys' fees and settlement payments (collectively, "Liabilities") that arise from any claim, lawsuit or other action by a third party resulting from (i) the promotion, marketing or detailing of the Test by Veracyte or its Affiliates, (ii) the safety or effectiveness of the Test and/or the research, development, manufacture, commercialization, distribution, promotion, marketing, detailing or importation of the Test by Veracyte or its Affiliates, (iii) performance of the Test including, without limitation, the reporting of test results to physicians or patients, (iv) a breach by Veracyte of its covenants or the terms and conditions of this Agreement or any negligence or misconduct of Veracyte or its Affiliates or their respective employees, agents or subcontractors, (v) the infringement or other violation of any third party trademarks with respect to the use by Genzyme of the Veracyte Trademarks in accordance with the terms and conditions of this Agreement, (vi) an inaccuracy of any of Veracyte's representations and warranties under this Agreement or (vii) an actual or alleged infringement of a patent, trademark or

other Intellectual Property Right of a third party. The foregoing obligations shall not apply to the extent that such Liabilities result from any gross negligence or willful misconduct of Genzyme or its Affiliates.

10.1.2 Genzyme shall promptly notify Veracyte of any liability in respect of which Genzyme intends to claim such indemnification, and Veracyte shall assume and have exclusive control over the defense thereof with counsel selected by Veracyte *provided, however,* that Genzyme shall have the right to fully participate in any such action or proceeding and to retain its own counsel, at its own expense, if representation of Genzyme by the counsel retained by Veracyte would be inappropriate under applicable standards of professional conduct due to actual or potential differing interests between Genzyme and Veracyte or any other party represented by such counsel in such proceedings. The failure to deliver notice to Veracyte within a reasonable time after the commencement of such action shall relieve Veracyte of its indemnification obligations hereunder only to the extent such failure is prejudicial to Veracyte's ability to defend such action.

10.2 Indemnification by Genzyme.

10.2.1 Genzyme shall defend, indemnify and hold Veracyte, its Affiliates and their respective officers, directors and employees harmless from and against any Liabilities that arise from any claim, lawsuit or other action by a third party resulting from (i) the promotion, marketing or detailing of the Test by Genzyme or its Affiliates, (ii) a breach by Genzyme of its covenants or the terms and conditions of this Agreement or any negligence or misconduct of Genzyme or its Affiliates or their respective employees, agents or subcontractors, (iii) an inaccuracy of any of Genzyme's representations and warranties under this Agreement or (iv) the infringement or other violation of any third party trademarks with respect to the use by Veracyte of the Genzyme Trademarks in accordance with the terms and conditions of this Agreement. The foregoing obligations shall not apply to the extent that such Liabilities result from the gross negligence or wilful misconduct of Veracyte or its Affiliates. For the avoidance of doubt, Genzyme will not indemnify Veracyte and its Affiliates for any Liabilities resulting from an actual or alleged infringement of a patent, trademark or other Intellectual Property Right of a third party related to making, using or processing the Test.

10.2.2 Veracyte shall promptly notify Genzyme of any liability in respect of which Veracyte intends to claim such indemnification, and Genzyme shall assume and have exclusive control over the defense thereof with counsel selected by Genzyme; *provided, however,* that Veracyte shall have the right to fully participate in any such action or proceeding and to retain its own counsel, at its own expense, if representation of Veracyte by the counsel retained by Genzyme would be inappropriate under applicable standards of professional conduct due to actual or potential differing interests between Veracyte and Genzyme or any other party represented by such counsel in such proceedings. The failure to deliver

notice to Genzyme within a reasonable time after the commencement of such action shall relieve Genzyme of its indemnification obligations hereunder only to the extent such failure is prejudicial to Genzyme's ability to defend such action.

10.3 Limitation of Liability.

10.3.1 Neither party shall be liable to the other party for any special, incidental, indirect or consequential damages including, but not limited to, loss of profit, loss of savings, loss of business, loss or contracts, whether arising from negligence, breach of contract or in any other way.

10.3.2 The limitations set forth in Section 10.3.1 shall not apply with respect to the liability of either party for death, material personal injury or property damage, which has been determined by a court of final adjudication to have been proximately caused by the gross negligence or wilful misconduct of such party or its Affiliates.

