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As confidentially submitted to the Securities and Exchange Commission on August 4, 2014

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

EXAGEN DIAGNOSTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	8071	20-0434866
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1261 Liberty Way, Suite C
Vista, California 92081
(760) 560-1501
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Fortunato Ron Rocca
President and Chief Executive Officer
Exagen Diagnostics, Inc.
1261 Liberty Way, Suite C
Vista, California 92081
(760) 560-1501
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Cheston J. Larson, Esq.
Steven T. Chinowsky, Esq.
Matthew T. Bush, Esq.
Latham & Watkins LLP
12670 High Bluff Drive
San Diego, California 92130
(858) 523-5400

Jason L. Kent, Esq.
Charles S. Kim, Esq.
Jonathan R. Russo, Esq.
Cooley LLP
4401 Eastgate Mall
San Diego, California 92121
(858) 550-6000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

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

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

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

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	☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, $0.001 par value per share	$	$

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(2) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

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

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

Subject to completion dated , 2014

PRELIMINARY PROSPECTUS

SHARES OF COMMON STOCK

Exagen Diagnostics, Inc. is offering shares of its common stock. This is our initial public offering, and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share.

Prior to this offering, there has been no public market for our common stock. We have applied to list our common stock on The NASDAQ Global Market under the symbol "EXDX."

We are an "emerging growth company" as that term is used in the Jumpstart Our Business Startups Act of 2012, and, as such, have elected to comply with certain reduced public company reporting requirements.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our common stock in "Risk Factors" beginning on page 12 of this prospectus.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to us	$	$

(1) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See "Underwriting."

We have granted the underwriters an option for a period of 30 days to purchase up to an additional shares of common stock to cover any over-allotments. The underwriters can exercise this right at any time within 30 days after the date of this prospectus.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to investors on or about , 2014.

Leerink Partners **Baird**

William Blair

The date of this prospectus is , 2014.

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eXagen DIAGNOSTICS

Patient focused. Discovery driven.

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We have not authorized anyone to provide you with different information. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: We have not and the underwriters have not done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside the United States.

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market share, is based on information from our own management estimates and research, as well as from industry and general publications and research, surveys and studies conducted by third parties. Management estimates are derived from publicly available information, our knowledge of our industry and assumptions based on such information and knowledge, which we believe to be reasonable. Our management estimates have not been verified by any independent source, and we have not independently verified any third-party information. In addition, assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors." These

and other factors could cause our future performance to differ materially from our assumptions and estimates. See “Special Note Regarding Forward-Looking Statements.”

We use our registered trademarks, including Avise, Avise PG, Avise MCV and Avise SLE, in this prospectus. This prospectus also includes trademarks, tradenames and service marks that are the property of other organizations. Solely for convenience, trademarks and tradenames referred to in this prospectus appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or that the applicable owner will not assert its rights, to these trademarks and tradenames.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, especially the section in this prospectus entitled "Risk Factors" beginning on page 12 and our consolidated financial statements and the related notes thereto included at the end of this prospectus, before making an investment decision. As used in this prospectus, unless the context otherwise requires, references to "we," "us," "our," "our company" and "Exagen" refer to Exagen Diagnostics, Inc.

Company Overview

We are a commercial-stage diagnostics company committed to addressing the significant unmet need for the accurate diagnosis and monitoring of patients affected by autoimmune rheumatic diseases. These chronic diseases can cause lifelong inflammation in the joints, tissues and internal organs, resulting in serious complications, such as irreversible organ damage. The accurate, timely and differential diagnosis for patients suffering from the approximately 30 autoimmune rheumatic diseases, or ARDs, is critical as treatment for each disease can vary, and inappropriate or delayed therapy may expose patients to unnecessary risks or the hazards of uncontrolled disease activity. Physicians face significant difficulties in making a definitive diagnosis of a specific ARD because patients with different diseases often present with a common set of symptoms.

We currently market three products under our Avise brand to provide an accurate, timely and differential diagnosis and to optimize the treatment of ARDs. We processed approximately 9,300 patient specimens for our lead diagnostic product line, Avise SLE, in 2013 and approximately 4,500 in the first quarter of 2014.

