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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

Or

☐ **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 001-35817

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

Delaware	**04-3462475**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

201 Route 17 North 2nd Floor
Rutherford, NJ 07070
(201) 528-9200
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 ☒ No ☐

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 ☒ No ☐

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.

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

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

As of August 1, 2015, there were 9,850,160 shares of common stock, par value $0.0001 of Cancer Genetics, Inc. outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Cancer Genetics, Inc. and Subsidiaries
Consolidated Balance Sheets (Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 23,744,173**	$ 25,554,064
Accounts receivable, net of allowance for doubtful accounts	**5,722,564**	5,028,620
Other current assets	**1,629,415**	1,172,750
Total current assets	**31,096,152**	31,755,434
FIXED ASSETS, net of accumulated depreciation	**3,888,078**	4,310,126
OTHER ASSETS		
Restricted cash	**300,000**	6,300,000
Patents	**552,916**	502,767
Investment in joint venture	**642,987**	1,047,744
Goodwill	**3,187,495**	3,187,495
Other	**160,354**	1,564
Total other assets	**4,843,752**	11,039,570
Total Assets	**$ 39,827,982**	$ 47,105,130
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 4,056,533**	$ 3,762,567
Obligations under capital leases, current portion	**60,361**	58,950
Deferred revenue	**381,914**	544,446
Bank term note, current portion	**333,333**	—
Total current liabilities	**4,832,141**	4,365,963
Obligations under capital leases	**269,829**	300,385
Deferred rent payable and other	**310,319**	347,840
Line of credit	**—**	6,000,000
Warrant liability	**248,000**	52,000
Acquisition note payable	**961,097**	560,341
Deferred revenue, long-term	**799,075**	924,850
Bank term note	**5,635,679**	—
Total liabilities	**13,056,140**	12,551,379
STOCKHOLDERS' EQUITY		
Preferred stock, authorized 9,764,000 shares, $0.0001 par value, none issued	**—**	—
Common stock, authorized 100,000,000 shares, $0.0001 par value, 9,844,360 and 9,821,169 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	**984**	982
Additional paid-in capital	**113,996,507**	112,520,268
Accumulated (deficit)	**(87,225,649)**	(77,967,499)
Total Stockholders' Equity	**26,771,842**	34,553,751
Total Liabilities and Stockholders' Equity	**$ 39,827,982**	$ 47,105,130

See Notes to Unaudited Consolidated Financial Statements.

Cancer Genetics, Inc. and Subsidiaries
Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Revenue	**$ 4,185,147**	$ 1,511,670	**$ 8,555,474**	$ 2,942,045
Cost of revenues	**3,097,437**	1,503,095	**6,239,172**	2,793,157
Gross profit	**1,087,710**	8,575	**2,316,302**	148,888
Operating expenses:				
Research and development	**1,255,496**	1,105,773	**2,533,422**	1,702,544
General and administrative	**3,061,584**	2,395,462	**6,048,481**	5,126,866
Sales and marketing	**1,184,431**	918,457	**2,300,244**	1,667,436
Total operating expenses	**5,501,511**	4,419,692	**10,882,147**	8,496,846
Loss from operations	**(4,413,801)**	(4,411,117)	**(8,565,845)**	(8,347,958)
Other income (expense):				
Interest expense	**(81,553)**	(30,744)	**(115,520)**	(371,921)
Interest income	**12,764**	16,157	**25,382**	38,341
Change in fair value of acquisition note payable	**(316,253)**	—	**(406,167)**	—
Change in fair value of warrant liability	**(181,000)**	239,000	**(196,000)**	195,000
Total other (expense)	**(566,042)**	224,413	**(692,305)**	(138,580)
Loss before income taxes	**(4,979,843)**	(4,186,704)	**(9,258,150)**	(8,486,538)
Income tax provision (benefit)	**—**	—	**—**	(1,813,941)
Net (loss)	**$ (4,979,843)**	$ (4,186,704)	**$ (9,258,150)**	$ (6,672,597)
Basic net (loss) per share	**$ (0.51)**	$ (0.45)	**$ (0.95)**	$ (0.72)
Diluted net (loss) per share	**$ (0.51)**	$ (0.47)	**$ (0.95)**	$ (0.74)
Basic Weighted-Average Shares Outstanding	**9,714,828**	9,302,737	**9,709,202**	9,289,624
Diluted Weighted-Average Shares Outstanding	**9,714,828**	9,318,634	**9,709,202**	9,314,155

See Notes to Unaudited Consolidated Financial Statements.

Cancer Genetics, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	**$ (9,258,150)**	$ (6,672,597)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	**679,555**	214,450
Amortization	**17,452**	13,431
Provision for bad debts	**215,977**	—
Equity-based consulting and compensation expenses	**1,453,626**	1,293,705
Change in fair value of acquisition note payable	**406,167**	—
Change in fair value of Gentris contingent consideration	**(162,000)**	—
Change in fair value of warrant liability	**196,000**	(195,000)
Amortization of loan guarantee fees, financing fees and debt issuance costs	**1,856**	310,500
Loss in equity method investment	**404,757**	310,193
Changes in:		
Accounts receivable	**(909,921)**	(489,227)
Other current assets	**(456,665)**	(354,589)
Other non-current assets	**(73,236)**	—
Deferred rent and other	**(37,521)**	(12,811)
Accounts payable, accrued expenses and deferred revenue	**162,248**	(230,935)
Net cash (used in) operating activities	**(7,359,855)**	(5,812,880)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	**(257,507)**	(385,151)
Decrease (increase) in restricted cash	**6,000,000**	(6,000,000)
Patent costs	**(67,601)**	(62,656)
Net cash provided by (used in) investing activities	**5,674,892**	(6,447,807)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	**(29,145)**	(12,857)
Payments for deferred equity offering costs	**(85,554)**	—
Proceeds from warrant exercises	**—**	178,102
Proceeds from option exercises	**22,615**	75,918
Payment of debt issuance costs	**(32,844)**	—
Principal payments on notes payable	**—**	(22,298)
Net cash provided by (used in) financing activities	**(124,928)**	218,865
Net (decrease) in cash and cash equivalents	**(1,809,891)**	(12,041,822)
CASH AND CASH EQUIVALENTS		
Beginning	**25,554,064**	49,459,564
Ending	**$ 23,744,173**	$ 37,417,742
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid for interest	**$ 72,254**	$ 61,421
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Fixed assets acquired through capital lease arrangements	**$ —**	$ 40,922
Cashless exercise of derivative warrants	**—**	125,000

See Notes to Unaudited Consolidated Financial Statements.

Notes to Unaudited Consolidated Financial Statements

Note 1. Organization, Description of Business, Basis of Presentation and Acquisitions

We are an oncology diagnostics company focused on developing, commercializing and providing DNA-based tests and services to improve the personalization of cancer treatment and to better inform biopharmaceutical companies of genomic factors influencing subject responses to therapeutics. Our vision is to become the oncology diagnostics partner for companies and clinicians by participating in the entire care continuum from bench to bedside. We believe the diagnostic industry is undergoing a metamorphosis in its approach to oncology testing, embracing individualized medicine as a means to drive higher standards of patient treatment and disease management. Similarly, biopharmaceutical companies are increasingly engaging companies such as ours to provide information on clinical trial participants' DNA profiles in order to identify genomic variations that may be responsible for differing responses to pharmaceuticals, and particularly to oncology drugs, thereby increasing the efficiency of trials while lowering related costs. We believe tailored therapeutics can revolutionize oncology medicine through DNA-based testing services, enabling physicians and researchers to target the factors that make each patient and disease unique. We have created a unique position in the industry by providing targeted somatic analysis of tumor sample cells alongside germline analysis of an individual's non-cancerous cells' DNA as we attempt to reach the next milestone in personalized medicine.

We were incorporated in the State of Delaware on April 8, 1999 and have offices and state-of-the-art laboratories located in New Jersey, North Carolina, Shanghai (China), and Hyderabad (India). Our laboratories comply with the highest regulatory standards as appropriate for the services they deliver including CLIA, CAP, NY State and NABL (India).We have two advisory boards to counsel our scientific and clinical direction. Our Scientific Advisory Board is comprised of preeminent scientists and physicians from the fields of cancer biology, cancer pathology, cancer medicine and molecular genetics. Our Clinical Advisory Board is comprised of clinicians and scientists focused on clinical implementation of our proprietary tests and services and mapping those tests and services to patient needs. Our services are built on a foundation of world-class scientific knowledge and intellectual property in solid and blood-borne cancers, as well as strong academic relationships with major cancer centers such as Memorial Sloan-Kettering, Mayo Clinic, and the National Cancer Institute.

Basis of Presentation

The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions for interim reporting as prescribed by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary to make the financial statements not misleading have been included. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2014, filed with the Securities and Exchange Commission on March 16, 2015. The consolidated balance sheet as of December 31, 2014, included herein was derived from the audited financial statements as of that date, but does not include all disclosures including notes required by GAAP. Interim financial results are not necessarily indicative of the results that may be expected for any future interim period or for the year ending December 31, 2015.

In the second quarter of 2015, we adopted ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs". Previously, debt issuance costs were recorded as assets on the balance sheet. This update requires that debt issuance costs related to a debt liability be presented on the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. This update does not change the recognition and measurement of debt issuance costs and requires retrospective adoption. We did not have debt issuance costs in the December 31, 2014 Consolidated Balance Sheet.

2014 Acquisitions

On July 16, 2014, we purchased substantially all of the assets of Gentris Corporation, ("Gentris"), with its principal place of business in North Carolina, for approximately $4.8 million. There were no changes in the preliminary purchase price allocation or goodwill impairment for Gentris during the six months ended June 30, 2015.

On August 18, 2014, we acquired BioServe Biotechnologies (India) Private Limited, an Indian corporation ("BioServe") for an aggregate purchase price of approximately $1.1 million. During the six months ended June 30, 2015, there was no goodwill impairment for BioServe, and the preliminary allocation of the purchase price was retrospectively adjusted for a measurement period adjustment to increase goodwill by approximately $193,000, reduce fixed assets by approximately $136,000, reduce

other assets by approximately $38,000 and reduce other current assets by approximately $19,000. The fair value of the assets acquired and liabilities assumed as of August 18, 2014 are now as follows:

	Amount
Accounts receivable	$ 151,002
Other current assets	102,064
Fixed assets	488,481
Other assets	378,440
Goodwill	734,925
Current liabilities	(758,614)
Other liabilities	(22,049)
Total Purchase Price	$ 1,074,249

The results of operations for the three and six months ended June 30, 2015 include the operations of Gentris and BioServe and include combined revenues of $1,462,479 and $3,629,144, respectively, and a combined net loss of $973,528 and $1,159,030, respectively. The following table provides certain pro forma financial information for the Company as if the acquisitions discussed above occurred on January 1, 2014:

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Revenue	$ 4,563,981	$ 6,835,565
Net loss	(4,564,914)	(7,285,210)
Basic net loss per share	$ (0.48)	$ (0.77)
Diluted net loss per share	(0.51)	(0.79)

Note 2. Revenue and Accounts Receivable

Revenue by service type for the three and six months ended June 30, 2015 and 2014 is comprised of the following:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2015	2014	**2015**	2014
Biopharma Services	**$ 2,674,924**	$ 408,638	**6,006,014**	$ 899,888
Clinical Services	**1,251,303**	1,103,032	**2,124,344**	2,042,157
Discovery Services	**258,920**	—	**425,116**	—
	$ 4,185,147	$ 1,511,670	$ 8,555,474	$ 2,942,045

Accounts receivable by service type at June 30, 2015 and December 31, 2014 consists of the following:

	June 30, 2015	December 31, 2014
Biopharma Services	**$ 3,832,237**	$ 3,203,335
Clinical Services	**2,085,717**	1,925,176
Discovery Services	**271,763**	151,285
Allowance for doubtful accounts	**(467,153)**	(251,176)
	$ 5,722,564	$ 5,028,620

Allowance for Doubtful Accounts	
Balance, December 31, 2014	$ 251,176
Bad debt provision	215,977
Balance, June 30, 2015	$ 467,153

Biopharma Services provide companies customized solutions for patient stratification and treatment selection through an extensive suite of DNA-based testing services. Clinical Services provide information on diagnosis, prognosis and theranosis of cancers to guide patient management. These tests can be billed to Medicare, another third party insurer or the referring community hospital or other healthcare facility. Discovery Services provide the tools and testing methods for companies and researchers seeking to identify new DNA-based biomarkers for disease.

We have historically derived a significant portion of our revenue from a limited number of test ordering sites. Test ordering sites account for all of our Clinical Services revenue along with a portion of our Biopharma Services revenue. Our test ordering sites are hospitals, cancer centers, reference laboratories, physician offices and biopharmaceutical companies. The top five test ordering sites during the three months ended June 30, 2015 and 2014 accounted for 61% and 51% respectively, of our testing volumes, with 22% and 44%, respectively, of the volume coming from community hospitals. During the three months ended June 30, 2015, there was one biopharmaceutical company which accounted for approximately 25% of our total revenue. During the three months ended June 30, 2014, there was one biopharmaceutical company which accounted for approximately 23% of our total revenue.

The top five test ordering sites during the six months ended June 30, 2015 and 2014 accounted for 66% and 57% respectively, of our testing volumes, with 23% and 38%, respectively, of the volume coming from community hospitals. During the six months ended June 30, 2015, there were two biopharmaceutical companies which accounted for approximately 26% and 14% of total revenue, respectively. During the six months ended June 30, 2014, there was one biopharmaceutical company which accounted for approximately 28% of our total revenue.

While we have agreements with our Biopharma clients, volumes from these clients are subject to the progression and continuation of the trials which can impact testing volume. We generally do not have formal written agreements with other testing sites and, as a result, we may lose these significant test ordering sites at any time.

The breakdown of our Clinical Services revenue (as a percent of total revenue) is as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2015	2014	**2015**	2014
Medicare	**7%**	18%	**7%**	18%
Other insurers	**6%**	21%	**6%**	20%
Other healthcare facilities	**9%**	29%	**8%**	28%
	22%	68%	**21%**	66%

Note 3. Earnings Per Share

For purposes of this calculation, stock warrants, outstanding stock options and unvested restricted shares are considered common stock equivalents using the treasury stock method, and are the only such equivalents outstanding.

Basic net loss and diluted net loss per share data were computed as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Numerator:				
Net (loss) for basic earnings per share	**$ (4,979,843)**	$ (4,186,704)	**$ (9,258,150)**	$ (6,672,597)
Change in fair value of warrant liability	**—**	239,000	**—**	195,000
Net (loss) for diluted earnings per share	**$ (4,979,843)**	$ (4,425,704)	$ (9,258,150)	$ (6,867,597)
Denominator:				
Weighted-average basic common shares outstanding	**9,714,828**	9,302,737	**9,709,202**	9,289,624
Assumed conversion of dilutive securities:				
Common stock purchase warrants	**—**	15,897	**—**	24,531
Potentially dilutive common shares	**—**	15,897	**—**	24,531
Denominator for diluted earnings per share – adjusted weighted-average shares	**9,714,828**	9,318,634	9,709,202	9,314,155
Basic net income (loss) per share	**$ (0.51)**	$ (0.45)	**$ (0.95)**	$ (0.72)
Diluted net loss per share	**$ (0.51)**	$ (0.47)	**$ (0.95)**	$ (0.74)

The following table summarizes equivalent units outstanding that were excluded from the earnings per share calculation because their effects were anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Common stock purchase warrants	**1,116,940**	1,661,696	**1,116,940**	1,661,696
Stock options	**1,932,411**	1,277,947	**1,932,411**	1,277,947
Restricted shares of common stock	**123,167**	122,500	**123,167**	122,500
	3,172,518	3,062,143	**3,172,518**	3,062,143

Note 4. Bank Term Note and Line of Credit

On May 7, 2015, we entered into a new debt financing facility with Silicon Valley Bank ("SVB") to refinance the Company's cash collateralized loan from Wells Fargo and to provide an additional working capital line of credit. The SVB credit facility provides for a $6.0 million term note ("Term Note") and a revolving line of credit ("Line of Credit") for an amount not to exceed the lesser of (i) $4.0 million or (ii) an amount equal to 80% of eligible accounts receivable. The Term Note requires interest-only payments through April 30, 2016 and beginning May 1, 2016, monthly principal payments of approximately $167,000 will be required plus interest through maturity on April 1, 2019. The interest rate of the Term Note is the Wall Street Journal prime rate plus 2%, with a floor of 5.25% and an additional deferred interest payment of $180,000 will be due upon maturity. The Line of Credit requires monthly interest-only payments of the Wall Street Journal prime rate plus 1.5% and matures on May 7, 2017. The new loan agreement requires maintenance of certain financial ratios and grants SVB a first security interest in substantially all Company assets (other than our intellectual property). Pursuant to the new loan agreement, the Company is no longer required to maintain restricted cash accounts. At June 30, 2015 the principal balance of the Term Note was $6,000,000 and the principal balance of the Line of Credit was $0.

The following is a summary of long-term debt as of June 30, 2015:

	June 30, 2015
Term Note, principal balance	**$ 6,000,000**
Less unamortized debt issuance costs	**30,988**
Term Note, net	**5,969,012**
Less current maturities	**333,333**
Long-term portion	**$ 5,635,679**

Principal maturities of the Term Note as of June 30, 2015 are as follows: 2016 - $1,333,333; 2017 - $2,000,000; 2018 - $2,000,000; 2019 - $666,667.

Note 5. Sale of Net Operating Losses

In January 2014, we executed a sale of $22,301,643 of gross state NOL carryforwards resulting in the receipt of $1,813,941. The Company transferred the NOL carryforwards through the Technology Business Tax Certificate Transfer Program sponsored by the New Jersey Economic Development Authority.

Note 6. Equity Incentive Plans

We have two equity incentive plans: the 2008 Stock Option Plan (the "2008 Plan") and the 2011 Equity Incentive Plan (the "2011 Plan", and together with the 2008 Plan, the "Stock Option Plans"). The Stock Option Plans are meant to provide additional incentive to officers, employees and consultants to remain in our employment. Options granted are generally exercisable for up to 10 years. On May 14, 2015, the stockholders voted to increase the number of shares reserved by the 2011 Plan to 2,650,000 shares of common stock.

At June 30, 2015, 915,700 shares remain available for future awards under the 2011 Plan and 93,251 shares remain available for future awards under the 2008 Plan. As of June 30, 2015, no stock appreciation rights and 256,500 shares of restricted stock have been awarded under the Stock Option Plans.

A summary of employee and non-employee stock option activity for the six months ended June 30, 2015 is as follows:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding January 1, 2015	1,839,458	$ 10.58	8.49	$ 618,250
Granted	194,700	9.80		
Exercised	(4,191)	5.40		
Canceled or expired	(97,556)	9.85		
Outstanding June 30, 2015	1,932,411	$ 10.55	8.12	$ 4,955,851
Exercisable June 30, 2015	810,642	$ 9.78	6.77	$ 2,481,156

Aggregate intrinsic value represents the difference between the estimated fair value of our common stock and the exercise price of outstanding, in-the-money options. The fair value of our common stock was $11.76 at June 30, 2015 and $6.68 at December 31, 2014, based on the closing price on the NASDAQ Capital Market. During the three and six months ended June 30, 2015, we received approximately $23,000 from the exercise of options. The options exercised during the three and six months ended June 30, 2015 had a total intrinsic value of approximately $24,000.

As of June 30, 2015, total unrecognized compensation cost related to non-vested stock options granted to employees was $5,670,066 which we expect to recognize over the next 3.40 years.

As of June 30, 2015, total unrecognized compensation cost related to non-vested stock options granted to non-employees was $997,344 which we expect to recognize over the next 2.53 years. The estimate of unrecognized non-employee compensation is based on the fair value of the non-vested options as of June 30, 2015.

The fair value of options granted to employees is estimated on the grant date using the Black-Scholes option valuation model. This valuation model requires us to make assumptions and judgments about the variables used in the calculation, including the expected term (the period of time that the options granted are expected to be outstanding), the volatility of our common stock, a risk-free interest rate, and expected dividends. To the extent actual forfeitures differ from the estimates, the difference will be recorded as a cumulative adjustment in the period estimates are revised. No compensation cost is recorded for options that do not vest. We use the simplified calculation of expected life described in the SEC's Staff Accounting Bulletin No. 107, *Share-Based Payment*, and volatility is based on an average of the historical volatilities of the common stock of three entities with characteristics similar to those of the Company. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. We use an expected dividend yield of zero, as we do not

anticipate paying any dividends in the foreseeable future. Expected forfeitures are assumed to be zero due to the small number of plan participants and the plan design which has monthly vesting after an initial cliff vesting period.

The following table presents the weighted-average assumptions used to estimate the fair value of options granted to employees during the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Volatility	58.83%	74.94%	63.89%	74.94%
Risk free interest rate	1.61%	1.75%	1.65%	1.75%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Term (years)	5.99	6.00	6.15	6.00
Weighted-average fair value of options granted during the period	5.71	7.22	5.77	7.22

In May 2014, we issued 200,000 options to our Director, Raju Chaganti, with an exercise price of $15.89. See Note 11 for additional information. The following table presents the weighted-average assumptions used to estimate the fair value of options reaching their measurement date for non-employees during the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Volatility	**69.85%**	71.60%	**70.18%**	72.13%
Risk free interest rate	**2.42%**	2.53%	**2.15%**	2.63%
Dividend yield	**0.00%**	0.00%	**0.00%**	0.00%
Term (years)	**8.84**	9.28	**8.96**	9.40

Restricted stock awards have been granted to employees, directors and consultants as compensation for services. At June 30, 2015, there was $825,652 of unrecognized compensation cost related to non-vested restricted stock granted to employees; we expect to recognize the cost over 2.68 years. At June 30, 2015, there was $8,216 of unrecognized compensation cost related to non-vested restricted stock granted to non-employees; we expect to recognize the cost over 0.28 years.

The following table summarizes the activities for our non-vested restricted stock awards for the six months ended June 30, 2015:

	Non-vested Restricted Stock Awards	
	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested at January 1, 2015	132,500	$ 8.14
Granted	29,000	9.47
Vested	(28,333)	9.79
Canceled	(10,000)	$ 8.42
Non-vested at June 30, 2015	123,167	$ 8.15

The following table presents the effects of stock-based compensation related to stock option and restricted stock awards to employees and non-employees on our Statement of Operations during the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Cost of revenues	**$ 54,739**	$ 20,496	**$ 103,925**	$ 40,908
Research and development	**128,507**	143,069	**223,580**	157,171
General and administrative	**534,831**	552,713	**1,055,568**	1,021,568
Sales and marketing	**39,196**	47,304	**70,553**	74,058
Total stock-based compensation	**$ 757,273**	$ 763,582	**$ 1,453,626**	$ 1,293,705

Note 7. Warrants

We have issued certain warrants which contain an exercise price adjustment feature in the event we issue additional equity instruments at a price lower than the exercise price of the warrant. The warrants are described herein as derivative warrants. For all derivative warrants, in the event equity instruments are issued at a price lower than the exercise price of the warrant, the exercise price is adjusted to the price of the new equity instruments issued (price adjustment feature). For certain of these warrants, the number of shares underlying the warrant is also adjusted to an amount computed by dividing the proceeds of the warrant under its original terms by the revised exercise price (share adjustment feature). As of June 30, 2015 all warrants with a share adjustment feature have either expired or have been exercised. The derivative warrants are initially recorded as a warrant liability at fair value with a corresponding entry to the loan guarantee fee asset, debt discount, additional paid-in capital or expense dependent upon the service provided in exchange for the warrant grant.