10.4 Insurance.

10.4.1 Each party possesses and will maintain commercially reasonable amounts of insurance from a reputable insurance carrier (or by means of self-insurance) sufficient to cover its risks under this Agreement.

10.4.2 For the avoidance of doubt, Veracyte is required to maintain an active insurance policy covering general commercial liability, contractual liability, personal and advertising injury, errors and omissions, and product liability claims, with limits of not less than $10,000,000 (ten million dollars) per occurrence and $10,000,000 (ten million dollars) aggregate. Veracyte shall name Genzyme as an "additional insured" and provide Genzyme with a certificate of insurance promptly upon Genzyme's request.

10.4.3 For the avoidance of doubt, Genzyme is required to maintain an active insurance policy covering general commercial liability, contractual liability, personal and advertising injury, errors and omissions, and product liability claims, with limits of not less than $10,000,000 (ten million dollars) per occurrence and $10,000,000 (ten million dollars) aggregate. Genzyme shall name Veracyte as an "additional insured" and provide Veracyte with a certificate of insurance promptly upon Veracyte's request.

SECTION 11 - TERM AND TERMINATION

11.1 Term. This Agreement shall commence on the Original Effective Date and shall continue in force for a period of fifteen (15) years (the "Initial Term"). Upon expiry of the Initial Term, this Agreement shall terminate without any notice of termination being required, unless the parties agree in writing to extend the Agreement for an additional period to be agreed upon in writing by the parties (the "Extended Term").

11.2 Termination for Cause.

11.2.1 Without prejudice to the rights and remedies of Veracyte and Genzyme under this Agreement, either party may terminate this Agreement immediately by written notice to the other party if the other party either commits a breach of this Agreement or otherwise defaults in the performance of any of its duties or obligations under this Agreement and such breach is not caused by a force majeure (as described in Section 12.3) and (i) such breach or default is material and curing such breach or default is temporarily or permanently impossible, or (ii) in all other cases if the breach is not remedied within thirty (30) days after receipt of written notice of termination pursuant to this Section 11.2.1.

11.2.2 Veracyte may terminate this Agreement immediately by written notice to Genzyme if (a) Genzyme fails to satisfy the Minimum Call Requirement for a calendar quarter to a substantial degree (as defined in Section 3.1.1) and does not cure such failure (as defined in Section 3.1.1) within the cure period specified in Section 3.1.1, or (b) Genzyme fails to cure a Sales Force Maintenance Default within the cure period specified in Section 3.3, or (c) Genzyme fails to satisfy the Minimum Talks Requirement for a calendar quarter to a substantial degree (as defined in Section 3.6.3) and does not cure such failure (as defined in Section 3.6.3) within the cure period specified in Section 3.6.3. Such termination will be Veracyte's sole and exclusive remedy for any failure by Genzyme to satisfy the Minimum Call Requirement or Minimum Talks Requirement or for any Sales Force Maintenance Default.

11.3 Termination for Insolvency. Either party may terminate this Agreement effective immediately by written notice to the other party if the other party:

(a) becomes insolvent, or has filed a request to be declared insolvent, or has been granted moratorium on payment;

(b) makes an assignment for the benefit of creditors;

(c) ceases to do business;

(d) commences any dissolution, liquidation or winding up; or

(e) has a receiver, trustee administrator or examiner or liquidator appointed over all or a substantial part of its assets.

11.4 Termination Upon Change of Control. Either party will have the right to immediately terminate this Agreement by written notice to the other party in the event of a Change of Control of the other party. A party shall provide notice to the other party not less than sixty (60) days prior to its proposed Change of Control, *provided, however,* that if the party undergoing the Change of Control is advised by its legal counsel that it is precluded from providing the other party with this prior notice under applicable laws or regulations, then the party undergoing the Change of Control shall deliver such

notice immediately after consummation of the Change of Control. The above notice shall contain the following information regarding the person or entity that will assume control:

(a) the name and legal composition of the person or entity;

(b) financial information regarding such person or entity; and

(c) a general description of the transfer transaction.

In addition, the party that is subject to the Change of Control shall provide the other party with such other information as may be reasonably requested by that party after the receipt of such notice.