The diagnosis and treatment of ARDs is generally provided by the community rheumatologist, a sub-specialty of internal medicine which includes approximately 3,500 physicians in the United States. Patients often present to a rheumatologist after a lengthy referral process because of the similarity and overlap of symptoms among ARDs, the waxing and waning of these symptoms and the shortcomings of current diagnostic tests. Establishing a definitive diagnosis is often difficult and can take years. Throughout this time, patients may continue to suffer from the debilitating effects of their disease, receive inappropriate treatments and may face a significant financial burden.

Our lead product, Avise SLE+CT, is a proprietary diagnostic test that provides an enhanced solution for patients presenting with symptoms indicative of a wide variety of ARDs such as Systemic Lupus Erythematosus, or SLE, Rheumatoid Arthritis, or RA, Sjögren's syndrome, scleroderma and other disorders that mimic ARDs such as fibromyalgia. Avise SLE+CT allows physicians to more accurately rule-in or rule-out SLE, and inform decisions about the presence of other ARDs, all with the convenience of one blood draw. Differential diagnosis of these diseases is critically important because earlier diagnosis has been shown to improve patient outcomes. Once diagnosed, physicians can tailor therapy to a patient's specific disease and avoid the "trial and error" approach that often takes place when a definitive diagnosis cannot be made.

We have validated the clinical utility of Avise SLE 2.0, the proprietary component of our Avise SLE+CT solution, in a multi-center study in an aggregate of 794 subjects. The results of this study, which were presented at the American College of Rheumatology, or ACR, annual conference in 2013, showed that Avise SLE 2.0 demonstrated superior ability to distinguish SLE from other ARDs. Avise SLE 2.0 is powered by our proprietary CBCAPs technology, which we exclusively license from the University of Pittsburgh. This technology is the result of over a decade of extensive research and development conducted at the Lupus Center of Excellence at the University of Pittsburgh Medical Center.

We intend to develop additional innovative, high value diagnostic solutions for the rheumatologist while continuing to improve the performance characteristics of our currently marketed products. In particular, we are

developing and validating testing solutions that are designed to assist rheumatologists with the monitoring of disease activity in patients with SLE and monitoring the active drug levels of some of the more commonly prescribed pharmaceuticals for the treatment of ARDs. We are conducting validation studies for these products in collaboration with academic centers of excellence and intend to publish the results of these studies in peer-reviewed medical journals.

Market Overview

Autoimmune Rheumatic Diseases

ARDs are a group of approximately 30 chronic disorders which create a significant burden on the healthcare system. These chronic diseases can cause lifelong inflammation in the joints, tissues and internal organs, resulting in serious complications, such as irreversible organ damage. Untreated chronic inflammation can also lead to premature hardening of the arteries, heart attacks and strokes. It is estimated that 11 million patients in the United States suffer from ARDs, and patients afflicted with fibromyalgia have many of the same clinical symptoms as ARDs. Examples of these disorders include:

- *Systemic Lupus Erythematosus (SLE).* A chronic autoimmune disease involving inflammation and destruction of organs such as the brain, kidneys and lungs resulting in irreversible damage and in severe cases death.
- *Rheumatoid Arthritis (RA).* A chronic autoimmune disease involving inflammation and destruction of joints, bone and in some cases organs, including eyes and lungs.
- *Sjögren's Syndrome.* A chronic autoimmune disease involving inflammation and destruction of secretory glands such as salivary glands and tear ducts. This disease can occur with RA and SLE.
- *Fibromyalgia.* A chronic condition characterized by widespread pain and tenderness to touch. Although not an autoimmune disease, this syndrome has been reported to occur in 25% of RA and SLE patients and 50% of Sjögren's patients.

Patients with these disorders often present with a common set of symptoms, which can include joint pain, fatigue, inflammation, stiffness and muscle aches, among others. Additionally, these patients may experience unpredictable periods of disease flares and disease inactivity, which can meaningfully change the patients' symptoms and how they present to the physician. The combination of overlapping symptoms and disease biology can lead these patients to cycle from physician to physician for months or even years before receiving a definitive diagnosis. Due to this, we believe physicians are in critical need of objective tests capable of differentially diagnosing these disorders, especially for potentially life threatening ARDs such as SLE.

Systemic Lupus Erythematosus

SLE is the most common and one of the most serious forms of lupus. It is estimated that over one million people in the United States suffer from some form of lupus. SLE is characterized by unpredictable, intermittent increases and decreases of disease activity.