The following table summarizes the warrant activity for the six months ended June 30, 2015:

Issued With / For	Exercise Price		Warrants Outstanding January 1, 2015	2015 Warrants Expired	Warrants Outstanding June 30, 2015
Non-Derivative Warrants:					
Financing	$ 10.00		243,334	—	243,334
Financing	15.00		436,079	—	436,079
Debt guarantee	15.00		352,312	—	352,312
Consulting	10.00		29,138	(19,138)	10,000
Total non-derivative warrants	$ 13.78	B	1,060,863	(19,138)	1,041,725
Derivative Warrants:					
Financing	$ 10.00	A	60,000	—	60,000
Series B pref. stock	10.00	A	15,015	—	15,015
Consulting	10.00	A	200	—	200
Total derivative warrants	10.00	B	75,215	—	75,215
Total	$ 13.53	B	1,136,078	(19,138)	1,116,940

A These warrants are subject to fair value accounting and contain an exercise price adjustment feature. See Note 8.

B Weighted-average exercise prices are as of June 30, 2015.

Note 8. Fair Value of Warrants

The following table summarizes the derivative warrant activity subject to fair value accounting for the six months ended June 30, 2015:

Issued with/for	Fair value of warrants outstanding as of December 31, 2014	Change in fair value of warrants	Fair value of warrants outstanding as of June 30, 2015
Series B preferred stock	$ 8,000	$ 34,000	**$ 42,000**
Consulting	—	1,000	**1,000**
Financing	44,000	161,000	**205,000**
	$ 52,000	$ 196,000	**$ 248,000**

The following tables summarize the assumptions used in computing the fair value of derivative warrants subject to fair value accounting at the date of issue or exercise during the six months ended June 30, 2015 and 2014, and at June 30, 2015 and December 31, 2014.

Issued with Debt Guarantee	Exercised During the Six Months Ended June 30, 2014
Exercise price	$ 10.00
Expected life (years)	0.60
Expected volatility	49.01%
Risk-free interest rate	0.08%
Expected dividend yield	—%

Issued with Series B Preferred Shares	As of June 30, 2015	As of December 31, 2014	Exercised During the Six Months Ended June 30, 2014
Exercise price	**$ 10.00**	$ 10.00	$ 10.00
Expected life (years)	**0.38**	0.88	1.72
Expected volatility	**39.48%**	49.95%	46.60%
Risk-free interest rate	**0.11%**	0.25%	0.33%
Expected dividend yield	**—%**	—%	—%

Issued for Consulting	As of June 30, 2015	As of December 31, 2014
Exercise price	**$ 10.00**	$ 10.00
Expected life (years)	**0.65**	1.14
Expected volatility	**43.50%**	49.25%
Risk-free interest rate	**0.11%**	0.25%
Expected dividend yield	**—%**	—%

Issued with Financing	As of June 30, 2015	As of December 31, 2014	Exercised During the Six Months Ended June 30, 2014
Exercise price	**$ 10.00**	$ 10.00	$ 13.34
Expected life (years)	**0.73**	1.23	9.78
Expected volatility	**48.31%**	50.23%	74.70%
Risk-free interest rate	**0.11%**	0.25%	1.95%
Expected dividend yield	**—%**	—%	—%

The assumed Company stock price used in computing the fair value of warrants exercised during the six months ended June 30, 2014 was $15.20 – $19.86. In determining the fair value of warrants outstanding at each reporting date, the Company stock price was $11.76 at June 30, 2015 and $6.68 at December 31, 2014 based on the closing price on the NASDAQ Capital Market.

Note 9. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the Topic establishes a fair value hierarchy for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that we have the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices 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.

Level 3: Significant unobservable inputs that reflect our own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following table summarizes the financial liabilities measured at fair value on a recurring basis segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2015			
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Warrant liability	**$ 248,000**	**$ —**	**$ —**	**$ 248,000**
Gentris contingent consideration	**131,400**	**—**	**—**	**131,400**
Note payable to VenturEast	**941,554**	**—**	**—**	**941,554**
	$ 1,320,954	**$ —**	**$ —**	**$ 1,320,954**

	December 31, 2014			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrant liability	$ 52,000	$ —	$ —	$ 52,000
Gentris contingent consideration	293,400	—	—	293,400
Note payable to VenturEast	534,828	—	—	534,828
	$ 880,228	$ —	$ —	$ 880,228

The warrant liability consists of stock warrants we issued that contain an exercise price adjustment feature. In accordance with derivative accounting for warrants, we calculated the fair value of warrants and the assumptions used are described in Note 8, “Fair Value of Warrants”. Realized and unrealized gains and losses related to the change in fair value of the warrant liability are included in Other income (expense) on the Statement of Operations.

The value of the Gentris consideration was determined using a discounted cash flow of the expected payments required by the purchase agreement. During the six months ended June 30, 2015, we recognized a gain of approximately $162,000 due to the decrease in probability of paying the contingent consideration.

The ultimate payment to VenturEast will be the value of 84,278 shares of common stock at the time of payment. The value of the note payable to VenturEast was determined using the fair value of our common stock less a discount for credit risk. During the three and six months ended June 30, 2015, we recognized a loss of approximately $316,000 and $406,000, respectively, due to the increase in value of the note.

Realized and unrealized gains and losses related to the change in fair value of the Gentris contingent consideration are included in general and administrative expense, while realized and unrealized gains and losses related to the VenturEast note are included in other income (expense) on the Consolidated Statement of Operations.

A table summarizing the activity for the derivative warranty liability which is measured at fair value using Level 3 inputs is presented in Note 8. The following table summarizes the activity of the notes payable to VenturEast and Gentris consideration which were measured at fair value using Level 3 inputs:

	Note Payable to VenturEast	Gentris Contingent Consideration
Fair value at December 31, 2014	$ 534,828	$ 293,400
Change in fair value	406,726	(162,000)
Fair value at June 30, 2015	$ 941,554	$ 131,400

Note 10. Joint Venture Agreement

In November 2011, we entered into an affiliation agreement with the Mayo Foundation for Medical Education and Research (“Mayo”), subsequently amended. Under the agreement, we formed a joint venture with Mayo in May 2013 to focus on developing oncology diagnostic services and tests utilizing next generation sequencing. The joint venture is a limited liability company, with each party initially holding fifty percent of the issued and outstanding membership interests of the new entity (the “JV”). In exchange for our membership interest in the JV, we made an initial capital contribution of $1.0 million in October 2013. In addition, we issued 10,000 shares of our common stock to Mayo pursuant to our affiliation agreement and recorded an expense of approximately $175,000. We also recorded additional expense of approximately $231,000 during the fourth quarter of 2013 related to shares issued to Mayo in November 2011 as the JV achieved certain performance milestones. In the third quarter of 2014, we made an additional $1.0 million capital contribution.

The agreement also requires aggregate total capital contributions by us of up to an additional $4.0 million. We currently anticipate that we will make capital contributions of $1.0 million in the third quarter of 2015. The timing of the remaining installments is subject to the JV’s achievement of certain operational milestones agreed upon by the board of governors of the JV. In exchange for its membership interest, Mayo’s capital contribution will take the form of cash, staff, services, hardware

and software resources, laboratory space and instrumentation, the fair market value of which will be approximately equal to $6.0 million. Mayo's continued contribution will also be conditioned upon the JV's achievement of certain milestones.

Our share of the JV's net loss was approximately $198,000 and $298,000 for the three months ended June 30, 2015 and 2014, respectively, and $405,000 and $310,000 for the six months ended June 30, 2015 and 2014, respectively, and is included in research and development expense on the Consolidated Statement of Operations. We have a net receivable due from the JV of approximately $0 and $10,000 at June 30, 2015 and December 31, 2014, respectively, which is included in other current assets in the Consolidated Balance Sheets.

The joint venture is considered a variable interest entity under ASC 810-10, but we are not the primary beneficiary as we do not have the power to direct the activities of the JV that most significantly impact its performance. Our evaluation of ability to impact performance is based on our equal board membership and voting rights and day-to-day management functions which are performed by the Mayo personnel.

Note 11. Related Party Transactions

John Pappajohn, a member of the Board of Directors and stockholder, had personally guaranteed our revolving line of credit with Wells Fargo Bank through March 31, 2014. As consideration for his guarantee, as well as each of the eight extensions of this facility through March 31, 2014, Mr. Pappajohn received warrants to purchase an aggregate of 1,051,506 shares of common stock of which Mr. Pappajohn assigned warrants to purchase 284,000 shares of common stock to certain third parties. Warrants to purchase 440,113 shares of common stock have been exercised by Mr. Pappajohn through June 30, 2015. After adjustment pursuant to the terms of the warrants in conjunction with our IPO, the number of these warrants outstanding retained by Mr. Pappajohn was 352,312 at $15.00 per share.

In addition, John Pappajohn also had loaned us an aggregate of $6,750,000 (all of which was converted into 675,000 shares of common stock at the IPO price of $10.00 per share). In connection with these loans, Mr. Pappajohn received warrants to purchase an aggregate of 202,630 shares of common stock. After adjustment pursuant to the terms of the warrants in conjunction with our IPO, the number of warrants outstanding was 436,079 at $15.00 per share at June 30, 2015.

Effective January 6, 2014, the Board of Directors appointed John Pappajohn to serve as the Chairman of the Board. As compensation for serving as the Chairman of the Board, the Company will pay Mr. Pappajohn $100,000 per year and granted to Mr. Pappajohn 25,000 restricted shares of the Company's common stock, and options to purchase an aggregate of 100,000 shares of the Company's common stock. The options have a term of ten years from the date on which they were granted. The restricted stock and the options each vest in two equal installments on the one-year anniversary and the two-year anniversary of the date on which Mr. Pappajohn became the Chairman of the Board.

In August 2010, we entered into a consulting agreement with Equity Dynamics, Inc. ("EDI"), an entity controlled by John Pappajohn, pursuant to which EDI received a monthly fee of $10,000. The consulting agreement was terminated effective March 31, 2014. Subsequently, the Company entered into a new consulting agreement with EDI effective April 1, 2014 pursuant to which it will receive a monthly fee of $10,000. Total expenses for the three months ended June 30, 2015 and 2014 were $30,000, and for the six months ended June 30, 2015 and 2014, total expenses were $60,000. As of June 30, 2015, we owed EDI $0.

On September 15, 2010, we entered into a three-year consulting agreement with Dr. Chaganti which was subsequently renewed through December 31, 2016 pursuant to which Dr. Chaganti receives $5,000 per month for providing consulting and technical support services. Total expenses for each of the three months ended June 30, 2015 and 2014 were $15,000. Total expenses for each of the six months ended June 30, 2015 and 2014 were $30,000. Pursuant to the terms of the renewed consulting agreement, Dr. Chaganti received an option to purchase 200,000 shares of our common stock at a purchase price of $15.89 per share vesting over a period of four years. Total non-cash stock-based compensation recognized under the consulting agreement for each of the three months ended June 30, 2015 and 2014 was $98,625 and $212,125, respectively. Total non-cash stock-based compensation recognized under the consulting agreement for each of the six months ended June 30, 2015 and 2014 was $161,125 and $212,125, respectively. Also pursuant to the consulting agreement, Dr. Chaganti assigned to us all rights to any inventions which he may invent during the course of rendering consulting services to us. In exchange for this assignment, if the USPTO issues a patent for an invention on which Dr. Chaganti is listed as an inventor, we are required to pay Dr. Chaganti (i) a one-time payment of $50,000 and (ii) 1% of any net revenues we receive from any licensed sales of the invention. In 2015, we paid Dr. Chaganti $150,000 which was recognized as an expense in fiscal 2014 when three patents were issued.

Note 12. Contingencies

In the normal course of business, the Company may become involved in various claims and legal proceedings. In the opinion of management, the ultimate liability or disposition thereof is not expected to have a material adverse effect on our financial condition, results of operations, or liquidity.

Note 13. Subsequent Events

Cantor Sales Agreement

On July 15, 2015, the Company entered into a Controlled Equity Offering℠ Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co., ("Cantor") as sales agent, pursuant to which the Company may offer from time to time through Cantor, shares of our common stock having an aggregate offering price of up to $20.0 million. Subject to the terms and conditions of the Sales Agreement, Cantor will use commercially reasonable efforts consistent with its normal trading and sales practices, applicable state and federal law, rules and regulations and the rules of The NASDAQ Capital Market to sell shares from time to time based upon the Company's instructions, including any price, time or size limits specified by the Company. Under the Sales Agreement, Cantor may sell shares by any method deemed to be an "at-the-market" offering as defined in Rule 415 under the U.S. Securities Act of 1933, as amended, or, with the Company's prior consent, any other method permitted by law, including in privately negotiated transactions. The Company may instruct Cantor not to sell shares if the sales cannot be effected at or above the price designated by the Company from time to time. The Company is not obligated to make any sales of the shares under the Sales Agreement. The offering of shares pursuant to the Sales Agreement will terminate upon the earlier of (a) the sale of all of the shares subject to the Sales Agreement or (b) the termination of the Sales Agreement by Cantor or the Company, as permitted therein. Cantor will receive a commission rate of 3.0% of the aggregate gross proceeds from each sale of shares and the Company has agreed to provide Cantor with customary indemnification and contribution rights. The Company will also reimburse Cantor for certain specified expenses in connection with entering into the Sales Agreement. Subsequent to June 30, 2015, the Company sold 2,800 shares of its common stock that resulted in net proceeds to the Company of approximately $34,000.

Response Genetics, Inc.

As of August 9, 2015, the Company has agreed, in principle, to act as the "stalking horse bidder" in connection with the sale of substantially all the assets and assumption of certain liabilities of Response Genetics, Inc. ("Response") in connection with Response's filing of a chapter 11 petition for bankruptcy in the Delaware Bankruptcy Court (the "Bankruptcy Court").

Response is a company focused on the development and sale of molecular diagnostic tests that help determine a patient's response to cancer therapy.

In connection with such agreement, in principle, the Company has proposed to purchase substantially all of Response's assets and assume certain liabilities of Response related to existing agreements with employees, customers, vendors, suppliers and trade creditors for an aggregate purchase price, subject to certain adjustments, of $14,000,000, comprised of a 50-50 split of $7,000,000 in cash and 788,584 shares of the Company's common stock, with the common stock being valued at $7,000,000. All shares of common stock included in the purchase price will be issued directly to Response's secured lenders.

No assurance can be given that the proposed transaction with Response will be consummated at all or, if consummated, will be consummated on the terms and conditions set forth herein.

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

As used herein, the "Company," "we," "us," "our" or similar terms, refer to Cancer Genetics, Inc. and its wholly owned subsidiaries: Cancer Genetics Italia, S.r.l., Gentris, LLC and BioServe Biotechnologies (India) Private Limited, except as expressly indicated or unless the context otherwise requires. The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help facilitate an understanding of our financial condition and our historical results of operations for the periods presented. This MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Reporting on Form 10-K filed with the SEC on March 16, 2015. This MD&A may contain forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements" below.

Overview

We are an oncology diagnostics company focused on developing, commercializing and providing DNA-based tests and services to improve the personalization of cancer treatment and to better inform biopharmaceutical companies of genomic factors influencing subject responses to therapeutics. Our vision is to become the oncology diagnostics partner for companies and clinicians by participating in the entire care continuum from bench to bedside. We believe the diagnostic industry is undergoing a metamorphosis in its approach to oncology testing, embracing individualized medicine as a means to drive higher standards of patient treatment and disease management. Similarly, biopharmaceutical companies are increasingly engaging companies such as ours to provide information on clinical trial participants' DNA profiles in order to identify genomic variations that may be responsible for differing responses to pharmaceuticals, and particularly to oncology drugs, thereby increasing the efficiency of trials while lowering related costs. We believe tailored therapeutics can revolutionize oncology medicine through DNA-based testing services, enabling physicians and researchers to target the factors that make each patient and disease unique. We have created a unique position in the industry by providing targeted somatic analysis of tumor sample cells alongside germline analysis of an individual's non-cancerous cells' DNA as we attempt to reach the next milestone in personalized medicine.

Our services are performed at our state-of-the-art laboratories located in New Jersey, North Carolina, Shanghai (China), and Hyderabad (India). Our laboratories comply with the highest regulatory standards as appropriate for the services they deliver including CLIA, CAP, NY State and NABL (India).We have two advisory boards to counsel our scientific and clinical direction. Our Scientific Advisory Board is comprised of preeminent scientists and physicians from the fields of cancer biology, cancer pathology, cancer medicine and molecular genetics. Our Clinical Advisory Board is comprised of clinicians and scientists focused on clinical implementation of our proprietary tests and services and mapping those tests and services to patient needs. Our services are built on a foundation of world-class scientific knowledge and intellectual property in solid and blood-borne cancers, as well as strong academic relationships with major cancer centers such as Memorial Sloan-Kettering, Mayo Clinic, and the National Cancer Institute.

Our clinical offerings include our portfolio of proprietary tests targeting hematological, urogenital and HPV-associated cancers, in conjunction with ancillary non-proprietary tests. Our proprietary tests target cancers that are difficult to prognose and predict treatment outcomes through currently available mainstream techniques. We provide our proprietary tests and services, along with a comprehensive range of non-proprietary oncology-focused tests and laboratory services, to oncologists and pathologists at hospitals, cancer centers, and physician offices. Our proprietary tests are based principally on our expertise in specific cancer types, test development methodologies and proprietary algorithms correlating genetic events with disease specific information. Our portfolio primarily includes comparative genomic hybridization (CGH) microarrays and next generation sequencing (NGS) panels, and DNA fluorescent *in situ* hybridization (FISH) probes.

The non-proprietary testing services we offer are focused in part on specific oncology categories where we are developing our proprietary tests. We believe that there is significant synergy in developing and marketing a complete set of tests and services that are disease focused and delivering those tests and services in a comprehensive manner to help with treatment decisions. The insight that we develop in delivering the non-proprietary services are often leveraged in the development of our proprietary programs and now increasingly in the validation of our proprietary programs, such as MatBA and Focus::NGS.

We expect to continue to incur significant losses for the near future. We incurred losses of $16.6 million and $12.4 million for fiscal years ended December 31, 2014 and 2013, respectively, and $9.3 million for the six months ended June 30, 2015.

As of June 30, 2015, we had an accumulated deficit of $87.2 million.

Acquisitions

On July 16, 2014, we purchased substantially all of the assets of Gentris Corporation, a Delaware corporation ("Gentris"), with its principal place of business in North Carolina, for aggregate consideration of approximately $4.8 million.

On August 18, 2014, we acquired BioServe Biotechnologies (India) Private Limited, an Indian corporation ("BioServe") for an aggregate purchase price of approximately $1.1 million.

Key Factors Affecting our Results of Operations and Financial Condition

Our overall long-term growth plan is predicated on our ability to develop and commercialize our proprietary tests, penetrate the Biopharma community to achieve more revenue supporting clinical trials and develop and penetrate the Indian market. In 2014, we acquired Gentris to increase our penetration in the Biopharma space. Our proprietary tests include CGH microarrays, NGS

panels, and DNA FISH probes.We continue to develop additional proprietary tests. To facilitate market adoption of our proprietary tests, we anticipate having to successfully complete additional studies with clinical samples and publish our results in peer-reviewed scientific journals. Our ability to complete such studies is dependent upon our ability to leverage our collaborative relationships with leading institutions to facilitate our research and obtain data for our quality assurance and test validation efforts.

We believe that the factors discussed in the following paragraphs have had and are expected to continue to have a material impact on our results of operations and financial condition.

Revenues

Our revenue is primarily generated through our Clinical Services and Biopharma Services. Clinical Services can be billed to Medicare, another third party insurer or the referring community hospital or other healthcare facility in accordance with state and federal law. Biopharma Services are billed to the customer directly. While we have agreements with our Biopharma clients, volumes from these clients are subject to the progression and continuation of the trials which can impact testing volume. We also derive limited revenue from Discovery Services, which are services provided in the development of new testing assays and methods. Discovery Services are billed directly to the customer.

We have historically derived a significant portion of our revenue from a limited number of test ordering sites, although the test ordering sites that generate a significant portion of our revenue have changed from period to period. Test ordering sites account for all of our Clinical Services revenue along with a portion of the Biopharma Services revenue. Our test ordering sites are hospitals, cancer centers, reference laboratories, physician offices and biopharmaceutical companies. Oncologists and pathologists at these sites order the tests on behalf of the needs of their oncology patients or as part of a clinical trial sponsored by a biopharmaceutical company in which the patient is being enrolled.

The top five test ordering clients during the three months ended June 30, 2015 and 2014 accounted for 61% and 51%, respectively, of our testing volumes, with 22% and 44%, respectively, of the test volume coming from community hospitals. During the three months ended June 30, 2015, one Biopharma client accounted for approximately 25% of our revenue. During the three months ended June 30, 2014, one Biopharma client accounted for approximately 23% of our revenue.

The top five test ordering clients during the six months ended June 30, 2015 and 2014 accounted for 66% and 57%, respectively, of our testing volumes, with 23% and 38%, respectively, of the test volume coming from community hospitals. During the six months ended June 30, 2015, two Biopharma clients accounted for approximately 26% and 14%, respectively, of our revenue. During the six months ended June 30, 2014, one Biopharma client accounted for approximately 28% of our revenue. The loss of our largest client would materially adversely affect our results of operations; however, the loss of any other test ordering client would not materially adversely affect our results of operations.

We receive revenue for our Clinical Services from Medicare, other insurance carriers and other healthcare facilities. Some of our customers choose, generally at the beginning of our relationship, to pay for laboratory services directly as opposed to having patients (or their insurers) pay for those services and providing us with the patients' insurance information. A hospital may elect to be a direct bill customer and pay our bills directly, or may provide us with patient information so that their patients pay our bills, in which case we generally expect payment from their private insurance carrier or Medicare. In a few instances, we have arrangements where a hospital may have two accounts with us, so that certain tests are billed directly to the hospital, and certain tests are billed to and paid by a patient's insurer. The billing arrangements generally are dictated by our customers and in accordance with state and federal law.

For the three months ended June 30, 2015, Medicare accounted for approximately 7% of our total revenue, other insurance accounted for approximately 6% of our total revenue and other healthcare facilities accounted for 9% of our total revenue. For the six months ended June 30, 2015, Medicare accounted for approximately 7% of our total revenue, other insurance accounted for approximately 6% of our total revenue and other healthcare facilities accounted for 8% of our total revenue. As we expand our portfolio of tests and services and our sales activities, we expect the percentage of revenue from other healthcare facilities may decrease over the long term. However, the addition of new customers, particularly a community hospital or other large volume client, could offset this trend seen in prior years. On average, we generate less revenue per test from other healthcare facilities billed directly, than from other insurance payors. However, we have reduced sales cost associated with direct bill clients as well as significantly reduced collections risk. Typically, we negotiate discounts with directly billed healthcare facilities depending on the volume of business.