11.5 Termination for Convenience. Either party will have the right to terminate this Agreement without cause effective any time after June 30, 2016 by giving the other party six (6) months prior written notice. For the purposes of clarity, it is the understanding of the parties that during the notice period described above, the rights and obligations of the parties shall continue in full force and effect until the applicable date of termination of the Agreement and that no termination fee shall be required to be paid under the termination described above.

11.6 Termination by Genzyme for Regulatory Action.

11.6.1 Within sixty (60) days following the occurrence of a Regulatory Event, Genzyme may provide Veracyte with written notice of such Regulatory Event (a "RE Notice"). Such RE Notice shall provide details regarding the event that constitutes a Regulatory Event, the date of such occurrence and the basis for why any Regulatory Event could constitute a Qualified Regulatory Event. Upon the receipt of a RE Notice, Veracyte will have six (6) months to work in good faith to resolve, cure, or abate such Regulatory Event to the reasonable satisfaction of Genzyme. If Veracyte is unable to resolve, cure or abate such Regulatory Event during such six (6) month period and such Regulatory Event constitutes a Qualified Regulatory Event, then Genzyme will have the right, no later than eight (8) months following the occurrence of such a Qualified Regulatory Event, to terminate any further rights and obligations under this Agreement, with thirty (30) days prior written notice to Veracyte (a "Regulatory Termination").

11.6.2 For the purposes of clarity, it is the understanding of the parties that during any notice period described above prior to the effective date of a Regulatory Termination, the rights and obligations of the parties shall continue in full force and effect until the applicable date of termination.

11.6.3 If Genzyme elects to exercise such Regulatory Termination, no further Promotion Fees will be payable for Net Revenues achieved in the Territory after the effective date of the Regulatory Termination.

11.6.4 For purposes of this Section 11.6:

(a) "Regulatory Event" shall mean the occurrence of any of the following: any Regulatory Authority in the Territory pursuing an enforcement action (i) against Veracyte or its Affiliates (to the extent that such Affiliates are offering the Test pursuant this Agreement in the Territory) that impacts the ability to commercialize the Test or (ii) directly related to the Test; or any Regulatory Authority in the Territory issuing a warning letter against (i) Veracyte or its Affiliates (to the extent that such Affiliates are providing services to Genzyme pursuant to this Agreement in the Territory) that impacts the ability to commercialize the Test or (ii) directly related to the Test; and

(b) "Qualified Regulatory Event" shall mean a Regulatory Event that both (a) materially and adversely affects the ability of the parties to commercialize the Test in the Territory where the Regulatory Event occurs, and (b) leads to the actual average monthly volume of FNAs received by Veracyte for the Test in the Territory during the six (6) months following the date of the occurrence of the Regulatory Event being at least fifty percent (50%) less than the average monthly volume for the six (6) months prior to such date.

11.7 Effects of Expiration or Termination.

11.7.1 Notwithstanding anything to the contrary in this or any other agreement between the parties, all rights and obligations of the parties set forth herein that expressly or by their nature survive expiration or termination of this Agreement (including without limitation Sections 1, 3.5, 3.7.2(b) (last sentence), 3.8, 6.2, 6.3, 7, 9.7, 10, 11.7 and 12) shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement until they are satisfied or by their nature expired and shall bind the parties and their legal representatives, successors, and permitted assigns.

11.7.2 Expiration or termination of this Agreement for any reason shall be without prejudice to the rights and remedies of either party with respect to any antecedent breach of any of the provisions of this Agreement.

11.7.3 Upon termination of this Agreement, Genzyme shall cooperate in good faith with Veracyte or its designee in transitioning all customer support, promotional and other activities and responsibilities for the Test in the Territory, as set forth hereunder, to Veracyte or its designee as requested by Veracyte. The parties agree to cause such transition to occur as quickly as practicable after the effective date of such termination. After expiration or termination of this Agreement, Veracyte shall retain the right to use any training materials and Ad/Prom Materials related to the Test developed during the Term; *provided*, *however*, that Veracyte shall have no further right to use Genzyme's name or Trademarks.