Diagnosing SLE is difficult due to overlapping symptoms with other ARDs and fibromyalgia. A Lupus Foundation of America survey suggests that more than half of those afflicted with lupus waited at least four years, and saw three or more doctors, before obtaining a correct diagnosis. Earlier diagnosis of SLE allows physicians to initiate therapies sooner in order to help protect the patient from organ damage. Once diagnosed, treatment of SLE generally involves the use of antimalarials, corticosteroids, immunosuppressants and newer biologic agents to prevent or suppress active disease or flares.

There is a significant need for frequent monitoring of disease activity to guide therapeutic choices and optimize drug effectiveness. Physicians and patients are in need of improved, objective testing solutions to help with the diagnosis, prognosis and monitoring of patients with SLE and other ARDs.

Our Solution

We are committed to providing physicians with products that address the significant unmet need for accurate and timely diagnosis, prognosis and monitoring of ARDs. We market three products under our Avise brand, which facilitate the accurate and timely differential diagnosis and prognosis of certain ARDs and drug-level monitoring of one of the most widely prescribed pharmaceuticals in rheumatology. These tests are designed to seamlessly integrate with a rheumatologist's daily workflow and each of our tests are processed in our laboratory in California.

Our differentiated product offering includes:

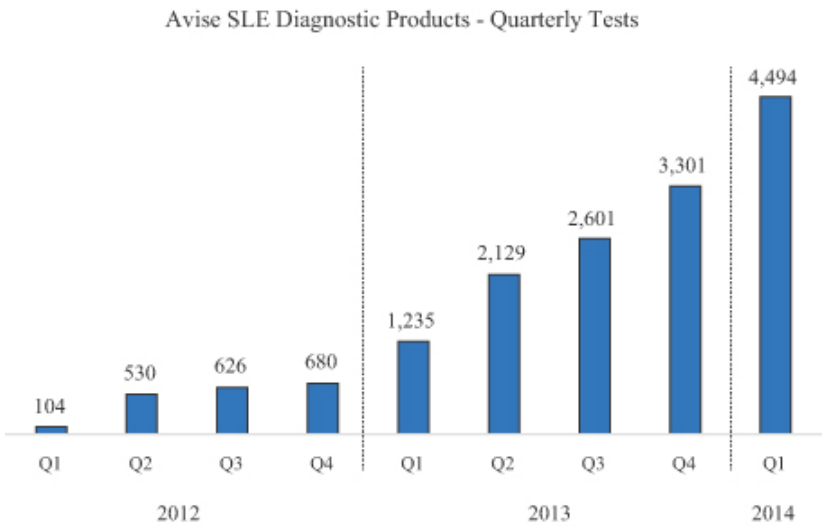
Diagnosis	Prognosis	Monitoring
Diagnostic test incorporating our proprietary CBCAPs technology to rule-in or rule-out SLE from other ARDs, offering improved accuracy compared to currently available tests	Comprehensive SLE prognostic panel to assist in determining risk for lupus nephritis, neuropsychiatric SLE or thrombotic / cardiovascular events	Test to monitor levels of methotrexate polyglutamates, or MTXPG, the active metabolites of methotrexate, a first-line therapy for RA

Avise SLE+CT

Avise SLE+CT is a proprietary diagnostic test that provides an enhanced solution for patients presenting with symptoms indicative of a wide variety of ARDs such as SLE, RA, Sjögren's, scleroderma and other disorders that mimick ARDs such as fibromyalgia. Avise SLE+CT is comprised of two distinct components: our proprietary Avise SLE 2.0 solution and other established biomarkers to diagnose ARDs.

Avise SLE is a ten-marker panel test that includes two biomarkers based on our Cell Bound Complement Activation Products, or CBCAPs, technology, which we exclusively license from the University of Pittsburgh, and a proprietary algorithm to optimize its performance. CBCAPs, measured by flow cytometry, drives the superior performance of our solution versus the existing standards of diagnosis. We added additional established autoantibodies for assisting in the diagnosis of a broader set of ARDs to our proprietary Avise SLE solution. We developed this offering to enhance the clinical utility of our test and respond to our customer's need for a more comprehensive solution to assist in differentially diagnosing ARDs.

We have demonstrated significant growth in demand for our Avise SLE diagnostic products. For example, in the quarter ended March 31, 2014, our quarterly orders for our Avise SLE diagnostic products increased 36% over the prior quarter and increased 264% over the quarter ended March 31, 2013. We believe this strong demand is a reflection of the value proposition we are providing to our physician customers and represents the market need for an enhanced solution to differentially diagnose ARDs.