Cost of Revenues

Our cost of revenues consists principally of internal personnel costs, including stock-based compensation, laboratory consumables, shipping costs, overhead and other direct expenses, such as specimen procurement and third party validation studies. We are pursuing various strategies to reduce and control our cost of revenues, including automating our processes through more efficient technology and attempting to negotiate improved terms with our suppliers. We completed two acquisitions in 2014; Gentris in North Carolina and BioServe in India. With these two acquisitions, we intend to integrate our resources and services in an effort to reduce costs. We will continue to assess how geographic advantage can help us improve our cost structure.

Operating Expenses

We classify our operating expenses into three categories: research and development, sales and marketing, and general and administrative. Our operating expenses principally consist of personnel costs, including stock-based compensation, outside services, laboratory consumables and overhead, development costs, marketing program costs and legal and accounting fees.

Research and Development Expenses. We incur research and development expenses principally in connection with our efforts to develop our proprietary tests. Our primary research and development expenses consist of direct personnel costs, laboratory equipment and consumables and overhead expenses. We anticipate that research and development expenses will increase in the near-term, principally as a result of hiring additional personnel to develop and validate tests in our pipeline and to perform work associated with our research collaborations. In addition, we expect that our costs related to collaborations with research and academic institutions will increase. For example, in 2013, we entered into a joint venture with the Mayo Foundation for Medical Education and Research, with a focus on developing oncology diagnostic services and tests utilizing next generation sequencing. All research and development expenses are charged to operations in the periods they are incurred.

Sales and Marketing Expenses. Our sales and marketing expenses consist principally of personnel and related overhead costs for our sales team and their support personnel, travel and entertainment expenses, and other selling costs including sales collaterals and trade shows. We have started to increase our sales and marketing and clinical efforts since our IPO and we expect our sales and marketing expenses to increase significantly as we expand into new geographies and add new clinical tests and services.

General and Administrative Expenses. General and administrative expenses consist principally of personnel-related expenses, professional fees, such as legal, accounting and business consultants, occupancy costs, bad debt and other general expenses. We have incurred increases in our general and administrative expenses and anticipate further increases as we expand our business operations.

Seasonality

Our business experiences decreased demand during spring vacation season, summer months and the December holiday season when patients are less likely to visit their health care providers. We expect this trend in seasonality to continue for the foreseeable future.

Results of Operations

Three Months Ended June 30, 2015 and 2014

The following table sets forth certain information concerning our results of operations for the periods shown:

	Three Months Ended June 30,		Change	
(dollars in thousands)	**2015**	2014	**$**	**%**
Revenue	**$ 4,185**	$ 1,512	$ 2,673	177 %
Cost of revenues	**3,097**	1,503	1,594	106 %
Research and development expenses	**1,256**	1,106	150	14 %
General and administrative expenses	**3,062**	2,395	667	28 %
Sales and marketing expenses	**1,184**	919	265	29 %
Loss from operations	**(4,414)**	(4,411)	(3)	— %
Interest income (expense)	**(69)**	(15)	(54)	360 %
Change in fair value of acquisition note payable	**(316)**	—	(316)	100 %
Change in fair value of warrant liability	**(181)**	239	(420)	(176)%
Loss before income taxes	**(4,980)**	(4,187)	(793)	19 %
Income tax provision (benefit)	**—**	—	—	— %
Net (loss)	**$ (4,980)**	$ (4,187)	$ (793)	19 %

Revenue

The breakdown of our revenue is as follows:

	Three Months Ended June 30,				Change	
	2015		2014			
(dollars in thousands)	**$**	**%**	**$**	**%**	**$**	**%**
Biopharma Services	**$ 2,675**	**64%**	$ 409	27%	$ 2,266	554%
Clinical Services	**1,251**	**30%**	1,103	73%	148	13%
Discovery Services	**259**	**6%**	—	—%	259	—%
Total Revenue	**$ 4,185**	**100%**	$ 1,512	100%	$ 2,673	177%

Revenue increased 177%, or $2.7 million, to $4.2 million for the three months ended June 30, 2015, from $1.5 million for the three months ended June 30, 2014, due to our Select One business, which accounted for $1.1 million of the increase, our Clinical Services business, which accounted for $0.1 million of the increase, and the acquisitions of Gentris and BioServe, whose revenue accounted for $1.5 million of the increase. Our average revenue (excluding grant revenue and probe revenue) per test increased to $596 per test for the three months ended June 30, 2015 from $542 per test for the three months ended June 30, 2014, principally due to an increase in the average revenue per test from one of our Biopharma customers. Test volume increased by 52% from 2,664 tests for the three months ended June 30, 2014 to 4,055 tests for the three months ended June 30, 2015.

Revenue from Biopharma Services increased 554%, or $2.3 million, to $2.7 million for the three months ended June 30, 2015, from $0.4 million for the three months ended June 30, 2014, due to our Select One business, which accounted for $1.1 million of the increase, and the acquisition of Gentris whose revenue accounted for $1.2 million of the $2.3 million increase in Biopharma Services. Revenue from Clinical Services customers increased 13%, or $0.2 million, to $1.3 million for the three months ended June 30, 2015, from $1.1 million for the three months ended June 30, 2014, principally due to an increase in test volume. Revenue from Discovery Services, our new line of business, was $0.3 million for the three months ended June 30, 2015, representing 6% of total revenue.

Cost of Revenues

Cost of revenues increased 106%, or $1.6 million, for the three months ended June 30, 2015, principally due to the following: costs of revenue from the acquired businesses of $1.2 million, and outsourcing costs increased by $0.3 million as a result of specialty testing not performed in our lab. Gross margin improved during the three months ended June 30, 2015 due to better utilization of costs in our New Jersey laboratory along with the margin contributed from our acquired businesses.

Operating Expenses

Research and development expenses increased 14%, or $0.2 million, to $1.3 million for the three months ended June 30, 2015, from $1.1 million for the three months ended June 30, 2014, principally due to the following: compensation costs increased by

$0.2 million as a result of us building up our R&D team and increases in other costs; offset by a decrease of $0.1 million in our share of the loss from Oncospire, our joint venture with Mayo Clinic.

Sales and marketing expenses increased 29%, or $0.3 million, to $1.2 million for the three months ended June 30, 2015, from $0.9 million for the three months ended June 30, 2014, principally due to costs from the acquired businesses of $0.3 million.

General and administrative expenses increased 28%, or $0.7 million, to $3.1 million for the three months ended June 30, 2015, from $2.4 million for the three months ended June 30, 2014, principally due to costs from the acquired businesses of $0.5 million and compensation costs increasing by $0.2 million as a result of our increased headcount.

Interest Income (Expense)

Net interest expense increased 360%, or $0.1 million, principally due to the higher interest rate related to the debt we refinanced during the three months ended June 30, 2015.

Change in Fair Value of Acquisition Note Payable

The change in fair value of note payable resulted in $0.3 million in non-cash expense for the three months ended June 30, 2015. The fair value of the note representing part of the purchase price for BioServe increased as a consequence of an increase in our stock price.

Change in Fair Value of Warrant Liability

The change in the fair market value of our warrant liability resulted in $0.2 million in non-cash expense for the three months ended June 30, 2015, as compared to non-cash income of $0.2 million for the three months ended June 30, 2014. The fair market value of these common stock warrants increased during the three months ended June 30, 2015 as a consequence of an increase in our stock price.

Six Months Ended June 30, 2015 and 2014

The following table sets forth certain information concerning our results of operations for the periods shown:

	Six Months Ended June 30,		**Change**	
(dollars in thousands)	**2015**	2014	**$**	**%**
Revenue	**$ 8,555**	$ 2,942	$ 5,613	191 %
Cost of revenues	**6,239**	2,793	3,446	123 %
Research and development expenses	**2,533**	1,703	830	49 %
General and administrative expenses	**6,049**	5,127	922	18 %
Sales and marketing expenses	**2,300**	1,667	633	38 %
Loss from operations	**(8,566)**	(8,348)	(218)	3 %
Interest income (expense)	**(90)**	(334)	244	(73)%
Change in fair value of acquisition note payable	**(406)**	—	(406)	100 %
Change in fair value of warrant liability	**(196)**	195	(391)	(201)%
Loss before income taxes	**(9,258)**	(8,487)	(771)	9 %
Income tax provision (benefit)	**—**	(1,814)	1,814	(100)%
Net (loss)	**$ (9,258)**	$ (6,673)	$ (2,585)	39 %

Revenue

The breakdown of our revenue is as follows:

	Six Months Ended June 30,				Change	
	2015		2014			
(dollars in thousands)	$	%	$	%	$	%
Biopharma Services	**$ 6,006**	**70%**	$ 900	31%	$ 5,106	567%
Clinical Services	**2,124**	**25%**	2,042	69%	82	4%
Discovery Services	**425**	**5%**	—	—%	425	—%
Total Revenue	**$ 8,555**	**100%**	$ 2,942	100%	$ 5,613	191%

Revenue increased 191%, or $5.6 million, to $8.6 million for the six months ended June 30, 2015, from $2.9 million for the six months ended June 30, 2014, due to our Select One business, which accounted for $1.9 million of the increase, and the acquisitions of Gentris and BioServe, whose revenue accounted for $3.6 million of the increase. Our average revenue (excluding grant revenue and probe revenue) per test increased to $594 per test for the six months ended June 30, 2015 from $524 per test for the six months ended June 30, 2014, principally due to an increase in the average revenue per test from one of our Biopharma customers. Test volume increased by 42% from 5,436 tests for the six months ended June 30, 2014 to 7,702 tests for the six months ended June 30, 2015.

Revenue from Biopharma Services increased 567%, or $5.1 million, to $6.0 million for the six months ended June 30, 2015, from $0.9 million for the six months ended June 30, 2014, due to our Select One business, which accounted for $1.9 million of the increase, and the acquisition of Gentris whose revenue accounted for $3.2 million of the $5.1 million increase in Biopharma Services. Revenue from Clinical Services customers increased 4%, or $0.1 million, to $2.1 million for the six months ended June 30, 2015, from $2.0 million for the six months ended June 30, 2014, principally due to increased test volume, which was partially offset by a decrease in the average reimbursement rate per test from Medicare and private insurance companies. Revenue from Discovery Services, our new line of business, was $0.4 million for the six months ended June 30, 2015, representing 5% of total revenue.

Cost of Revenues

Cost of revenues increased 123%, or $3.4 million, for the six months ended June 30, 2015, principally due to the following: costs of revenue from the acquired businesses of $2.5 million; lab supplies expenses increased by $0.3 million as a result of higher test volumes; shipping costs increased by $0.1 million as a result of increased test volume; outsourced costs increased by $0.3 million as a result of providing services for tests not performed in our labs; and compensation costs increased by $0.1 million as a result of us securing the additional expertise needed to continue to deliver high quality test results. Gross margin improved during the six months ended June 30, 2015 due to better utilization of costs in our New Jersey laboratory along with the margin contributed from our acquired businesses.

Operating Expenses

Research and development expenses increased 49%, or $0.8 million, to $2.5 million for the six months ended June 30, 2015, from $1.7 million for the six months ended June 30, 2014, principally due to the following: our share of the loss from Oncospire, our joint venture with Mayo Clinic, increased $0.1 million, as it incurred two full quarters of research expenses related to the pursuit of developing new clinical tests. (In 2014, the costs associated with our joint venture started in late March); compensation costs increased by $0.3 million as a result of us building up our R&D team; supplies costs increased by $0.1 million as a result of the development of our proprietary tests; other collaboration costs increased by $0.1 million as we improve our proprietary tests; and costs associated with the acquired businesses of $0.1 million.

Sales and marketing expenses increased 38%, or $0.6 million, to $2.3 million for the six months ended June 30, 2015, from $1.7 million for the six months ended June 30, 2014, principally due to the following: costs from the acquired businesses of $0.6 million and consulting costs increasing by $0.1 million as a result of us building and developing our team.

General and administrative expenses increased 18%, or $0.9 million, to $6.0 million for the six months ended June 30, 2015, from $5.1 million for the six months ended June 30, 2014, principally due to the following: costs from the acquired businesses of $1.1 million and an increase to our allowance for doubtful accounts of $0.2 million; offset by reductions in compensation costs of $0.2 million primarily due to a severance agreement for a former officer in 2014 and the Gentris contingent consideration gain of $0.2 million.

Interest Income (Expense)

Net interest expense decreased 73%, or $0.2 million, principally due to the amortization of loan guarantee and financing fees during the six months ended June 30, 2014.

Change in Fair Value of Acquisition Note Payable

The change in fair value of note payable resulted in $0.4 million in non-cash expense for the six months ended June 30, 2015. The fair value of the note representing part of the purchase price for BioServe increased as a consequence of an increase in our stock price.

Change in Fair Value of Warrant Liability

The change in the fair market value of our warrant liability resulted in $0.2 million in non-cash expense for the six months ended June 30, 2015, as compared to non-cash income of $0.2 million for the six months ended June 30, 2014. The fair market value of these common stock warrants increased during the six months ended June 30, 2015 as a consequence of an increase in our stock price.

Income Taxes

During the six months ended June 30, 2014, we received $1.8 million from sales of state NOL's. No such sales occurred in the first two quarters of 2015.

Liquidity and Capital Resources

Sources of Liquidity

Our primary sources of liquidity have been funds generated from our debt financings and equity financings. In addition, we have generated funds from cash collections from customers and cash received from sales of state NOL's. During January 2014, we received $1.8 million in cash from sales of state NOL's.

In general, our primary uses of cash are providing for operating expenses, working capital purposes and servicing debt. As of June 30, 2015, we have up to $4.0 million available on our revolving line of credit. Our largest source of operating cash flow is cash collections from our customers.

Cash Flows

Our net cash flow from operating, investing and financing activities for the periods below were as follows:

	Six Months Ended June 30,	
(in thousands)	**2015**	2014
Cash provided by (used in):		
Operating activities	**$ (7,360)**	$ (5,813)
Investing activities	**5,675**	(6,448)
Financing activities	**(125)**	219
Net (decrease) in cash and cash equivalents	**$ (1,810)**	$ (12,042)

We had cash and cash equivalents of $23.7 million at June 30, 2015, and $25.6 million at December 31, 2014.

The $1.8 million decrease in cash and cash equivalents for the six months ended June 30, 2015, principally resulted from $7.4 million of net cash used in operations offset by a $6.0 million decrease in restricted cash related to our new debt financing facility with Silicon Valley Bank that does not require us to maintain restricted cash accounts.

The $12.0 million decrease in cash and cash equivalents for the six months ended June 30, 2014, principally resulted from an increase in our restricted cash of $6.0 million related to the collateralization of our line of credit with Wells Fargo and $5.8 million of net cash used in operations.

At June 30, 2015, we had total indebtedness of $6.9 million, excluding capital lease obligations.

Cash Used in Operating Activities

Net cash used in operating activities was $7.4 million for the six months ended June 30, 2015. We used $6.2 million in net cash to fund our core operations, which included $0.1 million in cash paid for interest. We incurred additional uses of cash when adjusting for working capital items as follows: a net increase in accounts receivable of $0.9 million; an increase in other current assets of $0.5 million which includes prepayments for our insurance policies; and a net increase in accounts payable, accrued expenses and deferred revenue of $0.2 million.

For the six months ended June 30, 2014, we used $5.8 million in operating activities. We incurred additional uses of cash when adjusting for working capital items as follows: a net increase in accounts receivable of $0.5 million; an increase in other current assets of $0.4 million which includes prepayments for our insurance policies; and a net decrease in accounts payable, accrued expenses (including the payout of 2013 accrued performance bonuses) and deferred revenue of $0.2 million. All of these uses of cash were partially offset by the receipt of $1.8 million from the sale of certain state NOL carryforwards in January 2014.

Cash Provided by/Used in Investing Activities

Net cash provided by investing activities was $5.7 million for the six months ended June 30, 2015 and principally resulted from a $6.0 million decrease in restricted cash related to our new debt financing facility with Silicon Valley Bank that does not require us to maintain restricted cash accounts.

Net cash used in investing activities was $6.4 million for the six months ended June 30, 2014 and principally resulted from an increase in our restricted cash of $6.0 million related to the collateralization of our line of credit with Wells Fargo.

Cash Provided by/Used in Financing Activities

Net cash used in financing activities was $0.1 million for the six months ended June 30, 2015, and principally resulted from payments for deferred equity offering costs of $0.1 million related to our July 2015 sales agreement with Cantor described below.

Net cash provided by financing activities was $0.2 million for the six months ended June 30, 2014, and principally resulted from proceeds received from warrant and option exercises of $0.3 million offset by payments made on notes payable and capital leases of $35,000.

Capital Resources and Expenditure Requirements

We expect to continue to incur substantial operating losses in the future. It may take several years, if ever, to achieve positive operational cash flow. Until we can generate a sufficient amount of revenue to finance our cash requirements, which we may never do, we may need to continue to raise additional capital to fund our operations.

We also expect to use significant cash to fund acquisitions. On July 16, 2014, we purchased substantially all of the assets of Gentris, with its principal place of business in North Carolina for approximately $4.8 million. On August 18, 2014, we acquired BioServe, an Indian corporation, for an aggregate purchase price of approximately $1.1 million.

We recently improved our liquidity by entering into a line of credit with Silicon Valley Bank. See Note 4 of Notes to Unaudited Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

On July 15, 2015, the Company entered into a Controlled Equity Offering℠ Sales Agreement with Cantor Fitzgerald & Co., (“Cantor”) as sales agent, pursuant to which the Company may offer from time to time through Cantor, shares of our common stock having an aggregate offering price of up to $20.0 million. Subsequent to June 30, 2015, the Company sold 2,800 shares of its common stock that resulted in net proceeds to the Company of approximately $34,000. See Note 13 of Notes to Unaudited Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q.

We believe our cash and cash equivalents are sufficient to satisfy our liquidity requirements at our current level of operations for at least 24 months.

We expect our operating expenses, particularly those relating to sales and marketing, to increase as we hire additional sales and marketing personnel and increase sales and marketing activities.

Our forecast of the period of time through which our current financial resources will be adequate to support our operations and our expected operating expenses are forward-looking statements and involve risks and uncertainties. Actual results could vary materially and negatively as a result of a number of factors, including:

- our ability to achieve revenue growth and profitability;
- our ability to obtain approvals for our new diagnostic tests;
- our ability to execute on our marketing and sales strategy for our genomic tests and gain acceptance of our tests in the market;
- our ability to obtain adequate reimbursement from governmental and other third-party payors for our tests and services;
- the costs, scope, progress, results, timing and outcomes of the clinical trials of our diagnostic tests;
- the costs of operating and enhancing our laboratory facilities;
- the costs for funding the operations we recently acquired and our ability to successfully integrate those operations with and into our own;
- the costs of additional general and administrative personnel;
- the timing of and the costs involved in regulatory compliance, particularly if the regulations change;
- the costs of maintaining, expanding and protecting our intellectual property portfolio, including potential litigation costs and liabilities;
- our ability to manage the costs of manufacturing our NGS panels, microarrays and FHACT® probe;
- our rate of progress in, and cost of research and development activities associated with, products in research and early development;
- the effect of competing technological and market developments;
- costs related to expansion;
- our ability to secure financing and the amount thereof; and
- other risks and uncertainties discussed under the headings “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the year ended December 31, 2014, as updated in our quarterly reports on Form 10-Q, current reports on Form 8-K and other reports, as applicable, we file with the Securities and Exchange Commission.

We expect that our operating expenses and capital expenditures will increase in the future as we expand our business and integrate our recent acquisitions. We plan to increase our sales and marketing headcount to promote our new clinical tests and services and to expand into new geographies and to increase our research and development headcount to develop and validate the proprietary tests currently in our pipeline, to expand our pipeline and to perform work associated with our research collaborations.

We may raise additional capital through sales of common stock under our Controlled Equity Offering Sales Agreement with Cantor. In addition, we may raise additional capital to fund our current operations, to repay certain outstanding indebtedness and to fund expansion of our business to meet our long-term business objectives through public or private equity offerings, debt financings, borrowings or strategic partnerships coupled with an investment in our Company or a combination thereof. If we raise additional funds through the issuance of convertible debt securities, or other debt securities, these securities could be secured and could have rights senior to those of our common stock. In addition, any new debt incurred by the Company could impose covenants that restrict our operations and increase our interest expense. The issuance of any new equity securities will also dilute the interest of our current stockholders. Given the risks associated with our business, including our unprofitable operating history and our ability to develop additional proprietary tests, additional capital may not be available when needed on

acceptable terms, or at all. If adequate funds are not available, we will need to curb our expansion plans or limit our research and development activities, which would have a material adverse impact on our business prospects and results of operations.

Income Taxes

Over the past several years, we have generated operating losses in all jurisdictions in which we may be subject to income taxes. As a result, we have accumulated significant net operating losses and other deferred tax assets. Because of our history of losses and the uncertainty as to the realization of those deferred tax assets, a full valuation allowance has been recognized. We do not expect to report a benefit related to the deferred tax assets until we have a history of earnings, if ever, that would support the realization of our deferred tax assets.

Off-Balance Sheet Arrangements

Since inception, we have not engaged in any off-balance sheet activities as defined in Item 303(a)(4) of Regulation S-K.

Critical Accounting Policies and Significant Judgment and Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates based on historical experience and make various assumptions, which management believes to be reasonable under the circumstances, which form the basis for judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Section 107 of the JOBS Act provides that an "emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have chosen to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

The notes to our audited consolidated financial statements contain a summary of our significant accounting policies. We consider the following accounting policies critical to the understanding of the results of our operations:

- Revenue recognition;
- Accounts receivable and bad debts;
- Stock-based compensation; and
- Warrant liability.

Cautionary Note Regarding Forward-Looking Statements

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This report on Form 10-Q contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include all statements that are not historical facts. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," or the negative of those terms, and similar expressions and comparable terminology intended to identify forward-looking statements. These statements reflect our current views with respect to future events. There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statement made by us. These factors include, but are not limited to:

- our ability to achieve profitability by increasing sales of our laboratory tests and services and to continually develop and commercialize novel and innovative genomic-based diagnostic tests and services for cancer patients;
- our ability to raise additional capital to meet our liquidity needs;
- our ability to clinically validate our pipeline of genomic microarray tests currently in development;
- our ability to execute on our marketing and sales strategy for our genomic tests and gain acceptance of our tests in the market;
- our ability to keep pace with rapidly advancing market and scientific developments;
- our ability to satisfy U.S. (including FDA) and international regulatory requirements with respect to our tests and services, many of which are new and still evolving;
- our ability to obtain reimbursement from governmental and other third-party payors for our tests and services;
- competition from clinical laboratory services companies, genomic-based diagnostic tests currently available or new tests that may emerge;
- our ability to maintain our clinical collaborations and enter into new collaboration agreements with highly regarded organizations in the cancer field so that, among other things, we have access to thought leaders in the field and to a robust number of samples to validate our genomic tests;
- our ability to maintain our present customer base and obtain new customers;
- potential product liability or intellectual property infringement claims;
- our dependency on third-party manufacturers to supply or manufacture our products;
- our ability to manage significant fluctuations in our quarterly operating results, which may occur as a result of the timing, size and duration of our contracts with biopharmaceutical companies and clinical research organizations;
- our ability to attract and retain a sufficient number of scientists, clinicians, sales personnel and other key personnel with extensive experience in oncology, who are in short supply;
- our ability to obtain or maintain patents or other appropriate protection for the intellectual property in our proprietary tests and services;
- our dependency on the intellectual property licensed to us or possessed by third parties;
- our ability to expand internationally and launch our tests in emerging markets, such as India and Brazil;
- our ability to adequately support future growth; and
- the factors listed under the heading “Business,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the year ended December 31, 2014, as updated in our quarterly reports on Form 10-Q, current reports on Form 8-K and other reports, as applicable, that we file with the Securities and Exchange Commission.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this quarterly report on Form 10-Q and, except as required by law, we undertake no obligation to update or review publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this quarterly report on Form 10-Q. You should read this quarterly report on Form 10-Q and the documents referenced herein and filed as exhibits completely and with the understanding that our actual future results may be materially different from what we expect.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure to financial market risks, including changes in foreign currency exchange rates and interest rates.