11.8 Dispute Resolution. In the event of any dispute arising between the parties relating to, arising out of, or in any way connected with this Agreement or any term or condition hereof, or the performance by either party of its obligations hereunder, such dispute shall be referred to the Steering Committee and the parties shall follow the dispute resolution procedures set forth in Section 1.1 hereof.

SECTION 12 - MISCELLANEOUS PROVISIONS

12.1 Independent Status of the Parties. Veracyte and Genzyme are independent entities each acting in its own name of for its own account. Without explicit prior written authorization, neither party shall have the authority to bind, commit or incur any liability on behalf of the other party or to otherwise act in any way as an agency, representative or partner of the other party.

12.2 Assignment. This Agreement shall not be assigned or otherwise transferred by either party without the prior written consent of the other party, *provided*, *however*, that either party may assign this Agreement to any of its Affiliates or to a successor to the portion of its business related to this Agreement (whether by merger, a sale or transfer of all or substantially all of its assets relating to this Agreement, a sale of its capital stock, or otherwise), including, in the case of Genzyme, the transfer to an Affiliate of the entire sales and marketing organization used to promote, market and detail Thyrogen. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

12.3 Force Majeure. The performance of either party under this Agreement may be suspended to the extent and for the period of time that such party is prevented or delayed from fulfilling its obligations due to causes beyond its reasonable control (including, without limitation, acts of God, acts of civil or military authority including governmental priorities, strikes or other labour disturbances, fires, floods, epidemics, wars, terrorism, or riots); *provided, however,* that the non-performing party uses Commercially Reasonable Efforts to avoid or remove such causes of non-performance and continues performance hereunder with reasonable dispatch as soon as such causes are removed. After thirty (30) consecutive calendar days of suspension on the part of one party, the other party may, at its sole discretion, terminate this Agreement without further liability.

12.4 Severability. To the extent any clause, term or provision of this Agreement shall be judged to be invalid or unenforceable for any reason whatsoever, such invalidity or unenforceability shall not affect the validity or enforceability of the balance of such clause, term or provision or any other clause, term or provision hereof. The remaining provisions of this Agreement will remain binding and enforceable, and shall be interpreted so as best to reasonably effect the intent of the parties. The parties further agree that any such invalid or unenforceable provisions will be deemed replaced with valid and enforceable provisions that achieve, to the extent possible, the business purposes and intent of such invalid and unenforceable provisions.

12.5 Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the state of New York, including all matters of construction, validity, performance and enforcement.

12.6 Relationship of Parties. The parties hereto are acting and performing as independent contractors, and nothing in this Agreement creates the relationship of partnership, joint venture, sales agency or principal and agent. Neither party is the agent of the other, and neither party may hold itself out as such to any other person. All financial obligations associated with each party's business shall be the sole responsibility of such party.

12.7 Public Announcements. The form and content of any public announcement to be made by one party regarding the execution or existence of this Agreement, or the subject matter contained herein, shall be subject to the prior written consent of the other party (which consent shall not be unreasonably withheld, delayed or conditioned), except as may be required by applicable law (including, without limitation, disclosure requirements of the SEC, NYSE, or any other stock exchange or NASDAQ), in which case the party making the disclosure shall give the other party reasonable advance notice and review of any such disclosure. Following the dissemination of such initial public announcement, neither party (nor any of their Affiliates) shall issue any press release or make any public announcement with respect to this Agreement and the transactions contemplated hereby without prior consultation with the other party, except as may be required by applicable law upon the advice of counsel. Each party shall provide the other party with a reasonable opportunity to review the release or other public announcement prior to disclosure. Notwithstanding the foregoing, each the parties may each disclose to third parties the information contained in any press release that was previously approved by both of the parties without the need for further approval by the other party.

12.8 No Implied Licenses. Each of the parties hereby acknowledges and agrees that, except as otherwise explicitly provided in this Agreement, it does not have, assert or acquire any right, title or interest in or to any Intellectual Property Rights or other proprietary rights of the other party or its Affiliates by entering into this Agreement.