We validated Avise SLE 2.0 in a multi-center clinical study involving 794 subjects comprised of 304 SLE patients, 285 patients with other ARDs and fibromyalgia, and 205 normal healthy subjects from two cohorts. The study was conducted in collaboration with leading academic centers with expertise in SLE and other ARDs including Albert Einstein College of Medicine, Northwestern University, North Shore-LIJ Health System and NYU College of Medicine, among others, and the preliminary results were presented at the ACR annual conference in 2013. The primary endpoint of the study was the performance characteristics, specifically sensitivity and specificity, of Avise SLE 2.0 compared to common autoantibodies used to diagnose SLE and other ARDs, such as antinuclear antibodies, or ANA, and anti-double stranded DNA, or anti-dsDNA. The final results of this study showed that Avise SLE 2.0:

- demonstrated balanced performance consisting of 86% specificity and 80% sensitivity in distinguishing SLE from other ARDs and fibromyalgia;
- was 33% more specific than ANA; and
- was 48% more sensitive than anti-dsDNA.

Avise SLE Prognostic

Avise SLE Prognostic, which we launched in June 2014, is a blood test that complements Avise SLE+CT by providing results that inform the prognosis of SLE patients and provide physicians with more information to tailor treatment for their patients. This test is a ten-marker panel of autoantibodies that have established predictive value for assessing the potential for complications affecting the brain, cardiovascular system and kidneys. When physicians are ordering Avise SLE+CT, they can also request that we perform our Avise SLE Prognostic test if the initial Avise SLE+CT result suggests that the patient has SLE. This provides additional convenience for ordering physicians and their patient.

Avise MTX

Avise MTX is the first therapeutic drug monitoring test to precisely measure levels of MTXPG, the active form of methotrexate, or MTX, in the patient's blood. MTX is a first-line therapy for RA, and Avise MTX can allow physicians to personalize therapy by targeting the appropriate dose to individual patients. There is large variability in the way patients absorb and metabolize MTX, and several studies have shown that low levels of MTXPG in the blood correlate with a lack of response to MTX therapy. Avise MTX provides crucial information as to whether a patient has achieved MTXPG blood levels consistent with an appropriate response to MTX or if the MTXPG levels are too low to produce adequate effects. The physician can then adjust MTX dosing as necessary to maximize the benefit of MTX therapy.

Our Pipeline

We are focused on delivering meaningful solutions to aid rheumatologists and other physicians in the diagnosis of patients with ARDs and providing physicians with additional tools to determine the most appropriate therapy over time to improve patient care. Our near-term pipeline is highlighted below:

Test	Description	Category	Status	Estimated Launch
AVISE HCQ	Measures Hydroxychloroquine (HCQ) drug level	Drug Monitoring	Validation	2H 2014
AVISE Anti-TNF	Measures anti-TNF active drug level and drug neutralizing antibody activity levels	Drug Monitoring	Validation	1H 2015
AVISE SLE Monitoring	Measures SLE disease activity	Disease Monitoring	Validation	1H 2016
AVISE RA	Determines potential risk for bone damage or joint erosion/diagnosis of RA	Prognostic/ Diagnostic	Validation	2016

Our Strategy

Our goal is to establish ourselves as the preeminent provider of testing solutions to rheumatologists by offering a comprehensive set of tools to effectively diagnose and optimize the treatment of patients with ARDs. To achieve this objective, we intend to:

- *Accelerate the adoption of our existing products*. We plan to expand the use of our Avise product suite by adding new physicians to our customer base as well as increasing utilization among our existing customers.
- *Further demonstrate the clinical utility of our products to drive adoption and support reimbursement*. We are conducting additional clinical studies to drive the adoption and reimbursement of our Avise product suite and plan to continue to publish results in peer-reviewed medical journals.
- *Expand our portfolio of high value testing solutions.* We are continuing to develop additional products to address the significant challenges in the diagnosis, prognosis and monitoring of patients with ARDs, and we plan to launch four new products by the end of 2016.
- *Establish ourselves as the trusted partner to the rheumatologist*. Our reputation with our physician customers is built on their confidence in the quality of our testing solutions, the timely delivery of our test reports and the value of our consultative support.
- *Engage in partnerships to access additional market opportunities*. We believe there is meaningful potential for our current and future products beyond the rheumatology specialty, particularly for those physician groups that see patients earlier in the diagnostic process, and we intend to selectively seek complementary partnerships to address these broader markets.