Foreign Exchange Risk

We conduct business in foreign markets through our subsidiary in India (BioServe Biotechnologies (India) Private Limited) and in Italy through our subsidiary (Cancer Genetics Italia, S.r.l.). For the three months ended June 30, 2015 and 2014, approximately 7% and 4%, respectively, of our revenues were earned outside the United States and collected in local currency. Approximately 6% and 3% of our revenues were earned outside the United States and collected in local currency for the six months ended June 30, 2015 and 2014, respectively. We are subject to risk for exchange rate fluctuations between such local currencies and the United States dollar and the subsequent translation of the Indian Rupee or Euro to United States dollars. We currently do not hedge currency risk. The translation adjustments for the three and six months ended June 30, 2015 and 2014, were not significant.

Interest Rate Risk

At June 30, 2015, we had interest rate risk primarily related to borrowings of $6 million on the term note with Silicon Valley Bank ("Silicon Valley Line"). Borrowings under the Silicon Valley term note bear interest at the Wall Street Journal prime rate plus 2%, with a floor of 5.25% (5.25% at June 30, 2015). If interest rates increased by 1.0%, interest expense in the remainder of 2015 on our current borrowings would increase by approximately $30,000.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We evaluated, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934 (“Exchange Act”), as amended, as of June 30, 2015, the end of the period covered by this report on Form 10-Q. Based on this evaluation, our President and Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal accounting and financial officer) have concluded that our disclosure controls and procedures were effective at the reasonable assurance level at June 30, 2015.

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (ii) is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

Changes in Internal Control over Financial Reporting

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

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part 1, Item 1A, of our annual report on Form 10-K for the year ended December 31, 2014, except for the updated Risk Factors set forth in our Current Report on Form 8-K under Item 8.01 Other Events, filed on July 16, 2015, which Risk Factors are incorporated herein by reference as if set forth in full.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds from Sales of Registered Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Response Genetics, Inc.

As of August 9, 2015, the Company has agreed, in principle, to act as the "stalking horse bidder" in connection with the sale of substantially all the assets and assumption of certain liabilities of Response Genetics, Inc. ("Response") in connection with Response's filing of a chapter 11 petition for bankruptcy in the Delaware Bankruptcy Court (the "Bankruptcy Court").

Response is a company focused on the development and sale of molecular diagnostic tests that help determine a patient's response to cancer therapy.

In connection with such agreement, in principle, the Company has proposed to purchase substantially all of Response's assets and assume certain liabilities of Response related to existing agreements with employees, customers, vendors, suppliers and trade creditors for an aggregate purchase price, subject to certain adjustments, of $14,000,000, comprised of a 50-50 split of $7,000,000 in cash and 788,584 shares of the Company's common stock, with the common stock being valued at $7,000,000. All shares of common stock included in the purchase price will be issued directly to Response's secured lenders.

As the sale of the assets and assumption of liabilities is occurring in connection with a chapter 11 filing by Response in the Bankruptcy Court, the Company, as the "stalking horse," anticipates having the benefit of a bid protection order, once such bid protection order is adopted, but will also be subject to the biding process set forth in any such bid protection order.

The agreement, in principle, also remains subject to finalization of the schedules and exhibits to the agreement as well as the satisfaction of certain closing conditions, including Bankruptcy Court approval and the absence of certain material adverse events. No assurance can be given that the proposed transaction with Response will be consummated at all or, if consummated, will be consummated on the terms and conditions set forth herein.

The foregoing description of the agreement in principle does not purport to be complete and is qualified in its entirety by reference to the full text of the Asset Purchase Agreement attached hereto as Exhibit 10.1.

Item 6. Exhibits

See the Index to Exhibits following the signature page hereto, which Index to Exhibits is incorporated herein by reference.

SIGNATURE

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.

Cancer Genetics, Inc.
(Registrant)

Date: August 10, 2015

/s/ Panna L. Sharma
Panna L. Sharma
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 10, 2015

/s/ Edward J. Sitar
Edward J. Sitar
Chief Financial Officer
(Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit No.	Description
10.1	Asset Purchase Agreement By and Between Response Genetics, Inc., a Delaware Corporation, and Cancer Genetics, Inc., a Delaware Corporation, dated as of August 9, 2015 * #
10.2	2011 Equity Incentive Plan, as amended and restated effective May 14, 2015, filed as Exhibit 10.1 to Form S-8 filed on July 28, 2015 (File Number 333-205903) and incorporated herein by reference
10.3	Employment Agreement between Dr. Shaknovich and Cancer Genetics, Inc., effective as of July 1, 2015. (incorporated by reference to the Company's current report on Form 8-K filed on July 7, 2015)
10.4	Controlled Equity Offering^{SM} Sales Agreement, dated July 15, 2015, by and between Cancer Genetics, Inc. and Cantor Fitzgerald & Co. (incorporated by reference to the Company's current report on Form 8-K filed on July 16, 2015)
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under The Securities Exchange Act of 1934, as amended *
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under The Securities Exchange Act of 1934, as amended *
32.1	Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 **
32.2	Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 **
101	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheet at June 30, 2015 (unaudited) and December 31, 2014, (ii) Consolidated Statements of Operations for the three and six month periods ended June 30, 2015 and 2014, (iii) Consolidated Statements of Cash Flows for the six month periods ended June 30, 2015 and 2014 (unaudited) and (iv) Notes to Consolidated Financial Statements (unaudited)

* Filed herewith.

** Furnished herewith.

\# The parties have not yet prepared or agreed upon the exhibits and schedules to the agreement. Once such schedules and exhibits to the agreement are finalized, such exhibits and schedules will be omitted pursuant to Item 601(b)(2) of Regulation S-K and the Company hereby agrees to furnish supplementally a copy of any omitted exhibits or schedules to the SEC upon request.

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

RESPONSE GENETICS, INC.,
A DELAWARE CORPORATION

AND

CANCER GENETICS, INC.,
A DELAWARE CORPORATION

DATED AS OF AUGUST 9, 2015

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Schedules:

Exhibits:

ASSET PURCHASE AGREEMENT (the "Agreement"), dated as of August 9, 2015 (the " Effective Date"), by and among Response Genetics, Inc., a Delaware corporation (the "Seller"), and Cancer Genetics, Inc., a Delaware corporation (the "Purchaser"). Capitalized terms used herein but not defined in the provisions in which they first appear shall have the meanings ascribed to them in Section 8.1(a) hereof.

W I T N E S S E T H:

WHEREAS, Seller is a life science company engaged in the research, development and sale of clinical diagnostic tests for cancer (the "Business");

WHEREAS, subject to the terms and conditions of this Agreement, Purchaser desires to purchase the assets of Seller used primarily in the Business, and to assume certain liabilities of Seller associated with the Business, other than the Excluded Liabilities, and Seller desires to sell such assets to Purchaser and to assign such liabilities to Purchaser, all on the terms and conditions set forth in this Agreement and in accordance with Sections 105, 363 and 365 of Title 11 of the United States Code (the "Bankruptcy Code") and other applicable provisions of the Bankruptcy Code (the "Acquisition");

WHEREAS, Seller intends to file a voluntary bankruptcy petition (the " Bankruptcy Case") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") on or before August 10, 2015 (the date of such filing, the "Petition Date"); and

WHEREAS, it is contemplated that the Bankruptcy Court will approve the Acquisition and that the Assets will be sold to Purchaser free and clear of Encumbrances (other than Permitted Encumbrances) under sections 105, 363, and 365 of the Bankruptcy Code and to the extent provided in the Sale Order, and such Acquisition will include the assumption of the Assumed Contracts by Seller and assignment of the Assumed Contracts to Purchaser under Section 365 of the Bankruptcy Code, all in accordance with and subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the parties hereto agree as follows:

1. Purchase and Sale.

1.1 Assets to Be Transferred.

On the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller shall sell, assign, transfer, convey and deliver (or cause to be sold, assigned, transferred, conveyed and delivered) to Purchaser, and Purchaser shall purchase and assume from Seller, all of Seller's right, title and interest in and to all of the following properties, assets, and rights, tangible and intangible (including goodwill)

owned, used or held by Seller in the ownership, operation, or conduct of the Business, wherever such properties, assets and rights are located, whether real, personal or mixed, whether accrued, fixed, contingent or otherwise, other than the Excluded Assets, in accordance with Sections 363 and 365 of the Bankruptcy Code (collectively, other than the Excluded Assets, the "Assets"):

(a) all Real Property Leases listed on Schedule 1.1(a), subject to the provisions of Section 1.8 below regarding Purchaser's right to add additional Real Property Leases to, and eliminate Real Property Leases from, Schedule 1.1(a) (collectively, as Schedule 1.1(a) may be amended pursuant to Section 1.8, the "Assumed Leases"), including, without limitation, all rights of the tenant thereunder to any leasehold improvements, fixtures, betterments and additions or installations;

(b) all (i) Contracts listed on Schedule 1.1(b), subject to the provisions of Section 1.8 regarding Purchaser's right to add additional Contracts to, and eliminate Contracts from, Schedule 1.1(b), and (ii) any other Contract entered into by Seller that are either (xx) short-term Contracts (for a term of 1 year or less) entered into in the Ordinary Course of the Business following the date hereof which provide for aggregate payments by Seller during the term thereof reasonably estimated at $25,000 or less, or (yy) are added by Purchaser to Schedule 1.1(b) pursuant to the provisions of Section 1.8 (collectively, including the Assumed Leases, and as Schedule 1.1(b) may be amended pursuant to Section 1.8, the "Assumed Contracts");

(c) all Intellectual Property Assets and all income, royalties, damages and payments due or payable at the Closing or thereafter relating to the Intellectual Property Assets (including damages and payments for past or future infringements or misappropriations thereof);

(d) all Fixed Assets;

(e) all Inventory;

(f) all (i) Accounts Receivable listed on Schedule 1.1(f) (collectively, the "Included Pharma Receivables");

(g) all Prepaid Expenses;

(h) all Security Deposits;

(i) all Books and Records (to the extent transferable without violating any privacy rights of any Business Employee);

(j) all e-mail correspondence relating to the operations of the Business except to the extent the transfer of the same (A) would violate any Person's privacy rights or (B) are subject to any attorney-client, work product or similar privilege with respect to

work performed in anticipation of or in connection with the preparation or administration of the Bankruptcy Case;

(k) to the extent transferable and assignable, all material licenses, franchises, permits, variances, exemptions, orders, approvals, and authorizations issued by Governmental Bodies in connection with Seller's conduct of the Business (collectively, "Permits");

(l) all Equipment;

(m) all telephone numbers, addresses (including electronic mail addresses) used by Seller in connection with the Business;

(n) all goodwill to the extent relating to the Assets and/or the Business;

(o) all rights to causes of action, lawsuits, judgments and Claims of any nature available to Seller (whether or not such cause of action, lawsuit, judgment or Claim is being pursued) arising out of, or relating to any Asset, including any cause of action, lawsuit, judgment, or Claim against a counterparty to an Assumed Contract, whether arising by way of counterclaim, set off, or rights of self-help under the Assumed Leases, the Assumed Contracts or otherwise, including all rights and claims of Seller arising under chapter 5 of the Bankruptcy Code against those Persons listed on Schedule 1.1(o) hereto (collectively, the "Included Avoidance Actions"), and including any and all proceeds of the foregoing; and

(p) all advertising, marketing and promotional materials and all other printed or written materials.

1.2 Excluded Assets.

Notwithstanding anything to the contrary contained in Section 1.1, the Assets shall exclude, without limitation, the following assets, properties and rights of Seller (collectively, the "Excluded Assets"), all of which Excluded Assets shall be retained by Seller:

(a) any cash, bank deposits and cash equivalents (excluding, in each case, Security Deposits);

(b) any assets, rights, claims, and interests expressly excluded pursuant to the provisions of Section 1.1 above;

(c) all leases, subleases, licenses or other agreements under which any Seller uses or occupies or has the right to use or occupy, now or in the future, any real property which is not the subject of an Assumed Lease;

(d) all fixed assets and Books and Records to the extent specifically identifiable to the ownership, business or conduct of any Excluded Asset or any real property which is not the subject of an Assumed Lease;

(e) any capital stock or membership interests in other Persons held by Seller;

(f) all Contracts (including Real Property Leases) not listed on Schedule 1.1(a) or 1.1(b) (subject to the provisions of Section 1.8);

(g) Seller's rights under this Agreement and all cash and non-cash consideration payable or deliverable to Seller pursuant to the terms and provisions hereof;

(h) any letters of credit or similar financial accommodations issued to any third party(ies) for the account of Seller and all collateral or security of any kind posted with or held by any such third party in connection therewith;

(i) all deposits and prepaid amounts of Seller held by or paid to third parties in connection with any Excluded Asset (including, without limitation, any deposits made by Seller with a utility pursuant to Section 366 of the Bankruptcy Code);

(j) any real property or tangible or intangible personal property held by Seller pursuant to a lease, license or other Contract to the extent that the associated lease, license or other Contract is not among the Assets;

(k) all rights, claims, credits and rebates of or with respect to (i) income Taxes that were paid or will be paid (whether prior to or after the Closing), and (ii) any taxes, assessments or similar charges paid by or on behalf of any Seller to the extent applicable to any period prior to the Closing;

(l) all assets of Seller's Benefit Plans;

(m) insurance proceeds, claims and causes of action with respect to or arising in connection with (A) any Contract which is not an Assumed Contract, (B) any item of tangible or intangible property that is not an Asset or (C) Seller's directors and officers liability insurance policies and any "tail" policies Seller may obtain with respect to such policies;

(n) any Real Property Lease or other Contract which is not assumable and assignable as a matter of applicable law (including, without limitation, any with respect to which any consent requirement in favor of the counter-party thereto may not be overridden pursuant to Section 365 of the Bankruptcy Code);

(o) all securities, whether capital stock or debt, of Seller;

(p) tax records, minute books, stock transfer books and corporate seals of Seller, except to the extent relating to the Assets or Assumed Liabilities;

(q) any intercompany claims, obligations, and receivables between or among Seller and any Affiliate of Seller;

(r) except to the extent such is an Asset or relates to the Assets or Assumed Liabilities, any writing or other item (including, without limitation, email correspondence) that (A) if transferred would violate any Person's privacy rights or (B) are subject to any attorney-client, work product or similar privilege with respect to work performed in anticipation of or in connection with the preparation or administration of the Bankruptcy Case;

(s) other than the Included Avoidance Actions, all of the rights and claims of Seller for preference or avoidance actions available to the Seller under the Bankruptcy Code, of whatever kind or nature, including, without limitation, those set forth in Sections 544 through 551 and any other applicable provisions of the Bankruptcy Code, and any related claims and actions arising under such sections by operation of law or otherwise, including any and all proceeds of the foregoing;

(t) except to the extent such is an Asset or relates to the Assets, all rights, claims and causes of action of Seller against officers, directors, members, principals, agents, and representatives of such Seller (whether current or former);

(u) the Non-Pharma Receivables; and

(v) those other assets of Seller, if any, listed on Schedule 1.2 attached hereto and incorporated herein by this reference.

1.3 Liabilities.

(a) Upon the terms and subject to the conditions hereof, as of the Closing, Purchaser shall assume from Seller solely the following Liabilities (collectively, the "Assumed Liabilities"):

(i) Liabilities arising under the Assumed Contracts (subject to the provisions of Section 1.8 hereof) and the Assumed Leases (subject to the provisions of Section 1.8 hereof) with respect to Purchaser's performance thereunder after the Closing Date;

(ii) any unpaid sick pay, vacation and other paid time off owing by Seller as of the Closing to the extent set forth on Schedule 1.3(a)(ii);

(iii) trade accounts payable owing to third parties as of the Closing Date to the extent such trade accounts payable are both (i) incurred by Seller in the Ordinary Course of Business between the Petition Date and the Closing and (ii) reasonably allocable to the Included Pharma Receivables or to goods and services provided during such period as will inure to the benefit of the post-Closing operation of the Business (collectively, the "Included Payables");

(iv) an amount equal to 50% of all Cure Costs payable in connection with the Assumed Leases and Assumed Contracts (as the same may be modified pursuant to Section 1.8 hereof), up to a maximum of $150,000.00; provided, however, to the extent Purchaser's designation for inclusion of a Real Property Lease or Contract in the Assumed Leases and/or Assumed Contracts pursuant to Section 1.8 hereof that is not among the Assumed Leases or Assumed Contracts as of the date the Schedules hereto are mutually approved and agreed to by the parties causes the aggregate amount of Cure Costs to exceed $300,000.00, Purchaser shall bear and pay the full amount of such excess (any such excess amounts, "Purchaser Exclusive Cures").

(b) Notwithstanding anything to the contrary contained in this Agreement, Seller acknowledges and agrees that Purchaser will not assume any Liability of Seller, other than the Assumed Liabilities. In furtherance, and not in limitation, of the foregoing, except for the Assumed Liabilities, neither Purchaser nor any of its Affiliates shall assume, and shall not be deemed to have assumed, and Seller shall retain any debt, Claim, obligation or other Liability of Seller whatsoever, including the following (collectively, the "Excluded Liabilities"):

(i) all Liabilities which are not Assumed Liabilities;

(ii) all Liabilities with respect to any Excluded Assets;

(iii) all Liabilities with respect to the performance after the Closing Date of the Assumed Contracts and Assumed Leases to the extent such Liabilities arise from a breach of contract or Law or any other conduct by Seller or its Affiliates or their respective representatives prior to Closing;

(iv) all Liabilities with respect to any and all indebtedness of any Seller for borrowed money not included in the Assumed Liabilities;

(v) all Claims, penalties, fines, settlements, interest, costs and expenses arising out of or incurred as a result of any actual or alleged violation by Seller or any of its Affiliates of any Law prior to the Closing;

(vi) all Claims, penalties, fines, settlements, interest, costs and expenses relating to any regulatory matters or improper billing with respect to the Business arising out of events, actions or omissions occurring prior to the Closing or otherwise relating to any period prior to Closing;

(vii) all Liabilities for Taxes arising out of or attributable to the operation of the Business prior to the Closing;

(viii) all Liabilities under the WARN Act;

(ix) an amount equal to 50% of all Cure Costs payable in connection with the Assumed Leases and Assumed Contracts, up to a maximum of $150,000.00, which amount Seller hereby agrees to bear and pay in connection with the assumption and assignment of the Assumed Contracts and Assumed Leases pursuant to this Agreement;

(x) all Liabilities for fees and expenses (i) relating to the negotiation and preparation of this Agreement and the other agreements contemplated hereby and (ii) relating to the transactions contemplated hereby and thereby, in each case, to the extent incurred by Seller or any of its Affiliates; and

(xi) other than the Included Payables, all trade accounts payable of Seller or in connection with the Business arising out of or in respect of any period prior to Closing.

1.4 Purchase Price; Deposit; and Allocation of Purchase Price .

(a) The purchase price (the " Purchase Price") for the purchase, sale, assignment and conveyance of Seller's right, title and interest in, to and under the Assets shall consist of:

(xii) cash in the amount of (A) $7,000,000 (the " Cash Consideration");

(xiii) 788,584 shares of common stock of Purchaser, par value $0.0001 per share (the " Stock Consideration") at a price per share equal to $8.8767; and

(xiv) the assumption of the Assumed Liabilities.

(b) Within two (2) Business of Days after the Effective Date, Purchaser shall deposit into an escrow (the "Escrow") with Pachulski Stang Ziehl & Jones LLP (the " Escrow Holder") an amount equal to $500,000.00 (the "Initial Deposit") in immediately available, good funds (funds delivered in this manner are referred to herein as " Good Funds"). In turn, the Escrow Holder shall immediately deposit the Deposit into a client trust account. Within two (2) Business Days after the agreement by Purchaser and Seller in writing upon the form and substance of all Schedules and Exhibits and the final provisions of this Agreement as contemplated by Section 7.1(h), Purchaser shall deposit an additional $500,000.00 in Good Funds into the Escrow (the "Additional Deposit" and, along with the Initial Deposit, the "Deposit"). The Deposit, together with any interest accrued thereon, shall become nonrefundable and shall be disbursed to Seller to be retained by Seller for its own account upon the termination of the transactions contemplated by this Agreement by reason of Purchaser's default pursuant to Section 7.1(d) hereof, but not for any other reason. At the Closing, the Deposit (and any interest accrued thereon) shall be credited and applied toward payment of the Cash Consideration. If the transactions contemplated herein terminate pursuant to

Section 7.1 (other than pursuant to Section 7.1(d)), the Escrow Holder shall return to Purchaser the Deposit (together with all interest accrued thereon). If the transactions contemplated herein terminate pursuant to Section 7.1(d), the Escrow Holder shall disburse to Seller the Deposit (together with all interest accrued thereon).

(c) At the Closing, Purchaser shall satisfy the Purchase Price by:

(i) instructing the Escrow Holder to disburse the Deposit, together with all interest accrued thereon, to Seller;

(ii) paying to Seller Good Funds in an amount equal to (i) the Cash Consideration, *minus* (ii) the Deposit, *minus* (iii) the aggregate amount of all Damage or Destruction Losses, if any, determined pursuant to Section 4.15, minus (iv) the net amount, if any, payable by Seller pursuant to Section 1.9 below *plus* (v) the net amount, if any, payable by Purchaser pursuant to Section 1.9 below ; and

(iii) issuing and delivering to SWK Funding LLC, a Delaware limited liability company ("SWK") the Stock Consideration registered in the name of SWK.

(d) Purchaser shall prepare a proposed allocation of the Purchase Price (and all other capitalized costs) among the Assets for U.S. federal, state, local and foreign income and franchise Tax purposes, including (i) the Assumed Liabilities to the extent such Liabilities are required to be treated as part of the purchase price for Tax purposes and (ii) allocation of the Cash Consideration and Stock Consideration; provided that all such allocations shall be made in accordance with Section 1060 of the Code. No later than one hundred twenty (120) days following the Closing Date, Purchaser shall deliver such allocation to Seller for Seller's review and approval, which approval Seller shall not unreasonably withhold. Upon Seller's approval of the proposed allocation prepared by Purchaser, Purchaser and Seller and their respective Affiliates shall report, act and file Tax Returns in all respects and for all purposes consistent with such allocation prepared by Purchaser. Neither Purchaser nor Seller shall take any tax position (whether in audits, Tax Returns or otherwise) with respect to the mutually approved allocation which is inconsistent with such allocation, unless (and then only to the extent) required by a "determination" within the meaning of Section 1313(a) of the Code. For the avoidance of all doubt, in the event that Seller and Purchaser are not able to agree upon an allocation of the Purchase Price pursuant to this Section 1.4(c) within thirty (30) days following Purchaser's delivery of the proposed allocation to Seller pursuant to this Section 1.4(c), Purchaser and Seller shall each have the right to report, act and file Tax Returns based upon such separate and independent allocations as they may deem appropriate.