12.9 Notices. All notices hereunder shall be delivered as follows: (a) personally; (b) by facsimile and confirmed by either first class mail (postage prepaid) or overnight courier service; (c) by registered or certified mail (postage prepaid); or (d) by overnight courier service, to the following addresses of the respective parties:

If to Genzyme:

Genzyme Corporation
500 Kendall Street
Cambridge, MA 02142
Attention: General Manager, Endocrine Business
Facsimile: (617) 761-8667

With a copy to:

Genzyme Corporation
500 Kendall Street
Cambridge, MA 02142
Attention: General Counsel
Facsimile: (617) 252-7553

If to Veracyte:

Veracyte, Inc.
7000 Shoreline Court, Suite 250
South San Francisco, CA 94080
Attention: Chief Executive Officer
Facsimile: (650) 243-6301

With copy to:

Veracyte, Inc.
7000 Shoreline Court, Suite 250
South San Francisco, CA 94080
Attention: General Counsel
Facsimile: (650) 243-6301

Notices shall be effective upon receipt if personally delivered or delivered by facsimile and confirmed by first class mail, on the third business day following the date of registered or certified mailing, or on the first business day following the date of delivery to the overnight courier. A party may change its address listed above by written notice to the other party.

12.10 Exchange Controls. All payments due hereunder shall be paid in United States dollars. If at any time legal restrictions prevent the prompt remittance of part or all payments, payment shall be made through such lawful means or methods as the parties may determine in good faith.

12.11 Entire Agreement. Upon the Amendment Effective Date, the Prior Agreement shall be deemed amended and restated to read in its entirety as set forth in this Agreement. This Agreement, together with the Exhibits hereto, contains the entire understanding of the parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, heretofore made are expressly merged in and made a part of this Agreement, including without limitation the Letter of Intent (including without limitation Exhibit A thereto) dated January 7, 2011 and the amendment thereto dated April 20, 2011, the Confidential Disclosure Agreement dated November 16, 2009, the Non-Solicitation

Agreement dated January 7, 2011 and the Letter of Agreement (including without limitation Exhibit A thereto) dated August 12, 2014 but excluding the Joint Defense Agreement dated as of January 28, 2011, which shall continue in full force and effect in accordance with its terms. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by both parties hereto. Each of the parties hereby acknowledges that this Agreement is the result of mutual negotiation and therefore any ambiguity in their respective terms shall not be construed against the drafting party.

12.12 Headings. The captions to the several Sections hereof are not a part of this Agreement, but are merely guides or labels to assist in locating and reading the several Sections hereof.

12.13 Waiver. Except as expressly provided herein, the waiver by either party hereto of any right hereunder or of any failure to perform or any breach by the other party shall not be deemed a waiver of any other right hereunder or of any other failure to perform or breach by said other party, whether of a similar nature or otherwise, nor shall any singular or partial exercise of such right preclude any further exercise thereof or the exercise of any other such right.

12.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signature pages may be exchanged by facsimile.

[Signature page to follow]

IN WITNESS WHEREOF, Veracyte and Genzyme have each caused this Agreement to be executed by their respective duly authorized officers.

VERACYTE, INC.

/s/ Bonnie Anderson
Bonnie Anderson
Chief Executive Officer
Date: Nov 7, 2014

GENZYME CORPORATION

/s/ David P. Meeker
David Meeker
Chief Executive Officer
Date: Nov. 6, 2014

[SIGNATURE PAGE TO AMENDED AND RESTATED U.S. CO-PROMOTION AGREEMENT]

*** Confidential material redacted and filed separately with the Commission.

EXHIBIT A

Veracyte Patents & Patent Applications (U.S.)

Application Number	Application Date	Patent or Publication Number	Issue or Publication Date	Title
61/199,585	11/17/2008	Not Yet Available	Not Yet Available	Methods and Compositions of Molecular Profiling for Diagnosis of Cancer
61/270,812	7/13/2009	Not Yet Available	Not Yet Available	Methods and Compositions of Molecular Profiling for Diagnosis of Cancer
12/592,065	11/17/2009	8,541,170	9/24/2013	Methods and Compositions of Molecular Profiling for Disease Diagnostics
13/589,022	8/17/2012	2013-0225662	8/29/2013	Methods and Compositions of Molecular Profiling for Disease Diagnostics
***	***	Not Yet Available	Not Yet Available	***
***	***	Not Yet Available	Not Yet Available	***
***	***	Not Yet Available	Not Yet Available	***
61/176,471	5/7/2009	Not Yet Available	Not Yet Available	Methods and Compositions for Diagnosis of Thyroid Conditions
14/153,219	1/13/2014	2014-0228237	8/14/2014	methods and Compositions for Diagnosis of Thyroid Conditions
13/318,751	5/10/2012	8,669,057	3/11/2014	methods and Compositions for Diagnosis of Thyroid Conditions
61/333,717	5/11/2010	Not Yet Available	Not Yet Available	Molecular Classification of Thyroid Nodules Using High-Dimensionality Genomic Data
***	***	Not Yet Available	Not Yet Available	***
61/389,810	10/5/2010	Not Yet Available	Not Yet Available	Methods and Compositions for Diagnosing Conditions
13/105,756	5/11/2011	11-0312520	12/22/2011	Methods and Compositions for Diagnosing Conditions
61/568,870	12/9/2011	Not Yet Available	Not Yet Available	Methods and Compositions for Classification of Samples
***	***	Not Yet Available	Not Yet Available	***
13/708,439	12/7/2012	2013-0231258	9/5/2013	Methods and Compositions for Classification of Samples

***	***	Not Yet Available	Not Yet Available	***
13/710,134	12/10/2012	2013-0150257	6/13/2013	Methods and Compositions for Sample Identification

EXHIBIT B

Trademarks

"Veracyte" and "Afirma" are registered Trademarks of Veracyte.

"Genzyme" and "Thyrogen" are registered Trademarks of Genzyme.

EXHIBIT C

Customer Support

1. In the Territory, Veracyte will provide reasonable first level customer support to end users for the Test.

2. In the Territory, Veracyte will provide a dedicated phone line for end users to call. Opening hours of the hot line will be adapted for local needs. Call hours will be mutually determined.

Item	Description
Coverage Time	International : 8:00 AM to 5:00 PM (GMT+02:00) Mon- Thu office hours.
Service Language	English
Recall time in during coverage time	Within 3 hours
Initial Response time	Within 24 hours
Number of incidents	Unlimited

*** Confidential material redacted and filed separately with the Commission.

EXHIBIT D

Territory Sales Force FTEs as of the Amendment Effective Date

FTEs in Genzyme's Territory Sales Force as of the Amendment Effective Date: *** FTEs

EXHIBIT E

Pharmacovigilance

SECTION 1 - DEFINITIONS

1.1 "Adverse Event" shall mean any untoward medical occurrence in a patient or clinical investigation subject using a Subject Product, whether or not related to the Subject Product.

1.2 "Safety Information" shall mean all information on the Subject Products relating to known or potential risks to humans obtained or otherwise received from any source. This includes but is not limited to:

(a) any reported deaths of patients, Adverse Events and incidents (see definitions below), irrespective of any suspected causal relationship to the Subject Product;

(b) any information (regardless of the fact whether it is associated or not with an Adverse Event) regarding Misuse, Abuse, medication errors, Overdose, lack of efficacy, Off-Label Use, potential transmission of infectious agent via the Subject Product and Occupational Exposure;

(i) "Overdose" shall mean the administration of a quantity of a medicinal product given per administration or cumulatively, which is above the maximum recommended dose according to the authorized product information.

(ii) "Off-Label Use" shall mean situations where the medicinal product is intentionally used for a medical purpose not in accordance with the authorized product information.

(iii) "Misuse" shall mean situations where the medicinal product is intentionally and inappropriately used not in accordance with the authorized product information.

(iv) "Abuse" shall mean the persistent or sporadic, intentional excessive use of a medicinal product, which is accompanied by harmful physical or psychological effects.

(v) "Occupational Exposure" shall mean the exposure to a medicinal product, as a result of one's professional or non-professional occupation.

(c) any exposure of pregnancy to the Subject Product via the mother, father or both;

(d) any information related to studies initiated by independent investigators ("IST"), e.g. also inclusive of awareness of:

(i) study protocol amendments for safety reasons or any other safety information related to IST;

(ii) other changes to the conduct of the study, its procedures or study documents for safety reasons; or

(iii) results of assessment of partial or complete safety data or benefit-risk assessments or medical opinions related to an IST regardless by whom (external to Genzyme) these assessments were performed or medical opinions were given; and

(e) any safety information associated with a suspected or confirmed counterfeit medical product.