1.5 Closing.

Subject to the terms and conditions of this Agreement and the Sale Order, the sale and purchase of the Assets and the assumption of the Assumed Liabilities contemplated

by this Agreement shall take place at a closing (the "Closing") to be held at the offices of Pachulski Stang Ziehl & Jones LLP located in Wilmington, Delaware, at 10:00 a.m., Eastern Time, no later than the second (2nd) Business Day following the satisfaction or waiver of all conditions to the obligations of the parties hereto set forth in Section 5 and 6 hereof (other than those conditions which by their nature can only be satisfied at the Closing), or at such other place, at such other time, on such other date or in such other manner as Seller and Purchaser may mutually agree upon in writing (the day on which the Closing takes place being the "Closing Date").

1.6 Closing Deliveries by Seller.

At the Closing, unless otherwise waived in writing by Purchaser, Seller shall deliver or cause to be delivered to Purchaser:

(a) A duly executed Bill of Sale to transfer the Assets to Purchaser;

(b) A duly executed counterpart of the Assignment and Assumption Agreement;

(c) A duly executed counterpart of the Real Estate Assignment;

(d) Duly executed counterparts of the Intellectual Property Assignments;

(e) A duly executed counterpart of the Transitional Services Agreement in the form attached hereto as Exhibit H.

(f) The certificates required by Sections 5.1(c) and 5.2; and

(g) Such other documents, notices, items and certificates (in each case to the extent not inconsistent with the other terms, provisions and limitations set forth herein and which do not impose any significant additional monetary obligations on Seller not imposed by the other provisions hereof or otherwise materially increase the burdens imposed upon Seller pursuant to the other provisions of this Agreement) as Purchaser may reasonably require in order to consummate the transactions contemplated hereunder.

1.7 Closing Deliveries by Purchaser.

At the Closing, unless otherwise waived in writing by Seller, Purchaser shall deliver or cause to be delivered to Seller:

(a) An amount equal to the Cash Consideration, by wire transfer of immediately available funds to an account (or accounts) designated in writing by Seller at least two (2) Business Days prior to the Closing Date;

(b) A duly executed counterpart of the Assignment and Assumption Agreement;

(c) A duly executed counterpart of the Real Estate Assignment;

(d) A duly executed counterpart of the Intellectual Property Assignment;

(e) An Assumption of Assumed Liabilities, in form and content reasonably satisfactory to Purchaser and Seller, evidencing Purchaser's assumption of the Assumed Liabilities;

(f) The certificates required by Sections 6.1(c) and 6.2; and

(g) Such other documents, notices, items and certificates as Seller may reasonably require (in each case to the extent not inconsistent with the other terms, provisions and limitations set forth herein and which do not impose any significant additional monetary obligations on Purchaser not imposed by the other provisions of this Agreement or otherwise materially increase the burdens imposed upon Purchaser pursuant to the other provisions of this Agreement) in order to consummate the transactions contemplated hereunder.

1.8 Assumed Contracts and Leases.

(a) Prior to the Closing Date, Seller shall notify Purchaser in writing promptly of any entry by Seller into any new Contract, including with such notice a copy of such Contract.

(b) During the period from the Effective Date until the Closing, Seller shall not, without first obtaining Purchaser's written consent, reject or seek to assume or reject any Contract or Real Property Lease.

(c) Prior to the Closing, Purchaser may, from time to time, add to or remove from Schedule 1.1(a) or 1.1(b), as the case may be, any Contract, upon one (1) Business Day's written notice to Seller, and, upon providing such notice, such Contract shall be deemed to be added to, or deleted from, Schedule 1.1(a) or 1.1(b), as the case may be, and Seller shall promptly deliver an updated Schedule 1.1(a) or 1.1(b) to Purchaser. At the Closing, so long as adequate assurance of future performance thereof by Purchaser has been demonstrated to the Bankruptcy Court's satisfaction and Purchaser has paid its portion of any Cure Cost with respect thereto and, if applicable, any Purchaser Exclusive Costs, in each case, pursuant to Section 1.3 above, Seller shall assign, transfer, convey and deliver (or cause to be assigned, transferred, conveyed and delivered) to Purchaser, and Purchaser shall assume from Seller, all of Seller's right, title and interest in and to all Contracts then listed on Schedule 1.1(a) and 1.1(b), as each such schedule is amended in accordance with the provisions hereof.

(d) Seller shall provide timely and proper notice to all parties to Assumed Contracts and Assumed Leases, including any Contract designated for assumption, pursuant to the Bid Procedures Order, and Purchaser shall provide Seller

with evidence of adequate assurance of future performance consistent with section 365 of the Bankruptcy Code. Seller shall take all other commercially reasonable actions necessary to cause such Assumed Contracts to be assumed by Seller and assigned to Purchaser pursuant to Section 365 of the Bankruptcy Code.

(e) Upon the occurrence of the Closing, any Contract not designated as an Assumed Contract or Assumed Lease, including pursuant to Section 1.8(d), shall, unless otherwise an Asset, be deemed to be an Excluded Asset, which Seller, in its sole discretion, may act to assume, reject, or take any other action it may elect.

1.9 Proration.

Current rent, current real and personal property taxes, prepaid advertising, utilities and other items of expense (including, without limitation, any prepaid insurance, maintenance, tax or common area or like payments under the Assumed Leases or Assumed Contracts, or any of them) and relating to or attributable to the Assets shall be prorated between Seller and Purchaser as of the Closing Date. All liabilities and obligations due in respect of periods prior to or as of the Closing Date shall be paid in full or otherwise satisfied by Seller and all liabilities and obligations due in respect of periods after the Closing Date shall be paid in full or otherwise satisfied by Purchaser. Rent shall be prorated on the basis of a thirty (30) day month. For the avoidance of doubt, (i) Security Deposits shall not be subject to the provisions of this Section 1.9, and (ii) this Section 1.9 shall be subject to the provisions of Sections 1.3(a)(iii) and 1.3(b)(ix) with respect to the parties' respective responsibility for Cure Costs.

2. Representations and Warranties of Seller.

The disclosure in any section or subsection of the Seller disclosure schedule provided by Seller to Purchaser on the date hereof (the "Seller Disclosure Schedule") shall qualify other sections and subsections in this Section 2 only to the extent that disclosure in one subsection of the Seller Disclosure Schedule is specifically referred to in another subsection of the Seller Disclosure Schedule by appropriate cross-reference or except to the extent that the relevance of a disclosure in one subsection of the Seller Disclosure Schedule to another subsection of the Seller Disclosure Schedule is reasonably apparent on its face. Except as set forth in the Seller Disclosure Schedule or as disclosed in any Seller SEC Reports filed or furnished since January 1, 2014 and only as and to the extent disclosed therein (other than disclosures in the "Risk Factors" sections of any such reports or other cautionary or forward-looking disclosure contained therein), Seller hereby represents and warrants to Purchaser as follows:

2.1 Organization and Qualification; Authority.

(a) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller (i) is duly qualified or licensed to do business as a foreign corporation and is in good standing under the laws of any other jurisdiction in which the character of the properties owned, leased or operated by it

therein or in which the transaction of its business makes such qualification or licensing necessary, except where the failure to be so qualified, licensed or in good standing or have such corporate power and authority would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and (ii) has the requisite corporate power and authority to own, operate and lease its properties and carry on its business as now conducted.

(b) (i) Seller has all requisite corporate power and authority to enter into this Agreement and the Transaction Documents, and, subject to entry of the Sale Order, to carry out its obligations hereunder and thereunder and consummate the transactions contemplated hereby and thereby and (i) subject to the entry of the Sale Order, the execution and delivery of this Agreement and the Transaction Documents by Seller, the performance by Seller of its obligations hereunder and thereunder and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite entity action on the part of Seller. This Agreement has been duly executed and delivered by Seller. Subject to entry of the Sale Order, this Agreement constitutes, or will constitute the legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms.

(c) Seller has made available to Purchaser copies of the Seller Charter and Seller Bylaws and all such documents are in full force and effect and no dissolution, revocation or forfeiture proceedings regarding Seller have been commenced. Seller is not in violation of the Seller Charter and Seller Bylaws in any material respect.

2.2 No Conflict; Required Filings and Consents.

(a) The execution and delivery by Seller of this Agreement and the Transaction do not, and, subject to entry of the Sale Order, the performance of its obligations hereunder and thereunder will not, (i) conflict with or violate Seller Charter or Seller Bylaws, (ii) assuming that all consents, approvals, authorizations and other actions described in subsection (b) of this Section 2.2 have been obtained and all filings and obligations described in subsection (b) of this Section 2.2 have been made, conflict with or violate any Law applicable to Seller or by which any property or asset of Seller is bound, (iii) except as set forth in Section 2.2(a) of the Seller Disclosure Schedule, require any consent, notice or waiver under or result in any violation or breach of or constitute (with or without notice or lapse of time or both) a default (or give rise to any right of termination, amendment, acceleration, prepayment or cancellation or to a loss of any benefit to which Seller) under, or result in the triggering of any payments pursuant to (A) any Contract to which Seller is a party or by which it or any of its properties or assets may be bound or (B) any Permit affecting, or relating in any way to, the assets or business of Seller or (iv) result in the creation or imposition of any Lien or other encumbrance (except for Permitted Liens) on any property or asset of Seller.

(b) The execution and delivery by Seller of this Agreement and the Transaction Documents do not, and the performance of its obligations hereunder and thereunder will not, require any consent, approval, authorization of, or filing with or

notification to, any Governmental Body, except for (i) applicable requirements, if any, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (ii) any filings required under the rules and regulations of the NASDAQ Stock Market ("NASDAQ"), to the extent applicable to Seller notwithstanding that it has been de-listed by NASDAQ, (iii) the filing of customary applications and notices, as applicable, with the FDA, the MHRA or EMEA, or pursuant to CLIA and (iv) any registration, filing or notification required pursuant to state securities or blue sky laws.

2.3 Company Products; Permits.

(a) Seller is in possession of all Permits necessary for it to own, lease and operate its properties or to carry on their business as it is now being conducted. All such Permits are valid and in full force and effect, Seller has satisfied all of the material requirements of and fulfilled and performed all of its material obligations with respect to such Permits, and, to Seller's knowledge, no event has occurred that allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other impairment of the rights of the holder of any such Permits.

(b) Except as set forth in Section 2.3(b) of the Seller Disclosure Schedule, Seller is not the subject of any administrative, civil or criminal action or, to the Seller's knowledge, investigation alleging violations of any Law of any health care program funded by any Governmental Body nor are there any reasonable grounds to anticipate the commencement of any such action or investigation. Neither Seller nor any Company Product is currently subject to any outstanding investigation or audit (except for routine periodic audits conducted pursuant to regulatory or contractual requirements in the Ordinary Course of Business) by any Governmental Body involving alleged noncompliance with any Law of any health care program funded by any Governmental Body and, to the knowledge of Seller there are no grounds to reasonably anticipate any such investigation or audit in the foreseeable future.

(c) Neither Seller, nor to the knowledge of Seller, any agent, representative or contractor of Seller, has knowingly or willfully solicited, received, paid or offered to pay any remuneration, directly or indirectly, overtly or covertly, in cash or kind in return for the purchasing or ordering of, or recommending the purchasing or ordering of, any Company Product in violation of any applicable anti-kickback law, including without limitation the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b), or any applicable state anti-kickback law.

(d) Neither Seller, nor to the knowledge of Seller, any agent, representative or contractor of Seller, has knowingly submitted or caused to be submitted any claim for payment to any health care program in violation of any applicable Law relating to false claims or fraud, including without limitation the Federal False Claim Act, 31 U.S.C. § 3729, or any applicable state false claim or fraud law.

2.4 SEC Filings.

Except as otherwise provided in Section 2.4 of the Seller Disclosure Schedule, Seller has timely filed all forms, documents, statements and reports required to be filed under the Exchange Act prior to the date hereof by it with the SEC since January 1, 2014 (the forms, documents, statements and reports filed with the SEC since January 1, 2014, including any amendments thereto, the "Seller SEC Reports"). As of their respective dates, or, if amended or superseded by a subsequent filing, as of the date of the last such amendment or superseding filing prior to the date hereof, the Seller SEC Reports complied, and each of the Seller SEC Reports filed subsequent to the date of this Agreement will comply, in all material respects, with the requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act of 2002, as the case may be, and the applicable rules and regulations promulgated thereunder. As of the time of filing with the SEC, none of the Seller SEC Reports so filed or that will be filed subsequent to the date of this Agreement contained or will contain, as the case may be, any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except to the extent that the information in such Seller SEC Report has been amended or superseded by a later Seller SEC Report filed prior to the date hereof.

2.5 Absence of Litigation.

Except as set forth in Section 2.5 of the Seller Disclosure Schedule, there are no Claims pending or, to the knowledge of Seller, threatened against Seller or by Seller, (a) relating to or affecting the Business, the Assets or the Assumed Liabilities or (b) that challenge or seek to prevent, enjoin or otherwise delay the consummation by Seller of the transactions contemplated by this Agreement. There are no outstanding Orders and no unsatisfied judgments, penalties or awards against, relating to or affecting the Business, the Assets or the Assumed Liabilities.

2.6 Compliance with Laws.

Except as set forth in Section 2.6 of the Seller Disclosure Schedule, Seller is in compliance in all material respects with all Laws (including health care Laws) applicable to the Business or the Assets. Seller has not received any material written notice of or been charged with the material breach or violation of any Laws (including health care Laws) applicable to the Business or Assets. There are no investigations pending or, to the knowledge of the Company, threatened against Seller regarding the possible material breach or violation of any Laws (including health care Laws) applicable to the Business or the Assets.

2.7 Labor and Employment Matters.

(a) (i) There are no material labor grievances pending or, to the knowledge of Seller, threatened between Seller, on the one hand, and any of its employees or former employees, on the other hand; and (ii) Seller is not a party to any collective bargaining agreement, work council agreement, work force agreement or any

other labor union contract applicable to persons employed Seller, nor, to the knowledge of Seller, are there any current activities or proceedings of any labor union to organize any such employees. Seller has not received written notice of any pending charge by any Governmental Body of (i) any alleged unfair labor practice as defined in the National Labor Relations Act, as amended; (ii) any alleged Occupational Safety and Health Act violations; (iii) any alleged wage or hour violations; (iv) any alleged discriminatory acts or practices in connection with employment matters; or (v) any claims by any Governmental Body that Seller has failed to comply with any material Law relating to employment or labor matters. Seller is not currently and has not been the subject of any actual or, to the knowledge of Seller, threatened "whistleblower" or similar claims by past or current employees or any other persons.

(b) Seller is currently in compliance with all Laws relating to employment, including those related to classification (for purposes of exempt or non-exempt from applicable wage and overtime wage Laws, or as an employee or independent contractor) wages, hours, collective bargaining and the payment and withholding of taxes and other sums as required by the appropriate Governmental Body and has withheld and paid to the appropriate Governmental Body all amounts required to be withheld from Seller employees and is not liable for any arrears of wages, taxes penalties or other sums for failing to comply with any of the foregoing.

(c) Except as otherwise set forth in Section 2.7(c) of the Seller Disclosure Schedule, (i) all contracts of employment to which Seller is a party are terminable by Seller on three months' or less notice without penalty; (ii) there are no established severance practices, plans or policies of Seller, in relation to, the termination of employment of any of its employees (whether voluntary or involuntary); (iii) Seller has no outstanding liability to pay compensation for loss of office or employment or a severance payment to any present or former employee or to make any payment for breach of any agreement; and (iv) there is no term of employment applicable to any employee of Seller which shall entitle that employee to treat the consummation of the Acquisition as amounting to a breach of his contract of employment or entitling him to any payment or benefit whatsoever or entitling him to treat himself as redundant or otherwise dismissed or released from any obligation.

(d) Section 2.7(d) of the Seller Disclosure Schedule sets forth, as of the date hereof, a list of Seller's employees and such employee's job title, bonus for the most recently completed fiscal year, classification as exempt or non-exempt, base rate of compensation and, as of [_____], 2015, accrued leave or vacation. Since [_____], 2015, Seller has not increased the base rate of compensation for any such employee.

(e) Section 2.7(e) of the Seller Disclosure Schedule sets forth a list of those employees who have been terminated or have resigned during the 90-day period ending on the date hereof. Except as set forth in Section 2.7(e) of the Seller Disclosure Schedule, no officer or key employee of Seller has provided to Seller's senior management notice of any intention to terminate his or her employment with Seller and,

to the Knowledge of the Company, no officer or key employee of Seller has provided notice of any intention to terminate his or her employment with Seller.

(f) Except as set forth in Section 2.7(f) of the Seller Disclosure Schedule or as set forth in this Agreement, neither the execution of this Agreement nor the consummation or approval of the transactions contemplated herein will (either alone or in conjunction with any other event) (i) result in any payment becoming due to any current or former employee, or current or former independent contractor, of Seller, (ii) increase any payments or benefits otherwise payable under any Company Plan, or (iii) result in the acceleration of the time of payment, funding or vesting of any payments or benefits under any Company Plan.

(g) Section 2.7(g) of the Company Disclosure Schedule sets forth a list of the Business Employees who, as of the date hereof, have not executed a confidentiality agreement or an invention assignment agreement with the Company, the forms of which agreements have been provided to Purchaser.

(h) Section 2.7(h) of the Seller Disclosure Schedule sets forth (i) a list of all independent contractors of Seller and (ii) the agreements between Seller and such independent contractor.

2.8 Intellectual Property.

(a) Except as set forth in Section 2.8(a) of the Seller Disclosure Letter, Seller owns or licenses, and has the right to use, all Intellectual Property necessary to conduct the Business as presently conducted and as proposed to be conducted (including the future sale of products currently under clinical development) (collectively, the "Seller Intellectual Property"). Except as set forth on Section 2.9(a) of the Seller Disclosure Schedule, Seller has sufficient right and license under the Seller Intellectual Property to exclusively commercialize the Company Products in each jurisdiction in which Seller markets or proposes to market such Company Products.

(b) Section 2.8(b) of the Seller Disclosure Schedule sets forth with respect to all Intellectual Property owned or licensed by Seller which is registered with any Governmental body or for which an application has been filed with any Governmental Body (the "Seller Registered Intellectual Property"): (i) the registration or application number, the date filed and the title, if applicable, of the registration or application; and (ii) the names of the jurisdictions covered by the applicable registration or application. Section 2.8(b) of the Seller Disclosure Schedule identifies and provides a brief description of any unregistered trademarks or inventions comprising Company Intellectual Property as of the date hereof: (xx) for which an application has not been filed with any Governmental Body, and (yy) the absence of which is likely to have a Material Adverse Effect. Except as disclosed in Section 2.8(b) of the Seller Disclosure Schedule, Seller is the exclusive owner or exclusive licensee of; or has an exclusive field of use to the Seller Intellectual Property free and clear (subject to entry of the Sale Order) of any liens or encumbrances.

(c) Section 2.8(c) of the Seller Disclosure Schedule identifies each Contract currently in effect that: (i) contains a grant of any right or license to any third party under any Seller Intellectual Property; or (ii) contains a grant to the Company of any right or license under any Seller Intellectual Property owned by a third party that either: (a) is material to the Company; or (b) imposes any ongoing, or has imposed in the past, royalty or payment obligations in excess of $25,000 per annum.

(d) All Seller Registered Intellectual Property is valid, enforceable, and subsisting. As of the Closing Date, and except as set forth on Section 2.8(b) of the Seller Disclosure Schedule, all necessary registration, maintenance and renewal fees having a non-extendible deadline within two months after the Closing Date have been paid with respect to such Seller Registered Intellectual Property and, further, that all necessary documents and certificates with respect to such Seller Registered Intellectual Property have been filed with the relevant Governmental Bodies.

(e) Except as set forth in Section 2.8(e) of the Seller Disclosure Schedule, Seller is not, and will not as a result of the consummation of the transactions contemplated by this Agreement be, in breach in any material respect of any license, sublicense or other agreement relating to the Seller Intellectual Property, or any licenses, sublicenses and other agreements as to which the Company is a party and pursuant to which the Company uses any patents, copyrights (including software), trademarks or other intellectual property rights of or owned by third parties (the "Third Party Intellectual Property").

(f) Seller has not been named as a defendant in any suit, action or proceeding which involves a claim of infringement or misappropriation of any Third Party Intellectual Property. Except as set forth in Section 2.8(f) of the Seller Disclosure Schedule, since January 1, 2012 Seller has not received (i) any actual notice or other actual communication (in writing or otherwise) of any actual or alleged infringement, misappropriation or unlawful or unauthorized use of any Third Party Intellectual Property; or (ii) any actual notice in writing offering to license the Company any such rights. Except as set forth on Section 2.8(f) of the Seller Disclosure Schedule, the business of Seller, as currently conducted and proposed to be conducted (including the future commercialization of products currently under development), does not and would not infringe, violate, or constitute a misappropriation of any Third Party Intellectual Property.

(g) To the knowledge of the Seller, and except as set forth in Section 2.8(g) of the Seller Disclosure Schedule, no other Person is infringing, misappropriating or making any unlawful or unauthorized use of any Seller Intellectual Property.

2.9 Taxes.

(a) Except as set forth in Section 2.9(a) of the Seller Disclosure Schedule, Seller has timely filed or caused to be filed all Tax Returns required to be filed by applicable Law with respect to Seller or any of its income, properties or operations;

and has paid all Taxes shown thereon as owing, except in each case where the failure to file Tax Returns or to pay Taxes would not have, or would not reasonably be expected to result in, a Material Adverse Effect.

(b) Seller has made adequate provisions in accordance with GAAP, appropriately and consistently applied, in its financial statements for the payment of all material Taxes for which Seller may be liable for the periods covered thereby that were not yet due and payable as of the dates thereof, regardless of whether the liability for such Taxes is disputed.

(c) To the Seller's knowledge, except as set forth in Section 2.9 of the Seller Disclosure Schedule, Seller has not received any written claim or assessment against Seller for any material deficiency in Taxes, and to the knowledge of Seller there is no outstanding audit or investigation with respect to any liability of Seller for Taxes. There are no agreements in effect to extend the period of limitations for the assessment or collection of any Tax for which Seller may be liable, and no closing agreement pursuant to Section 7121 of the Code or any predecessor provision thereof, or any similar provision of state or local Law.

(d) Except as set forth in Section 2.9 of the Seller Disclosure Schedule, to Seller's knowledge, no written claim that remains unresolved has been made by any Governmental Body in a jurisdiction where Seller has not filed Tax Returns that Seller is or may be subject to taxation by that jurisdiction.

(e) Seller has not engaged in a transaction that is listed within the meaning of Section 6011 of the Code and Treasury Regulations promulgated thereunder.

(f) Seller has withheld from payments to its employees, independent contractors, creditors, stockholders and any other applicable Person (and timely paid to the appropriate taxing authority) proper and accurate amounts in compliance in all material respects with all Tax withholding provisions of applicable Laws (including income, social security, and employment Tax withholding for all types of compensation and withholding of Tax on dividends, interest, and royalties and similar income earned by nonresident aliens and foreign corporations).

(g) Neither Company nor any of its Subsidiaries (A) is or has ever been a member of an affiliated group of corporations filing a consolidated federal income Tax Return (other than the group to which they are currently members and the common parent of which is the Company), or (B) has any liability for the Taxes of any Person (other than the Company or any of the Company Subsidiaries) under Treasury Regulations Section 1.1502-6 (or any similar provision of any state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

(h) Neither Seller nor any of its Subsidiaries is a party to, or bound by, or has any obligation under, any tax allocation or sharing agreement or similar contract or

arrangement or any agreement that obligates it to make any payment computed by reference to the Taxes, taxable income or taxable losses of any other Person.

(i) Neither Seller nor any of its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (A) change in method of accounting for a taxable period ending on or prior to the Closing Date, (B) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state or local income Tax law) executed on or prior to the Closing Date, (C) intercompany transactions or any excess loss account described in Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state or local income Tax law), (D) installment sale or open transaction disposition made on or prior to the Closing Date, or (E) prepaid amount received on or prior to the Closing Date.

(j) Seller has not been either a "distributing corporation" or a "controlled corporation" in a distribution in which the parties to such distribution treated the distribution as one to which Section 355 of the Code is applicable.

(k) Seller has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(l)(A)(ii) of the Code.

2.10 Real Property; Assets.

(a) Section 2.10(a) of the Seller Disclosure Schedule sets forth the address of each material parcel of leasehold or subleasehold estates and other material rights to use or occupy any land or improvements held by or for Seller (the "Leased Real Property") as of the date hereof. True and complete copies of all leases and such other documents relating to the Leased Real Property (including all extensions, supplements, amendments and other modifications thereof, waivers thereunder, and nondisturbance agreements, if any, relating thereto) (the "Real Property Leases") have been made available by Seller to Purchaser. As of the Effective Date, except as set forth in Section 2.10(a) of the Seller Disclosure Schedule, (i) the Leases are in full force and effect in accordance with their terms, (ii) Seller is not in default of any of its obligations under the Leases and (iii) to Seller's knowledge, the landlords under the Leases are not in default of the landlords' obligations under the Leases. At the Closing, the premises to be conveyed or leased by Purchaser following the Closing pursuant to the Leases shall be free and clear of all subtenants and occupants other than Purchaser's employees.

(b) Seller has a valid leasehold interest in (other than those that have expired or been terminated by operation of their terms since the date hereof), as the case may be, the Leased Real Property. Seller owns no real property.

(c) Seller has good and valid title to all of its material properties, interests in properties and assets, real and personal, reflected on the most recent Seller

SEC Report or acquired since the date of the most recent Seller SEC Report, or, in the case of material leased properties and assets, valid leasehold interests in such properties and assets, in each case free and clean of all Liens.

(d) Except as to such items as would not reasonably be expected to result in a Material Adverse Effect, all personal property and equipment owned (including Inventory and Equipment), leased or otherwise used by Seller (i) are in a good state of maintenance and repair, free from material defects and in good operating condition (subject to normal wear and tear), (ii) comply with the applicable leases and with all applicable Laws in all material respects, and (iii) are suitable for the purposes for which they are presently used.

2.11 Contracts.

(a) Seller has made available to Purchaser, or has filed as an exhibit to a Seller SEC Report, a complete unredacted and correct copy of each material agreement or contract to which it is a party as of the date of this Agreement, including any agreement or contract that is required to be filed as an exhibit to, or otherwise incorporated by reference in, the Seller SEC Reports pursuant to Item 601(a)(1) of Regulation S-K promulgated by the SEC. Except for this Agreement and except as listed on Section 2.12(a) of the Seller Disclosure Schedule, Seller is not a party to or bound by any Contract: (i) that would be required to be filed by the Company as a "material contract" pursuant to Item 601(b)(10) of Regulation S-K under the Securities Act; (ii) containing covenants binding upon Seller that materially restrict the ability of Seller (or which, following the consummation of the Acquisition, would materially restrict the ability of Purchaser) to compete in any business or geographic area that is material to Seller as of the date hereof, except for any such Contract that may be canceled without penalty by Seller upon notice of sixty (60) days or less; or (iii) that would prevent, materially delay or materially impede Seller's ability to consummate the transactions contemplated by this Agreement.

(b) Each of the Assumed Contracts is in full force and effect and is a valid and binding obligation of the Seller and, to Seller's knowledge, the other parties thereto, in accordance with its terms and conditions, in each case subject to the terms of the Sale Order. Seller has made available to Purchaser true and complete copies of each Assumed Contract. Except as set forth in Section 2.11(b) of the Seller Disclosure Schedule, there is no material default under any of the Assumed Contracts by Seller (that will not be cured by compliance with the Sale Order at Closing, including payment of any Cure Costs the parties are required to pay pursuant to this Agreement) or, to the knowledge of Seller, by any other party thereto, and Seller has not received any written notice of any default or event that with notice or lapse of time or both would constitute a default by Seller under any Assumed Contract. Subject only to the satisfaction of the Cure Costs applicable to the Assumed Contracts and the entry of the Sale Order, subject to any consent requirements therein that survive application of the provisions of Section 365 of the Bankruptcy Code pursuant to the Sale Order, each Assumed Contract may be

assumed by Seller and assigned to Purchaser pursuant to section 365 of the Bankruptcy Code.

2.12 Sufficiency of Assets.

The Assets and the Assumed Contracts as constituted on the date hereof (i) constitute all of the privileges, rights, interests, properties and assets of Seller of every kind and description and wherever located that are material or necessary for the continued conduct of the Business following the Closing as conducted as of the date hereof and (ii) are sufficient to operate the Business following the Closing in substantially the same manner as conducted as of the date hereof. Other than as disclosed on Schedule 1.1(a) (as amended from time to time in accordance with the terms of this Agreement) and Schedule 1.1(b) (as amended from time to time in accordance with the terms of this Agreement), there is no outstanding Contract to which any Seller is a party that primarily relates to the Business or is otherwise material to the operation of the Business following the Closing in substantially the same manner as conducted as of the date hereof. No right, title, or interests in or to any assets used or held for use in connection with the Business are owned by any Subsidiary of Seller.

3. Representations and Warranties of Purchaser.

Purchaser represents and warrants to Seller as follows:

3.1 Due Incorporation and Authority.

Purchaser is a Delaware corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Purchaser has all requisite entity power and authority to enter into this Agreement, carry out its obligations hereunder and consummate the transactions contemplated hereby. The execution and delivery by Purchaser of this Agreement, the performance by Purchaser of its obligations hereunder and the consummation by Purchaser of the transactions contemplated hereby have been duly authorized by all requisite entity action on the part of Purchaser and no other entity proceedings on the part of Purchaser are necessary to authorize the execution and delivery of this Agreement or to consummate the other transactions contemplated hereby. This Agreement has been duly executed and delivered by Purchaser.

3.2 No Conflicts.

The execution and delivery by Purchaser of this Agreement, the consummation of the transactions contemplated hereby, and the performance by Purchaser of this Agreement in accordance with its terms will not:

(a) violate the certificate of incorporation or by-laws of Purchaser;

(b) require Purchaser to obtain any material consents, approvals, authorizations or actions of, or make any filings with or give any notices to, any

Governmental Bodies or any other Person, except for consents, approvals or authorizations of, or declarations or filings with, the Bankruptcy Court;

(c) violate or result in the breach of any of the terms and conditions of, cause the termination of or give any other contracting party the right to terminate, or constitute (or with notice or lapse of time, or both, constitute) a material default under, any material Contract to which Purchaser is a party or by or to which each of Purchaser or any of its properties is or may be bound or subject; or

(d) violate any Law to which Purchaser is subject.

3.3 Litigation.

There are no Claims pending or, to the knowledge of Purchaser, threatened against Purchaser, before any Governmental Body that would prevent or materially delay the consummation by Purchaser of the transactions contemplated by this Agreement.

3.4 Availability of Funds and Stock.

Purchaser has, and on the Closing Date will have, cash available and committed to the transactions contemplated herein that is sufficient to enable Purchaser to consummate such transactions in accordance with its obligations under this Agreement. Purchaser will have sufficient authorized shares of common stock available to issue the Stock Consideration on the Closing Date and as of the Closing Date will have taken all corporate action necessary for the issuance of the Stock Consideration.

4. Covenants and Agreements.

4.1 Conduct of Business.

Except (i) as expressly provided in this Agreement or on Schedule 4.1(b), or (ii) to the extent that the following is inconsistent with Seller's duties and obligations as a debtor in the Bankruptcy Case or with orders issued by the Bankruptcy Court, or (iii) as otherwise agreed to in writing by Purchaser, Seller agrees that, from the date hereof until the earlier of the Closing and the date, if any, on which this Agreement is terminated pursuant to Section 7.1 hereof:

(a) Seller shall operate the Business in the Ordinary Course of Business and preserve intact the Business, keep available the service of its officers and employees and preserve its relationships with customers, suppliers, vendors, lessors, licensors, licensees, contractors, distributors, agents, employees and others having business dealing with the Business.

(b) except (i) as expressly permitted or required by this Agreement or on Schedule 4.1(b) or (ii) as otherwise agreed to in writing by Purchaser, or (iii) to the extent that the following is inconsistent with Seller's duties and obligations as a debtor in

the Bankruptcy Case or with orders issued by the Bankruptcy Court, Seller shall not, directly or indirectly:

(i) sell (including by sale-leaseback), lease, transfer, convey, license, mortgage or otherwise dispose of, encumber, subject to any Encumbrance (other than Permitted Encumbrances) or waive any rights with respect to, any of the Assets or any interests therein, except in the Ordinary Course of the Business;

(ii) with respect to the Business, change the method of accounting or any accounting principle, method, estimate or practice, except in the Ordinary Course of the Business or as may be required by GAAP or any other applicable Law;

(iii) fail to maintain in full force and effect insurance covering the Assets;

(iv) incur or permit the incurrence of any Liability that would constitute an Assumed Liability, except in the Ordinary Course of Business;

(v) sell or otherwise dispose of Inventory in a manner inconsistent with the Ordinary Course of Business;

(vi) cancel, terminate or amend any Real Property Lease or any Contract;

(vii) acquire or agree to acquire by merging or consolidating with, or by purchasing any equity interest in or a portion of the assets of, or by any other manner, any business or any Person or division thereof;

(viii) enter into any joint ventures, strategic partnerships or alliances;

(ix) enter into any Contract other than in the Ordinary Course of Business;

(x) enter into any Contract the effect of which would be to grant to a third party any license to use any Intellectual Property for a period extending beyond the Closing Date other than in the Ordinary Course of Business;

(xi) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or reorganization, including any plan of reorganization in the Bankruptcy Case that affects or otherwise disposes of the Assets;

(xii) sell, lease, transfer, encumber, or otherwise dispose of any Intellectual Property Assets other than in the Ordinary Course of Business;

(xiii) bill or collect Accounts Receivable other than in the Ordinary Course of Business; or

(xiv) agree in writing or otherwise to take any of the actions described in (i) through (xii) above.

4.2 Expenses; Break-Up Fee.

(a) Subject to the entry of the Bid Procedures Order, but without further order of the Bankruptcy Court, if this Agreement is terminated pursuant to Sections 7.1(a), 7.1(b), 7.1(c), 7.1(e), 7.1(f), 7.1(g), 7.1(i) and/or 7.1(k) then Seller shall pay in cash to Purchaser, within five (5) Business Days of such termination, an amount equal to the reasonable and documented costs, fees and expenses incurred by Purchaser and its Affiliates (including fees and expenses of legal, accounting and financial advisors) in connection with this Agreement and the transactions contemplated hereby (the "Expense Reimbursement Amount") by wire transfer of immediately available funds to the account specified by Purchaser to Seller in writing; provided, however, in no event shall the Expense Reimbursement Amount exceed $125,000. Except for the Expense Reimbursement Amount and any expenses that Purchaser or Seller may be required to reimburse to the other pursuant to the provisions of Section 8.15 below, Purchaser and Seller shall bear their respective expenses incurred in connection with the preparation, execution and performance of this Agreement and the transactions contemplated hereby.

(b) Subject to entry of the Bid Procedures Order, but without further order of the Bankruptcy Court, if this Agreement is terminated pursuant to Sections 7.1(a), 7.1(b), 7.1(c), 7.1(e), 7.1(f), 7.1(g), 7.1(i) and/or 7.1(k), then Seller shall pay in cash to Purchaser a break-up fee in the amount of $560,000 (the "Break-Up Fee"), by wire transfer of immediately available funds to the account specified by Purchaser to Seller in writing; provided, however, the Break-Up Fee shall be payable out of (and only out of) the proceeds of an Alternative Transaction.

(c) The obligations of Sellers to pay the Expense Reimbursement Amount and the Break-Up Fee as provided herein shall be entitled to administrative expense status with priority over any and all administrative expenses of the kind specified in Sections 503(b)(1) and 507(a) of the Bankruptcy Code in the Bankruptcy Case and senior to all other superpriority administrative expenses in the Bankruptcy Case.

(d) Sellers agree and acknowledge that Purchaser's due diligence, efforts, negotiation and execution of this Agreement have involved substantial investment of management time and have required, and continue to require significant commitment of financial, legal and other resources by Purchaser and that such due diligence, efforts, negotiation and execution has provided, and continues to provide, value to Sellers. Seller agrees and acknowledges that (a) the approval of the Expense Reimbursement Amount and the Break-Up Fee is an integral part of the Acquisition, (b) in the absence of Seller's obligation to pay the Expense Reimbursement Amount and the Break-Up Fee on the terms and conditions provided herein, Purchaser would not have entered into this

Agreement, (c) the entry of Purchaser into this Agreement is necessary for preservation of the estate of Seller and is beneficial to Seller, and (d) the Expense Reimbursement Amount and the Break-Up Fee are reasonable in relation to Purchaser's efforts and to the magnitude of the Acquisition.

4.3 Access to Information.

(a) From the date hereof until the earlier of (x) the Closing and (y) any termination of this Agreement pursuant to Section 7.1, upon reasonable notice, Seller shall, and shall cause each of its officers, directors, employees, auditors and agents to (i) afford the officers, employees and representatives of Purchaser reasonable access, during normal business hours, to the offices, plants, warehouses, properties, Contracts, Tax Returns, books and records and employees of Seller, and (ii) furnish to the officers, employees and representatives of Purchaser such additional financial and operating data and other information regarding the operations of Seller as are then in existence and as Purchaser may from time to time reasonably request; provided, however, that such investigations shall not (i) unreasonably interfere with the operations of Seller or any of their Affiliates or (ii) include any rights to perform or conduct any Phase II environmental or other physically destructive testing or investigations without the prior written consent of Seller (which consent Seller shall have the right to withhold or condition in its sole and absolute discretion). All information provided pursuant to this Section 4.3 shall be governed by the terms of the confidentiality agreement in place between Seller and Purchaser and all discussions by Purchaser or its representatives with any employees of Seller shall be coordinated only through Seller's senior management and such senior management having the right but not the obligation to participate in or monitor such discussions; provided, however, Purchaser and its representatives shall have the right to meet privately with any employees and other independent contractors of Seller without Seller's senior management or other representatives participating in such meetings to the extent the substance of such meetings do not involve and will be limited to discussions of and negotiations about such individual's future employment, professional goals, role in the future of the Business and future developments of the Business.

4.4 Regulatory and Other Authorizations; Consents.

(a) Each of the parties hereto shall cooperate and use its commercially reasonable efforts (which reasonable efforts expressly exclude, except to the extent provided for in the DIP Budget, any obligation on Seller's part to pay any fee or other amount to any third party for its consent, waiver, authorization or the like) to (i) take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under any Law or otherwise to consummate and make effective the transactions contemplated by this Agreement, (ii) obtain any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained or made in connection with the authorization, execution and delivery of this Agreement and, to the extent that the need for the same is not obviated by the entry of the Sale Order, the consummation of the transactions contemplated hereby, and (iii) promptly make all

filings and give any notice, and thereafter make any other submissions either required or reasonably deemed appropriate by each of the parties, with respect to this Agreement and the transactions contemplated hereby required under any Law, including applicable securities Law, and the rules and regulations of any stock exchange on which the securities of any of the parties are listed or quoted (including the Nasdaq Stock Market).

(b) The parties hereto shall cooperate and consult with each other in connection with the making of all such filings and notices, including by providing copies of all such documents to the non-filing party and its advisors a reasonable period of time prior to filing or the giving of notice to the extent practicable. No party to this Agreement shall consent to any voluntary extension of any statutory deadline or waiting period or to any voluntary delay of the consummation and the transactions contemplated in this Agreement at the behest of any Governmental Body without the consent and agreement of the other parties to this Agreement, which consent shall not be unreasonably withheld or delayed. Each party shall promptly inform the others of any material communication from any Governmental Body regarding any of the transactions contemplated by this Agreement. To the extent practicable, no party to this Agreement shall agree to participate in any meeting with any Governmental Body in respect of any filing with such body, investigation or other inquiry unless it consults with the other party in advance and, to the extent permitted by such Governmental Body, gives the other party the opportunity to attend and participate at such meeting. Notwithstanding anything to the contrary contained herein, nothing herein shall be construed to require Purchaser to provide Seller or any of its Affiliates with copies of, or approval over or any material related to any necessary or appropriate filings with any Governmental Body or self-regulatory organization other than as specifically relates to the transactions contemplated hereby.

4.5 Further Action.

Each of the parties hereto shall prepare and execute such documents and take such further actions as may be reasonably required or desirable to carry out the provisions hereof and give effect to the transactions contemplated hereby. Without limiting the foregoing, from time to time after the Closing, Seller shall execute and deliver such documents reasonably necessary to further the sale, transfer, conveyance and assignment of the Assets to Purchaser hereunder (including the Intellectual Property Assets), including, if required, a power of attorney or other instrument designating Purchaser as Seller's successor with respect to the Assets. For the avoidance of doubt, nothing in this Section 4.5 shall be deemed to obligate either Purchaser or Seller to take any action or execute or deliver any document which would cause such party to incur any significant monetary cost or expense. For the avoidance of doubt, nothing in this Section 4.5 shall be deemed to obligate either Purchaser or Seller to take any action or execute or deliver any document which would (i) cause such party to incur any significant monetary cost or expense (or, in Seller's case, any cost or expense not provided for in the DIP Budget), (ii) impose on such party material burdens not expressly imposed on that party pursuant to the other provisions of this Agreement, or (iii) cause such party to become involved in any litigation or proceeding other than those proceedings expressly contemplated by this

Agreement, except, in each case or (i), (ii) and (iii), to the extent the other party pays therefor.

4.6 Employee Matters.

(a) From and after the date hereof, Purchaser, in its sole and absolute discretion, may: (i) in consultation and cooperation with Seller (by and through Seller's senior management personnel), communicate with any of the Business Employees about possible employment with Purchaser after the Closing Date; and/or (ii) offer employment to any of the Business Employees as of the Closing Date. Purchaser shall make offers of employment to not less than 75% of the Business Employees for compensation and otherwise on terms and conditions at least comparable to those applicable to similarly situated employees of Purchaser. Those of the Business Employees that accept Purchaser's offer of employment shall be terminated by Seller, and shall become employed by Purchaser or one of its Affiliates (referred to in this Agreement as "Transferred Employees") as of the Closing Date. All employment offers are subject to the satisfactory completion by Purchaser of its customary employment interview, background checks and drug testing procedures.

(b) To the extent that length of employment service is relevant for purposes of eligibility or vesting under any employee benefit plan, program or arrangement established or maintained by Purchaser and provided to the Transferred Employees (excluding any equity-related plan, program or arrangement), Purchaser shall credit the Transferred Employees under such plan, program or arrangement for service on or prior to the Closing in the manner set forth on Schedule 4.6(b).

(c) Seller shall be responsible for any liabilities or obligations (i) arising under the WARN Act, if any, and (ii) resulting from or precipitated by layoffs, if any, in respect of employees of Seller whose employment was terminated on or prior to the Closing.

(d) Purchaser shall assume all liability and responsibility for any health care continuation coverage ("COBRA Coverage") required under Section 4980B of the Code and Part 6 of Subtitle B of Title 1 of ERISA with respect to any Business Employees or former employees of Seller. Purchaser shall provide COBRA Coverage to such Business Employees and former employees on such terms and at such rates as Purchaser currently provides to its own employees and former employees.

4.7 Bankruptcy Court Approvals.

On the Petition Date, Seller shall file a motion (the " Sale Motion") seeking entry of an order of the Bankruptcy Court approving the sale of the Assets to Purchaser pursuant to the terms of this Agreement (the "Sale Order"), which Sale Order Seller shall use commercially reasonable efforts to obtain. The Sale Order shall be substantially in the form and content attached as Exhibit A hereto. As part of the Sale Motion), Seller shall also request and use commercially reasonable efforts to obtain from the Bankruptcy

Court an order (the "Bid Procedures Order") which establishes and approves, among other things, the competitive bidding process and bidding protections (including, without limitation, Purchaser's right to receive the Expense Reimbursement Amount and the Break-Up Fee), as well as the noticing procedures with respect to the assumption and assignment of the Assumed Contract and the Assumed Leases. The Bid Procedures Order shall be substantially in the form and content attached as Exhibit B hereto. Seller shall conduct the sale process relating to the Assets in accordance with the rights and authority granted to Seller in the Bid Procedures Order. Purchaser shall cooperate in all reasonable respects in Seller's efforts to obtain the Bid Procedures Order and Sale Order and shall provide information demonstrating adequate assurance of future performance under Section 365 of the Bankruptcy Code with respect to each Assumed Contract.

4.8 Books and Records; Access to Personnel.

Purchaser agrees that it shall preserve and keep all books and records in respect of the operations of the Business acquired from Seller hereunder and in Purchaser's possession for a period of at least seven (7) years from the Closing Date in a manner consistent in all material respects with Purchaser's document retention and destruction policies. At any time during such seven-year period, representatives of Seller shall, upon reasonable notice, have reasonable access thereto during normal business hours to examine, inspect and copy such books and records for the purposes of preparing Tax Returns; provided, however, that, for avoidance of doubt, the foregoing shall not require Purchaser to take any such action if (i) such action may result in a waiver or breach of any attorney/client privilege, (ii) such action could reasonably be expected to result in violation of applicable Law, or (iii) providing such access or information would be reasonably expected to be disruptive to its normal business operations.. During the pendency of the Bankruptcy Case, Purchaser shall also make available to Seller and its representatives (to the extent in Purchaser's or an Affiliate's employ and to the extent that the same does not unreasonably interfere with Purchase operation of the Business) access at reasonable times to those individuals listed on Schedule 4.8 to this Agreement for reasonable consultation in connection with matters relating to administration and wind down of the Bankruptcy Case.