SECTION 2 — TRANSMISSION OF SAFETY INFORMATION AND FOLLOW-UP

2.1 Veracyte shall transmit Safety Information in or coming into its possession or control to Genzyme within twenty-four (24) hours after receiving such information by using 1) e-mail or 2) phone. Veracyte shall provide the following information: patient identifiers, reporter name and contact information, the suspect product (drug, dose, route, date of administration), and information regarding the Adverse Event to Genzyme by email, or by phone, in any of the following forms: (i) CIOMS I, (ii) Med Watch, (iii) AE reporting form (electronic or hardcopy) or (iv) any other form specifically agreed to between Veracyte and Genzyme in writing. Such communications should be directed from the relevant Veracyte contact person indicated below, by specifying date of receipt and contact details from the complainant (to allow Genzyme to follow up), to:

Email: USPVmailbox@sanofi.com
Phone: 800-745-4447, option #2

Veracyte Contact Person:
Michaela Hart
Michaela@veracyte.com
650.243.6330

2.2 Veracyte will provide monthly listings of any Safety Information received during the month from all sources and countries for reconciliation purposes. The reconciliation report will include both initial and follow-up Safety Information and will include Veracyte's report identifiers. The reconciliation report format will be agreed by Genzyme. The report will include information which meets the criteria for Safety Information as defined above in Section 1.

2.3 Genzyme, as the holder of the Marketing Authorization(s) for the Subject Product(s), shall be responsible for the investigation and follow-up of Individual Case Safety Reports ("ICSRs"), for submitting expedited and periodic safety reports to Regulatory Authorities in accordance with applicable laws, and for responding to all local Regulatory Authority's queries.

SECTION 3 - RECORDS

3.1 VERACYTE shall establish and maintain:

(a) adequate policies and Standard Operating Procedures to ascertain compliance with the obligations towards the transmission of Safety Information as stipulated under Section 2 above. Veracyte will disclose any of such policies and/or Standard Operating Procedures to Genzyme when requested; and

(b) job descriptions and training records for personnel having responsibilities in respect of the handling of Safety Information for the Subject Products.

3.2 Veracyte shall make the records as described above in Section 3.1 available to Genzyme and to any third party designated by Genzyme, and shall provide copies of these records to Genzyme and/or any third party designated by it, within three (3) business days of receiving a request for such records.

3.3 Genzyme shall maintain the records as described above in Section 3.1 for a period of at least three (3) years after the expiration or termination of the Agreement, or such longer period as may be required by law.

SECTION 4 — TRAINING

4.1 Veracyte shall ensure training to its personnel involved in the handling of Safety Information within a reasonable period following the Effective Date, to ensure compliance with the procedures contained in this Exhibit E. Veracyte agrees to ensure that all relevant members of their staff are adequately kept informed on the processes for the handling of Safety Information, as defined in this Exhibit E and in any subsequent amendment thereto.

SECTION 5 — AUDIT

5.1 Genzyme, or an Affiliate on its behalf, has the right to audit Veracyte's pharmacovigilance records to confirm compliance with the relevant provisions hereof and of applicable law. Such audit may be either a documentary audit or otherwise, and will be performed at reasonable times and places, upon reasonable notice, and at Genzyme's sole expense, either with Genzyme or an Affiliate's internal auditors or other individuals or a third party qualified by experience; provided that any third party is reasonably acceptable to vendor. Veracyte agrees to provide Genzyme, or an

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Affiliate on its behalf, with access to relevant systems, documentation and individuals for purposes of conducting the audit.

Exhibit 31.1

PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bonnie Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Veracyte, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2014

/s/ Bonnie H. Anderson
Bonnie H. Anderson
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

PRINCIPAL FINANCIAL OFFICER'S CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Shelly Guyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Veracyte, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2014

/s/ Shelly D. Guyer
Shelly D. Guyer
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Veracyte, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2014

/s/ Bonnie H. Anderson
Bonnie H. Anderson
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Veracyte, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2014

/s/ Shelly D. Guyer
Shelly D. Guyer
Chief Financial Officer
(Principal Financial Officer)