4.9 Tax Matters.

(a) Sales, Use and Other Transfer Taxes. Purchaser and Seller shall share responsibility, on a 50%/50% basis, for any and all excise, sales, value added, use, registration, stamp, franchise, transfer and similar Taxes, levies, charges and fees incurred in connection with the transactions contemplated by this Agreement (collectively "Transfer Taxes"); provided, however, Purchaser hereby expressly acknowledges and agrees that Seller's liability for its portion of the Transfer Taxes will not exceed $65,000.00 and that Purchaser will bear and pay 100% of any amounts by which the aggregate Transfer Taxes exceed $130,000.00. The parties hereto agree to cooperate in the filing of all necessary documentation and all Tax Returns with respect to all such Taxes, including any available pre-sale filing procedure.

(b) Cooperation. The Parties shall cooperate in all reasonable respects with each other and with each other's respective representatives, including accounting firms and legal counsel, in connection with the preparation or audit of any Tax Return(s) and any Tax claim or litigation in respect of the Assets and Assumed Liabilities that include whole or partial taxable periods, activities, operations or events on or prior to the Closing Date, which cooperation shall include, but not be limited to, making available any ongoing employees, if any, for the purpose of providing testimony and advice, or original documents, or any of the foregoing.

4.10 "AS IS" Transaction.

Purchaser hereby acknowledges and agrees that Seller makes no representations or warranties whatsoever, express or implied, with respect to any matter relating to the Assets that will survive or continue beyond the Closing (including, without limitation, income to be derived or expenses to be incurred in connection with the Assets, the physical condition of any personal property comprising a part of the Assets or which is the subject of any Assumed Contract to be assumed by Purchaser at the Closing, the environmental condition or other matter relating to the physical condition of any real property or improvements which are the subject of any Real Property Lease to be assumed by Purchaser at the Closing or any other real property or improvements comprising a part of the Assets, the zoning of any such real property or improvements, the value of the Assets (or any portion thereof), the transferability of Assets, the terms, amount, validity, collectability or enforceability of any assumed liabilities or Assumed Lease or other Assumed Contract, the title of the Assets (or any portion thereof), the merchantability or fitness of the Fixed Assets or Equipment or other tangible personal property included among the Assets or any other portion of the Assets for any particular purpose, or any other matter or thing relating to the Assets or any portion thereof). Without in any way limiting the foregoing, except for the representations and warranties provided herein, Seller hereby disclaims any warranty (express or implied) of merchantability or fitness for any particular purpose as to any portion of the Assets. Purchaser further acknowledges that Purchaser has conducted an independent inspection and investigation of the physical condition of all portions the Assets and all such other matters relating to or affecting the Assets as Purchaser deemed necessary or appropriate and that in proceeding with its acquisition of the Assets, Purchaser is doing so based solely upon such independent inspections and investigations. Purchaser acknowledges that the Assets will be transferred at the Closing on an **"AS IS," "WHERE IS," and "WITH ALL FAULTS"** basis**.**

4.11 Press Releases and Public Announcements.

Neither Purchaser, on the one hand, nor Seller, on the other hand, shall issue any press release or make any public disclosure, either written or oral, concerning this Agreement or the transactions contemplated hereby without obtaining the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned or delayed, unless in the sole judgment of the disclosing party, disclosure is

otherwise required by applicable Law, including any rules or regulations of any self-regulatory organization, or by the Bankruptcy Court with respect to filings to be made with the Bankruptcy Court in connection with this Agreement or by the applicable rules of any national securities exchange or market on which Purchaser or Seller lists securities (including the Nasdaq Stock Market); provided that the party intending to make such disclosure shall use its commercially reasonable efforts to consult with the other party with respect to the text thereof.

4.12 Damage or Destruction.

Until the Closing, the Assets shall remain at the risk of Seller. In the event of any material damage to or destruction of any of the Assets after the date hereof and prior to the Closing (in any such case, a "Damage or Destruction Loss") Seller shall give notice thereof to Purchaser promptly thereafter. If any such Damage or Destruction Loss is covered by policies of insurance and the underlying Asset is not repaired or replaced prior to Closing, all right and claim of Seller to any proceeds of insurance for such Damage or Destruction Loss shall be assigned and (if previously received by Seller and not used prior to the Closing Date to repair any damage or destruction) paid to Purchaser at Closing in accordance with Section 1.4(b). If any such Damage or Destruction Loss is not covered by policies of insurance, Purchaser shall have the right to reduce the Cash Consideration by an amount equal to (i) if such Assets are not destroyed or damaged beyond repair and are able to be repaired to substantially the same condition that existed prior to such Damage or Destruction Loss at a cost less than their replacement cost, the estimated cost to repair or restore the Assets affected by such Damage or Destruction Loss to substantially the same condition that existed immediately prior to the occurrence of such Damage or Destruction Loss, or (ii) if such Assets are destroyed or damaged beyond repair or are not able to be repaired to substantially the same condition that existed prior to such Damage or Destruction Loss at a cost less than their replacement cost, the replacement cost of the Assets. If Purchaser elects to reduce the Cash Consideration pursuant to this Section 4.12, Seller and Purchaser shall negotiate in good faith in an effort to agree upon the amount of such reduction. If the parties are unable to reach agreement within five (5) Business Days after notice of the Damage or Destruction Loss is given by Seller, then the amount of the reduction shall be determined by the Bankruptcy Court.

4.13 Non-Solicitation of Employees and Customers.

(a) Except on behalf of Purchaser to the extent Purchaser may hereafter agree in writing, for a period of five (5) years from the Closing Date, Seller shall not for itself or for any other Person, directly or indirectly: (i) seek to provide services in connection with any Assumed Contract, propose to enter into any successor Contract to any Assumed Contract, persuade or seek to persuade any customer or any purchaser of services of the Business as conducted by Purchaser and its Affiliates after the Closing to cease to do business or to reduce the amount of business which it does with Purchaser and its Affiliates after the Closing or contemplates doing, whether or not

the relationship between the Business as conducted by Purchaser and its Affiliates after the Closing and such customer was originally established in whole or in part through the efforts of a Seller.

(b) Seller agrees that, for a period of five (5) years following the Closing Date, neither it nor its Affiliates will directly or indirectly recruit, solicit or hire any Transferred Employee, nor shall such Seller or its Affiliates encourage any Transferred Employee to terminate his or her employment or relationship with Purchaser or its Affiliates.

For the avoidance of all doubt, nothing in this Section 4.13, shall be deemed to in any way apply to or otherwise limit or restrict the activities of any officer, director, shareholder, employee, contractor, independent contractor, or other individual at any time acting for itself/themselves or on behalf of any person or entity other than Seller or its Affiliates.

4.14 Collection of Accounts Receivable.

(a) As of the Closing Date, Seller hereby (i) authorizes Purchaser or its designee to open any and all mail addressed to any Seller relating to the Business, the Assets or the Assumed Liabilities and delivered to the offices of the Business or otherwise to Purchaser or its designee if received on or after the Closing Date and (ii) appoints Purchaser, its designee or its attorney-in-fact to endorse, cash and deposit any monies, checks or negotiable instruments received by Purchaser or its designee after the Closing Date with respect to Included Pharma Receivables, the other Assets or accounts receivable relating to work performed by Purchaser after the Closing, as the case may be, made payable or endorsed to a Seller or a Seller's order, for Purchaser's or its designee's own account. Purchaser expressly agrees that all monies, checks or negotiable instruments received by Purchaser that relate to the Non-Pharma Receivables (as defined in Section 4.14(c) below) or Excluded Assets, shall be paid over to Seller upon Purchaser's receipt as provided in Section 4.14(b) below.

(b) As of the Closing Date, (i) Seller agrees that any monies, checks or negotiable instruments received by Seller or any of its Subsidiaries after the Closing Date with respect to Included Pharma Receivables, the other Assets or accounts receivable relating to work performed by Purchaser after the Closing, as the case may be, shall be held in trust by Seller or such Subsidiary for Purchaser's or its designee's benefit and account, and immediately upon receipt by Seller or its Subsidiary of any such payment, Seller shall pay (or cause to be paid) over to Purchaser or its designee the amount of such payments without any right of set off or reimbursement, and (ii) Purchaser agrees that any monies, checks or negotiable instruments received by Purchaser or any of its Subsidiaries after the Closing Date with respect to Non-Pharma Receivables, the Excluded Assets, as the case may be, shall be held in trust by Purchaser or such Subsidiary for Seller's or its designee's benefit and account, and immediately upon receipt by Purchaser or its Subsidiary of any such payment, Purchaser shall pay (or cause to be paid) over to Seller

or its designee the amount of such payments without any right of set off or reimbursement.

(c) As of the Closing Date, (i) Purchaser or its designee shall have the sole authority to bill and collect Included Pharma Receivables and accounts receivable relating to work performed by Purchaser after the Closing and Seller shall not (and shall cause its Subsidiaries not to) instigate or threaten to instigate any claims or litigation in connection with such collection efforts, and (ii) Seller or its designee shall have the sole authority to bill and collect all accounts receivable (other than Included Pharma Receivables and those otherwise included in the Assets) (collectively, "Non-Pharma Receivables") after the Closing and Purchaser shall not (and shall cause its Subsidiaries not to) instigate or threaten to instigate any claims or litigation in connection with such collection efforts.

(d) Notwithstanding anything to the contrary contained in Section 8.14 hereof, (i) any designees of Purchaser who acquire any Included Pharma Receivables hereunder shall be express third party beneficiaries of the provisions of this Section 4.14 relating to the Pharma Included Receivables, and (ii) any designees of Seller who acquire any Non-Pharma Receivables shall be express third party beneficiaries of the provisions of this Section 4.14 relating to the Non-Pharma Receivables

4.15 Removal of Excluded Assets.

As promptly as practicable following the Closing Date (and in any event within ten (10) Business Days following Closing Date), Seller shall remove at their expense all of the Excluded Assets that are located at real property subject to an Assumed Real Property Lease. Seller shall, in connection with such removal, exercise commercially reasonable efforts to avoid damage to any of the Assets, and to the extent any of the Assets are damaged in connection with such removal, Seller shall promptly repair such damage at Seller's sole cost and expense.

5. Conditions Precedent to the Obligation of Purchaser.

The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the fulfillment on or prior to the Closing Date of each of the following conditions, any one or more of which (to the extent permitted by Law) may be waived by Purchaser:

5.1 Representations and Warranties; Covenants.

(a) The representations and warranties of Seller set forth herein shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address

matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

(b) The covenants and agreements contained in this Agreement to be performed or complied with by Seller at or before the Closing shall have been duly performed and complied with in all material respects.

(c) Purchaser shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Seller, that each of the conditions set forth in Section 5.1(a) and 5.1(b) have been satisfied.

5.2 Secretary's Certificate

Purchaser shall have received a certificate of the Secretary (or equivalent officer) of Seller certifying (a) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Seller authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby and (b) the names and signatures of the officers of Seller authorized to sign this Agreement, such other agreements and the other documents to be delivered hereunder and thereunder.

5.3 No Order.

No Governmental Body shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other Order (whether temporary, preliminary or permanent) which is in effect and has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions and which are not satisfied or resolved or preempted by the Sale Order.

5.4 Bankruptcy Filing.

Seller shall be operating the Business and managing their property as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Case shall not have been dismissed or converted to Chapter 7 of the Bankruptcy Code and no trustee or examiner with expanded powers shall have been appointed.

5.5 Bid Procedures and Sale Orders.

The Bankruptcy Court shall have entered both the Bid Procedures Order and the Sale Order in each case, in substantially the form and substance attached hereto, and neither the Bid Procedures Order nor the Sale Order shall t have been vacated, reversed or stayed, and the time to appeal such order shall have expired.

5.6 Closing Documents.

Seller shall have delivered the documents required to be delivered to Purchaser pursuant to Section 1.6 on the Closing Date.

5.7 Material Adverse Effect.

From and after the Effective Date, there shall not have occurred any Material Adverse Effect, nor shall any event or events (which have not occurred as of the Effective Date) have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect.

5.8 Fundamental Contracts.

All Fundamental Contacts shall be duly assigned to Purchaser at Closing such that Purchaser will have substantially the same rights and obligations under such Fundamental Contracts as Seller did immediately before Seller's commencement of the Bankruptcy Case and Purchaser shall have all rights under the ALCHEMIST Program as Seller did immediately before Seller's commencement of the Bankruptcy Case. For the avoidance of doubt, the condition set forth in this Section 5.8 shall not apply to any Fundamental Contract which Seller is unable to assume and assign to Purchaser because adequate assurance of future performance by Purchaser thereof has not been demonstrated to the Bankruptcy Court's satisfaction, and in such circumstances, such Fundamental Contract shall conclusively and permanently be deemed an Excluded Asset and the parties shall proceed as though such Contract had never been included among the Assets.

5.9 Representation Letter.

Purchaser shall have received a duly executed representation letter from SWK in the form attached hereto as Exhibit C.

5.10 BDO Consent.

(a) BDO shall have consented in writing to Purchaser's use of Seller's historical audited financial statements in pro-forma financial statements prepared and filed by Purchaser; provided that the commentary that may accompany such audited financial statements in such pro-forma financial statements is the following language:

> "The pro-forma numbers above are derived from the historical numbers of the purchaser and seller. Over time the operations of the sellers will be integrated into the operations of the purchaser. This integration may change how certain tests are coded and submitted to payers (including Medicare) and, consequently, may result in differences in the future in the manner in which revenues and bad debt expenses are recorded when compared with the historical methods of the acquiree. At the current time the CGI does not have enough information to prepare a reliable estimate of any possible changes."

(b) Seller shall have provided Purchaser with financial statements for the second quarter of 2015 reviewed by BDO and otherwise prepared in a manner consistent with Regulation S-X under the Exchange Act.

Any waiver of a condition set forth in this Section 5 shall be effective only if such waiver is stated in writing and signed by Purchaser.

6. Conditions Precedent to the Obligation of Seller to Close.

The obligation of Seller to consummate the transactions contemplated by this Agreement is subject to the fulfillment on or prior to the Closing Date of each of the following conditions, any one or more of which (to the extent permitted by Law) may be waived by Seller:

6.1 Representations and Warranties; Covenants.

(a) The representations and warranties of Purchaser set forth herein shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or material adverse effect) or all material respects (in the case of any representation or warranty not qualified by materiality or material adverse effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

(b) The covenants and agreements contained in this Agreement to be performed or complied with by Purchaser at or before the Closing shall have been duly performed and complied with in all material respects.

(c) Seller shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Seller, that each of the conditions set forth in Section 6.1(a) and 6.1(b) have been satisfied.

6.2 Secretary's Certificate.

Purchaser shall have received a certificate of the Secretary (or equivalent officer) of Purchaser certifying (a) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Purchaser authorizing the execution, delivery and performance of this Agreement and the other agreements contemplated hereby and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby and (b) the names and signatures of the officers of Seller authorized to sign this Agreement, such other agreements and the other documents to be delivered hereunder and thereunder.

6.3 No Order.

No Governmental Body shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other Order (whether temporary, preliminary or permanent) which is in effect and has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions and which are not satisfied or resolved or preempted by the Sale Order.

6.4 Bid Procedures and Sale Orders.

The Bankruptcy Court shall have entered both the Bid Procedures Order and Sale Order, and the Sale Order shall not have been vacated, reversed or stayed.

6.5 Closing Documents.

Purchaser shall have delivered the documents and payments required to be delivered by it to Seller pursuant to Section 1.7, in each case on the Closing Date.

6.6 Damage or Destruction Loss

The total Purchase Price shall not have been reduced in accordance with Section 4.12 by an amount greater than $1,400,000.

Any waiver of a condition set forth in this Section 6 shall be effective only if such waiver is stated in writing and signed by Seller.

7. Termination of Agreement.

7.1 Termination Prior to Closing.

Notwithstanding anything herein to the contrary, this Agreement may be terminated, and the transactions contemplated by this Agreement abandoned, at any time before the Closing as follows:

(a) by the mutual written consent of Seller and Purchaser;

(b) by either Seller or Purchaser if (i) the Sale Motion has not been filed on the Petition Date, (ii) the Bid Procedures Order has not been entered in the Bankruptcy Case by the date which is twenty (20) days following commencement of the Bankruptcy Case, 2015, (iii) the Sale Order has not been entered in the Bankruptcy Case by the date which is forty-six (46) days following commencement of the Bankruptcy Case, 2015, or (iv) the Closing shall not have occurred by the date which is sixty (60) days following commencement of the Bankruptcy Case; provided, however, that the right to terminate this Agreement under this Section 7.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to such date;

(c) by Purchaser, if (x) any of the representations and warranties of any Seller contained in this Agreement shall fail to be true and correct, or (y) there shall be a breach by any Seller of its covenants or agreements in this Agreement that in either case (i) would result in the failure of a condition set forth in Section 5.1 and (ii) which is not curable or, if curable, is not cured within ten (10) calendar days after written notice thereof is delivered by Purchaser to Seller; provided, that Purchaser may not terminate this Agreement pursuant to this Section 7.1(c) if Purchaser is in material breach of this Agreement; or

(d) by Seller, if (x) any of the representations and warranties of Purchaser contained in this Agreement shall fail to be true and correct, or (y) there shall be a breach by Purchaser of its covenants or agreements in this Agreement that in either case (i) would result in the failure of a condition set forth in Section 6 and (ii) which is not curable or, if curable, is not cured within ten (10) calendar days after written notice thereof is delivered by Seller to Purchaser; provided, that Seller may not terminate this Agreement pursuant to this Section 7.1(d) if Seller is in material breach of this Agreement; or

(e) by Purchaser (provided that Purchaser is not then in material breach of any provision of this Agreement), if (x) the Bankruptcy Case is dismissed or converted to Chapter 7 of the Bankruptcy Code or a Chapter 11 trustee is appointed for Seller, (y) the Bid Procedures Order or the Sale Order are entered in forms not acceptable to Purchaser, or (z) the Debtors have not complied with the Bid Procedures Order or the Sale Order;

(f) by Seller in connection with Seller's acceptance of an Alternative Transaction;

(g) by Purchaser in the event that the First Day Motions, the First Day Orders, the DIP Order, and the DIP Budget are in a form not reasonably satisfactory to the Purchaser;

(h) by either Purchaser or Seller in the event that Purchaser and Seller are unable to agree in writing upon either the (xx) form and substance of all Schedules and Exhibits hereto, or (yy) the final form and substance of the provisions of this Agreement, in each of the cases in clause (xx) and (yy) by the date which is seven (7) days following the Petition Date; and in the event that the Purchaser and Seller are not able to so agree (aa) Purchaser shall not be entitled to any Expense Reimbursement or Break Up Fee notwithstanding any other provision of this Agreement and (bb) the Escrow Holder shall return the Initial Deposit (together with all interest accrued thereon) to Purchaser notwithstanding any other provision of this Agreement. It is acknowledged and agreed that each of Purchaser and Seller may withhold its agreement to the Schedules and Exhibits and the final provisions of this Agreement in accordance with this Section 7.1(h) in its sole discretion without providing any reason therefor;

(i) by either Purchaser or Seller in the event that the total Cure Costs payable with respect to the assumption and assignment of the Assumed Leases and Assumed Contracts at the Closing exceeds $300,000.00 (the "Overall Cure Cap"); provided, however, (i) any Purchaser Exclusive Costs shall not be taken into account for purposes of determining whether the Overall Cure Cap has been exceeded, and (ii) neither Purchaser nor Seller shall have the right to terminate this Agreement pursuant to this Section 7.1(i) in the event that the other party hereto agrees in writing to bear the amount of such excess itself and proceeds to pay the amount of such excess at Closing;

(j) by Seller, if the condition set forth in Section 6.6 is not satisfied as of the Closing Date; or

(k) by Purchaser, if Seller is not able to provide, within four (4) Business Days of the Effect Date, reasonable satisfaction to Purchaser of Seller's ability to satisfy the condition set forth in Section 5.10(b).

7.2 Effect of Termination.

If the Bid Procedures Order has been entered and this Agreement is terminated in circumstances set forth in Sections 7.1(a), 7.1(b), 7.1(c), 7.1(e), 7.1(f), 7.1(g), 7.1(i) and/or 7.1(k), then Seller shall pay to Purchaser the Break-Up Fee and/or the Expense Reimbursement Amount in accordance with Section 4.2, as applicable. The Break-Up Fee and the Expense Reimbursement Amount are in the nature of liquidated damages and shall constitute the sole and exclusive remedy of Purchaser in the event of termination hereunder.

8. Miscellaneous.

8.1 Definitions.

(a) As used in this Agreement, the following terms have the following meanings:

"Accounts Receivable" means accounts receivable and all trade receivables of Seller to the extent relating to the Business, together with any unpaid interest accrued thereon from the respective obligors and any security or collateral therefor, including recoverable deposits.

"Acquisition" has the meaning ascribed thereto in the recitals to this Agreement.

"Additional Deposit" has the meaning ascribed thereto in Section 1.4(b).

"ALCHEMIST Program" means the Adjuvant Lung Cancer Enrichment Marker Identification and Sequencing Trials.

"Alternative Transaction" means any transaction (or series of transactions) involving the direct or indirect sale, transfer or other disposition of the Assets (or

substantially all of the Assets) to any entity other than Purchaser or its affiliates, whether pursuant to section 363 of the Bankruptcy Code or as part of a chapter 11 or chapter 7 plan.

"Affiliate" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For such purposes, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Assets" has the meaning ascribed thereto in Section 1.1.

"Assignment and Assumption Agreement" means the Assignment and Assumption Agreement substantially in the form of Exhibit D hereto to be executed by Purchaser and Seller on the Closing Date.

"Assumed Contracts" has the meaning ascribed thereto in Section 1.1(b).

"Assumed Leases" has the meaning ascribed thereto in Section 1.1(a).

"Assumed Liabilities" has the meaning ascribed thereto in Section 1.3.

"Bankruptcy Case" has the meaning ascribed thereto in the recitals to this Agreement.

"Bankruptcy Code" has the meaning ascribed thereto in the recitals to this Agreement.

"Bankruptcy Court" has the meaning ascribed thereto in the recitals to this Agreement.

"Benefit Plan" means any pension, retirement, savings, profit sharing, deferred compensation, stock ownership, stock purchase, stock option, incentive, severance pay, medical, dental, health, welfare, disability, life, death benefit, group insurance, bonus, vacation pay, sick pay, post-retirement medical or life or other employee benefit plan, program, agreement, policy or arrangement (including, without limitation, each "pension plan" as defined in Section 3(2) of ERISA, any "welfare plan" as defined in Section 3(1) of ERISA and any "multiemployer plan" as defined in Section 3(37) of ERISA), whether written or unwritten, qualified or non-qualified, funded or unfunded, maintained or contributed to by Seller or their Subsidiaries (or to which any Seller or its Subsidiaries are party) for the benefit of, or with, Business Employees.

"Bid Procedures Order" has the meaning ascribed thereto in Section 4.7.

"Bill of Sale" means Bills of Sale substantially in the form of Exhibit E hereto to be executed by Seller on the Closing Date.

"Books and Records" means all files, documents, instruments, papers, books and records, including (i) all files, filings, reviews, audits, documents, instruments, papers, books and records with or relating to any regulatory matters including with any Governmental Body or other self-regulatory organization; (ii) Tax books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise) to the extent relating to the Business or the other Assets; and (iii) Contracts, customer lists, customer information and account records, computer files, data processing records, payroll, employment and personnel records, advertising and marketing data and records, credit records, records relating to suppliers and other data, but "Books and Records" shall not include any of the foregoing to the extent the transfer of the same (A) would violate any Person's privacy rights or (B) are subject to any attorney-client, work product or similar privilege with respect to work performed in anticipation of or in connection with the preparation or administration of the Bankruptcy Case.

"Break-Up Fee" has the meaning ascribed thereto in Section 4.2(c).

"Business" has the meaning ascribed thereto in the recitals to this Agreement.

"Business Day" means any day that is not a Saturday, Sunday or other day on which banks located in New York, New York are authorized or obligated to close.

"Business Employees" means Seller's current employees employed in connection with, or rendering services to, the Business, wherever located.

"Cash Consideration" has the meaning ascribed thereto in Section 1.4(a).

"Claim" means a suit, claim, action, proceeding, inquiry, investigation, litigation, demand, charge, complaint, grievance, arbitration, indictment, or grand jury subpoena, including a "claim" as such term is defined in section 101(5) of the Bankruptcy Code.

"CLIA" means the Clinical Laboratory Improvement Amendments.

"Closing" has the meaning ascribed thereto in Section 1.5.

"Closing Date" has the meaning ascribed thereto in Section 1.5.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985 as described in Section 4980B of the Code, sections 601 et seq. of ERISA, each as amended, and the regulations promulgated thereunder.

"COBRA Coverage" has the meaning ascribed thereto in Section 4.6(d).

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Company Products" means the services and products of the Business.

"Competing Bid" has the meaning ascribed thereto in Section 4.13.

"Contract" means any written or oral agreement, arrangement, understanding, lease, license, sublicense, or instrument or other contractual or similar arrangement or commitment.

"Contract Retention Period" has the meaning ascribed thereto in Section 1.8.

"Cure Costs" means the cure, compensation and restatement, costs and expenses of or relating to the assumption and assignment of the Assumed Contracts (including, without limitation, Assumed Leases) included in the Assets assumed and assigned to Purchaser hereunder pursuant to Section 365 of the Bankruptcy Code.

"Deposit" has the meaning ascribed thereto in Section 1.4(b).

"DIP Budget" means the budget governing the Seller's postpetition financing during any relevant period, approved under the procedures provided for in the DIP Order.

"DIP Order" means an order of the Bankruptcy Court, entered on either an interim or final basis, approving postpetition financing for the Seller in connection with the Bankruptcy Case.

"EMEA" means the European Medicines Agency.

"Encumbrances" means all Liens, claims, conditional sales agreements, rights of first refusal, rights of first offer or rights of first negotiation or options.

"Equipment" means all machinery, rolling stock, equipment, computer equipment (including servers), software, software systems, databases and database systems used in connection with the Business.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"Escrow" has the meaning ascribed thereto in Section 1.4(b).

"Escrow Holder" has the meaning ascribed thereto in Section 1.4(b).

"Exchange Act" has the meaning ascribed thereto in Section 2.2(b).

"Excluded Assets" has the meaning ascribed thereto in Section 1.2.

"Excluded Liabilities" has the meaning ascribed thereto in Section 1.3(b).

"Expense Reimbursement Amount" has the meaning ascribed thereto in Section 4.2(b).

"FDA" means the U.S. Food and Drug Administration.

"First Day Motions" means those motions filed in the Bankruptcy Case by the Seller on or about the Petition Date relating to customary "first day" relief.

"First Day Orders" means those orders of the Bankruptcy Court entered in connection with the First Day Motions, whether entered on an interim or final basis.

"Fixed Assets" means all furniture, furnishings, fixtures, trade fixtures, racks, pallets, displays and office equipment used in connection with the Business located in any premises that are held or operated pursuant to the Assumed Leases assumed and assigned at the Closing.

"Fundamental Contracts" means any Contracts between Seller, on the one hand, and Pfizer Inc., Glaxosmithkline Biologicals S.A., Leidos Biomedical Research, Inc., Abbott Molecular Inc. or any of their Affiliates, on the other hand.

"GAAP" means United States generally accepted accounting principles, as applied by Seller on a consistent basis during the periods involved in accordance with Seller's historical practices.

"Governmental Body" means a domestic or foreign national, federal, state, provincial, or local governmental, regulatory or administrative authority, department, agency, commission, court, tribunal, arbitral body or self-regulated entity.

"Initial Deposit" has the meaning ascribed thereto in Section 1.4(b).

"Intellectual Property" means all intellectual property and industrial property rights and assets, and all rights, interests and protections that are associated with, similar to, or required for the exercise of, any of the foregoing, however, arising, pursuant to any jurisdiction throughout the world, whether registered or unregistered, including any and all: (i) patents (including design patents) and patent applications (including docketed patent disclosures awaiting filing, reissues, divisions, continuations, continuations-in-part and extensions), patent disclosures awaiting filing determination, inventions and improvements thereto, (ii) trademarks, service marks, certification marks, trade names, brand names, trade dress, logos, business and product names, slogans, and registrations and applications for registration thereof, (iii) copyrights (including software) and registrations thereof, (iv) inventions (whether or not patentable), processes, designs, formulae, trade secrets, know-how, industrial models, confidential and technical information, manufacturing, engineering and technical drawings, product specifications, domain names, discoveries and confidential business information, (v) intellectual property rights similar to any of the foregoing, (vi) computer software (including source code and object code versions), web site and domain names, (vii) copies and tangible embodiments thereof (in whatever form or medium, including electronic media), including, without limitation, those items and assets described in categories (i) through (vii) above, (viii) royalties, fees, income, payments and other proceeds now or hereafter due or payable with respect to any and all of the foregoing, (ix) all licenses, sublicenses, consent to use agreements, settlements, coexistence agreements, covenants not to sue,

permissions and other Contracts (including any right to receive or obligation to pay royalties or any other consideration), whether written or oral, relating to any Intellectual Property and (x) all rights to any Claims of any nature available to or being pursued by Seller to the extent related to the foregoing, whether accruing before, on or after the date hereof, including all rights to and claims for damages, restitution and injunctive relief for infringement, dilution, misappropriation, violation, misuse, breach or default, with the right but no obligation to sue for such legal and equitable relief, and to collect, or otherwise recover, any such damages.

"Intellectual Property Assets" means all Intellectual Property that is owned by Seller and used in or necessary for the conduct of the Business as currently conducted.

"Intellectual Property Assignments" means the instrument or instruments (in form and content reasonably satisfactory to Purchaser and Seller) pursuant to which Seller will assign to Purchaser all of Seller's right, title and interest, domestic and foreign, state, federal and common law, in and to the Intellectual Property, including the instruments in substantially the forms attached hereto as Exhibit F.

"Inventory" means all goods, products, and supplies sold or used in the sale of any goods or products and all other inventory owned and held by Seller, in each case to the extent relating to or used in connection with the Business, wherever located, and whether on hand, on order, in transit of the Business.

"Knowledge of Seller" means and refers to (i) only the actual current knowledge, as of the Effective Date, of Thomas Bologna, Kevin Harris, Lisa Shafer, Alan Cheeks, Eric Chan, Lisa Henderson, the Head of Sales of Seller and the Head of Business Development of Seller, and (ii) the knowledge that any of the individuals identified in clause (i), as a prudent business person, would have obtained after making due inquiry with respect to the particular matter in question.

"Law" means any U.S. federal, state or local, and any foreign national, state or local, law, statute, common law, ordinance, code, treaty, rule, regulation, order, ordinance, Permit, license, writ, injunction, directive, determination, judgment or decree or other requirement of any Governmental Body or arbitrator.

"Leased Real Property" has the meaning ascribed thereto in Section 2.10(a).

"Liabilities" means any direct or indirect, primary or secondary, liability, Claims, indebtedness, obligation, penalty, cost or expense (including costs of investigation, collection and defense) of or by any Person of any type, whether accrued, absolute or contingent, liquidated or unliquidated, choate or inchoate matured or unmatured, or otherwise. Without limiting the foregoing in any manner, the term "Liabilities" includes and refers to all liabilities and obligations for or with respect to Taxes, including liabilities for Taxes of any Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

"Lien" means any security interest, mortgage, pledge, lien, encumbrance, right, hypothecation, option, charge or claim of any nature whatsoever.

"Material Adverse Effect" means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise) or assets of the Business, (b) the value of the Assets, or (c) the ability of Seller to consummate the transactions contemplated hereby on a timely basis; provided, however, that in determining whether there has been a Material Adverse Effect or whether a Material Adverse Effect would occur, any change, event or occurrence principally attributable to, arising out of, or resulting from any of the following shall be disregarded: (i) general economic, business, industry or credit, financial or capital market conditions (whether in the United States or internationally), including conditions affecting generally the industries served by the Business; (ii) the taking of any action required or permitted by this Agreement; (iii) the public announcement, pendency or completion of the transactions contemplated by this Agreement, (iv) the breach of this Agreement or any agreement or document contemplated herein by Purchaser, (v) the taking of any action with the written approval of Purchaser, (vi) pandemics, earthquakes, tornados, hurricanes, floods and acts of God, (vii) acts of war (whether declared or not declared), sabotage, terrorism, military actions or the escalation thereof; (viii) any changes or prospective changes in applicable Laws, regulations or accounting rules, including GAAP or interpretations thereof, or any changes or prospective changes in the interpretation or enforcement of any of the foregoing, or any changes in general legal, regulatory or political conditions; (ix) any event expressly described in reasonable detail in the Seller Disclosure Schedule hereafter mutually agreed upon in writing by Purchaser and Seller or (x) any adverse effect or change in or on the Business or the Assets as a consequence of the initiation of the Bankruptcy Case or any actions taken in the Bankruptcy Case in furtherance of the transactions contemplated herein; provided further, however, that any event, occurrence, fact, condition or change referred to in clauses (i), (vi), (vii) or (viii) above shall be taken into account in determining whether a Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition or change has a disproportionate effect on the Business compared to other participants in the industries in which the Business operates.

"MHRA" means the Medicines and Healthcare products Regulatory Agency.

"Order" means any order, judgment, ruling, injunction, award, decree or writ of any Governmental Body.

"Ordinary Course of Business" means the ordinary and usual course of normal day to day operations of the Business consistent with past practice during the ninety (90) day period immediately preceding the date of this Agreement.

"Petition Date" has the meaning ascribed thereto in the recitals to this Agreement.

"Permits" has the meaning ascribed thereto in Section 1.1(k).

"Permitted Encumbrance" means (a) Liens for Taxes and assessments not yet payable, (b) inchoate mechanics' Liens for work in progress, (c) materialmen's, mechanics', carriers', workmen's and repairmen's Liens arising in the Ordinary Course of Business and not past due and payable or the payment of which is being contested in good faith by appropriate proceedings, (d) Liens that will be released at or prior to Closing, including any such landlord's liens, (e) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the Ordinary Course of Business and (f) easements, covenants, rights-of-way and other similar restrictions of record.

"Person" means any individual, corporation, partnership, limited liability company, limited liability partnership, joint venture, joint-stock company, trust, Governmental Body or other entity.

"Pre-Closing Tax Period" means any taxable period ending on or before the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period ending on and including the Closing Date.

"Prepaid Expenses" means all credits, prepaid expenses (including unamortized advertising expenses), deferred charges, advance payments, security deposits, and prepaid items (including in respect of Taxes) of Seller arising in connection with the Business, in each case which are paid or prepaid by Seller on or prior to the Closing Date and that correspond to, or are to be amortized during, a period after the Closing Date.

"Purchaser" means Cancer Genetics, Inc., a Delaware corporation.

"Purchaser Exclusive Cures" has the meaning ascribed thereto in Section 1.3(a).

"Purchase Price" has the meaning ascribed thereto in Section 1.4.

"Real Estate Assignments" means the instrument or instruments (in form and content reasonably satisfactory to Purchaser and Seller) pursuant to which Seller will assign to Purchaser all of Seller's right, title and interest, domestic and foreign, state, federal and common law, in and to the Assumed Leases, including the instrument in substantially the form attached hereto as Exhibit G.

"Real Property Leases" has the meaning ascribed thereto in Section 2.10(a).

"Representative" means, with respect to a particular Person, any director, officer, manager, partner, member, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants, and financial advisors.

"Sale Order" has the meaning ascribed thereto in Section 4.7.

"Sale Motion" has the meaning ascribed thereto in Section 4.7.

"Schedules and Exhibits" means the Seller Disclosure Schedule and all other schedules and exhibits contemplated by this Agreement.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Seller Disclosure Schedule" has the meaning ascribed thereto in Section 2.

"Securities Act" has the meaning ascribed thereto in Section 2.10.

"Security Deposits" means all security deposits (including cash) held by landlords under Assumed Leases or counterparties to any other Assumed Contract.

"Seller" means Response Genetics, Inc., a Delaware corporation.

"Seller Bylaws" means the by-laws of Seller, as amended.

"Seller Charter" means the certificate of incorporation of Seller, as amended.

"Seller Intellectual Property" has the meaning ascribed thereto in Section 2.8(a).

"Seller Registered Intellectual Property" has the meaning ascribed thereto in Section 2.8(b).

"Seller SEC Reports" has the meaning ascribed thereto in Section 2.4.

"Stock Consideration" has the meaning ascribed thereto in Section 1.4.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, (a) a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any manager, managing director or general partner of such limited liability company, partnership, association or other business entity.

"SWK" has the meaning ascribed thereto in Section 1.4(c).

"Tax" or "Taxes" means all taxes, charges, fees, imposts, levies or other assessments, including all net income, franchise, profits, gross receipts, capital, sales, use, ad valorem, value added, transfer, transfer gains, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, real or personal property, and estimated taxes, customs duties, fees, assessments and charges of any kind whatsoever, together with any interest and any penalties, fines, additions to tax or additional amounts thereon, imposed by any taxing authority (federal, state, local or foreign) and shall include any successor or transferee liability in respect of Taxes.

"Tax Returns" means all returns, declarations, reports, forms, estimates, information returns and statements required to be filed in respect of any Taxes or to be supplied to a taxing authority in connection with any Taxes.

"Third Party Intellectual Property" has the meaning ascribed thereto in Section 2.8(e).

"Transaction Document" means any agreement, document, certificate or instrument delivered pursuant to or in connection with this Agreement or the transactions contemplated hereby.

"Transfer Taxes" has the meaning ascribed thereto in Section 4.9.

"Transferred Employees" has the meaning ascribed thereto in Section 4.6(a).

"Union" has the meaning ascribed thereto in Section 2.6(b).

"WARN Act" means, collectively, the Worker Adjustment and Retraining Notification Act of 1989 and any similar state or local law

8.2 Indemnification

Without in any way limiting any other remedy available to Purchaser whether under this Agreement or otherwise, Seller shall indemnify, defend and hold Purchaser and Purchaser's Affiliates, successors and assigns, harmless from and against any and all Liabilities, including, without limitation, reasonable attorney's fees and costs of investigation (collectively, "Losses"), that are actually incurred by Purchaser, to the extent that such Losses arise from or relate to any Excluded Liabilities.

8.3 Consent to Jurisdiction; Service of Process; Waiver of Jury Trial.

(a) Purchaser and Seller irrevocably and unconditionally consent to submit to the jurisdiction of the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agree not to commence any litigation relating hereto except in the Bankruptcy Court).

(b) Any and all service of process and any other notice in any such Claim shall be effective against any party if given personally or by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such party as herein provided. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against any other party in any other jurisdiction.

8.4 Notices.

Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (a) on the day of delivery if delivered in person or by electronic mail, or if delivered by facsimile upon confirmation of receipt, (b) on the first (1st) Business Day following the date of dispatch if delivered by a nationally recognized express courier service, or (c) on the fifth (5th) Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated by notice given in accordance with this Section 8.4 by the party to receive such notice:

(a) if to Purchaser, to:

Cancer Genetics, Inc.
Meadows Office Complex
201 Route 17 North, 2nd Floor
Rutherford, NJ 07070
Attention: Panna Sharma, Chief Executive Officer and President
Facsimile: +1 201-528-9201
Email Address: panna.sharma@cgix.com

with a copy to:

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, NY 10036
Attention: James A. Grayer
Facsimile: +1 212-715-8000
Email Address: jgrayer@kramerlevin.com

(b) if to Seller, to:

Response Genetics, Inc.
1640 Marengo St. 7th Floor
Los Angeles, California 90033
Attention: Thomas A. Bologna

Facsimile: 323-224-3096
Email Address: tbologna@responsegenetics.com

with a copy to:

Pachulski Stang Ziehl & Jones
10100 Santa Monica Boulevard
13th Floor
Los Angeles, CA 90067-4003Attention: Jeffrey N. Pomerantz
Facsimile: 310.201.0760
Email Address: jpomerantz@pszjlaw.com

8.5 Entire Agreement.

This Agreement (including any exhibits or schedules hereto), that certain Mutual Non-disclosure Agreement dated May 8, 2014, between Seller and Purchaser, and any other collateral agreements executed in connection with the consummation of the transactions contemplated hereby, contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements, written or oral, with respect thereto. Any exception or disclosure made by Seller in the Schedules to this Agreement with regard to a representation of Seller shall be deemed made with respect to any other representation by such party to which such exception or disclosure is reasonably apparent.

8.6 Waivers and Amendments.

This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by Purchaser and Seller or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

8.7 Governing Law.

This Agreement and all Claims with respect thereto shall be governed by and construed in accordance with federal bankruptcy law, to the extent applicable, and, where state law is implicated, the laws of the State of Delaware without regard to any conflict of laws rules thereof that might indicate the application of the laws of any other jurisdiction.

8.8 Binding Effect; Assignment.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. This Agreement is not assignable by any party without the prior written consent of the other parties; provided that Purchaser may assign this Agreement to any Affiliate of Purchaser, provided, further that Purchaser shall not be relieved of any of its obligations under this Agreement as a result of such assignment.

8.9 Usage.

All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. All terms defined in this Agreement in their singular or plural forms have correlative meanings when used herein in their plural or singular forms, respectively. Unless otherwise expressly provided, the words "include," "includes" and "including" do not limit the preceding words or terms and shall be deemed to be followed by the words "without limitation."

8.10 Articles and Sections.

All references herein to Articles and Sections shall be deemed references to such parts of this Agreement, unless the context shall otherwise require. The Article and Section headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

8.11 Interpretation.

The Parties acknowledge and agree that (a) each Party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision, (b) the rule of construction to the effect that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of this Agreement, and (c) the terms and provisions of this Agreement shall be construed fairly as to each Party, regardless of which Party was generally responsible for the preparation of this Agreement.

8.12 Severability of Provisions.

If any provision or any portion of any provision of this Agreement shall be held invalid or unenforceable, the remaining portion of such provision and the remaining provisions of this Agreement shall not be affected thereby. If the application of any provision or any portion of any provision of this Agreement to any Person or circumstance shall be held invalid or unenforceable, the application of such provision or portion of such provision to Persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

8.13 Counterparts.

This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such

counterparts together shall constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all, of the parties hereto. This Agreement may be delivered by facsimile or electronic PDF format, which shall be deemed an original counterpart for all purposes.

8.14 No Third Party Beneficiaries.

No provision of this Agreement is intended to, or shall, confer any third party beneficiary or other rights or remedies upon any Person other than the parties hereto. Without limiting the generality of the foregoing, no provision of this Agreement shall create any third party beneficiary rights in any employee or former employee of Seller in respect of continued employment by Seller.

8.15 Attorneys' Fees.

In the event that Seller or Purchaser bring an action or other proceeding to enforce or interpret the terms and provisions of this Agreement, the prevailing party(ies) in that action or proceeding shall be entitled to have and recover from the non-prevailing party(ies) all such fees, costs and expenses (including, without limitation, all court costs and reasonable attorneys' fees) as the prevailing party(ies) may suffer or incur in the pursuit or defense of such action or proceeding.

8.16 No Brokerage Obligations.

Seller and Purchaser each represent and warrant to the other that such party has incurred no liability to any real estate broker or other broker or agent with respect to the payment of any commission regarding the consummation of the transaction contemplated hereby. It is agreed that if any claims for commissions, fees or other compensation, including, without limitation, brokerage fees, finder's fees, or commissions are ever asserted against Purchaser or Seller in connection with this transaction, all such claims shall be handled and paid by the Party whose actions form the basis of such claim and such party shall indemnify, defend (with counsel reasonably satisfactory to the party entitled to indemnification), protect and save and hold the other harmless from and against any and all such claims or demands asserted by any person, firm or corporation in connection with the transaction contemplated hereby.

8.17 Survival.

The respective representations and warranties of Seller and Purchaser herein or in any certificates or other documents delivered prior to or at the Closing, shall automatically lapse and cease to be of any further force or effect whatsoever upon the Closing. The covenants and agreements of Seller and Purchaser contained herein shall survive the Closing indefinitely.

8.18 Non-Recourse

No past, present or future director, officer, employee, incorporator, member, partner or equity holder of the parties to this Agreement will have any liability for any obligations or liabilities of Seller or Purchaser, as applicable, under this Agreement, or any agreement entered into in connection herewith of or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby and thereby. Any claim or cause of action based upon, arising out of, or related to this Agreement or any agreement, document or instrument contemplated hereby may only be brought against Persons that are expressly named as parties hereto or thereto, and then only with respect to the specific obligations set forth herein or therein. Other than the parties hereto, no party shall have any liability or obligation for any of the representations, warranties, covenants, agreements, obligations or liabilities of any party under this Agreement or the agreements, documents or instruments contemplated hereby or of or for any action or proceeding based on, in respect of, or by reason of, the transactions contemplated hereby or thereby (including breach, termination or failure to consummate such transactions), in each case whether based on contract, tort, fraud, strict liability, other Laws or otherwise and whether by piercing the corporate veil, by a claim by or on behalf of a party hereto or another Person or otherwise. In no event shall any Person be liable to another Person for any punitive damages with respect to the transactions contemplated hereby.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

PURCHASER:

CANCER GENETICS, INC.

By: /s/ Panna L. Sharma
Name: Panna L. Sharma
Title: CEO & President

SELLER:

RESPONSE GENETICS, INC.

By: /s/ Thomas A. Bologna
Name: Thomas A. Bologna
Title: Chairman & CEO

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Panna L. Sharma, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cancer Genetics, Inc. (the "Registrant");

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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. 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

d. 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 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: August 10, 2015

/s/ Panna L. Sharma

Panna L. Sharma
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Edward J. Sitar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cancer Genetics, Inc. (the "Registrant");

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 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. 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

d. 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 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: August 10, 2015

/s/ Edward J. Sitar

Edward J. Sitar
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 Cancer Genetics, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Panna L. Sharma, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; 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: August 10, 2015

/s/ Panna L. Sharma
Panna L. Sharma
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

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 Cancer Genetics, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward J. Sitar, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; 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: August 10, 2015

/s/ Edward J. Sitar
Edward J. Sitar
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.