Risks Related to Our Business

Our ability to execute our business strategy is subject to numerous risks, as more fully described in the section entitled “Risk Factors” immediately following this prospectus summary. These risks include, among others:

- We are at an early stage of commercialization with a history of losses, including an accumulated deficit of $77.9 million as of March 31, 2014, and we expect to incur net losses in the future and may never achieve or sustain profitability.
- Our financial results depend solely on sales of our Avise products, and we will need to generate sufficient revenue from these products and other diagnostic, prognostic and monitoring solutions to grow our business.
- We may be unable to manage our future growth effectively, which could make it difficult to execute our business strategy.
- Our commercial success depends upon attaining significant market acceptance of our products among physicians, patients, and third-party payers.
- We rely on sole suppliers for some of the reagents, equipment and other materials used in our Avise products, and we may not be able to find replacements or transition to alternative suppliers.
- If we are unable to support demand for our Avise products or any of our future products or solutions, our business could suffer.
- If third-party payers do not provide coverage and adequate reimbursement, breach, rescind or modify their contracts or reimbursement policies or delay payments for our tests, or if we are unable to successfully negotiate payer contracts, our commercial success could be compromised.

- We conduct business in a heavily regulated industry, and any changes in regulations or the U.S. Food and Drug Administration's enforcement discretion with respect to laboratory developed tests, or any other healthcare policy changes, or violations of healthcare laws and regulations by us that could result in substantial penalties, could adversely affect our business, prospects, results of operations or financial condition.
- Developing new products involves a lengthy and complex process, and we may not be able to commercialize on a timely basis, or at all, other products we are developing.
- If we are unable to maintain intellectual property protection, our competitive position could be harmed.

Corporate Information

We were incorporated under the laws of the state of New Mexico in 2002, under the name Exagen Corporation. In 2003, we changed our state of incorporation from New Mexico to Delaware by merging with and into Exagen Diagnostics, Inc., pursuant to which we changed our name to Exagen Diagnostics, Inc. Our principal executive offices are located at 1261 Liberty Way, Suite C, Vista, California 92081, and our telephone number is (760) 560-1501. Our website address is www.exagen.com. The information contained in, or accessible through, our website does not constitute part of this prospectus.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act, or JOBS Act, enacted in April 2012. An emerging growth company may take advantage of reduced reporting requirements that are otherwise applicable to public companies. These provisions include, but are not limited to:

- being permitted to present only two years of audited financial statements and only two years of related Management's Discussion & Analysis of Financial Condition and Results of Operations in this prospectus;
- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the Securities Act, which such fifth anniversary will occur in 2019. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer," our annual gross revenues exceed $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

We have elected to take advantage of certain of the reduced disclosure obligations in the registration statement of which this prospectus is a part and may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests.

The Offering

Common stock offered by us	shares
Common stock to be outstanding after this offering	shares
Over-allotment option	The underwriters have an option for a period of 30 days to purchase up to additional shares of our common stock to cover over-allotments.
Use of proceeds	We estimate that the net proceeds from this offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $ million, or approximately $ million if the underwriters exercise their over-allotment option to purchase additional shares from us in full, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus. We intend to use the net proceeds of this offering for working capital and general corporate purposes, including sales and marketing activities, research and development and capital expenditures. See "Use of Proceeds" for a more complete description of the intended use of proceeds from this offering.
Risk Factors	You should read the "Risk Factors" section of this prospectus and the other information in this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
Proposed NASDAQ Global Market Symbol	EXDX

The number of shares of our common stock to be outstanding after this offering set forth above includes:

- 102,273,461 shares of common stock outstanding as of March 31, 2014, after giving effect to the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2014 into 92,330,247 shares of our common stock;
- the issuance of shares of our common stock in connection with the completion of this offering as a result of the automatic conversion of the $4.0 million in aggregate principal amount of convertible promissory notes we issued in July 2014, or the 2014 Notes (including accrued interest thereon), assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and assuming the conversion occurs on , 2014 (the expected closing date of this offering); and
- the issuance of shares of common stock as a result of the expected net exercise of outstanding warrants, or the 2013 Warrants, in connection with the completion of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, which 2013 Warrants will terminate if not exercised prior to the completion of this offering.

The number of shares of our common stock to be outstanding after this offering set forth above excludes:

- 8,810,016 shares of common stock issuable upon exercise of stock options outstanding as of March 31, 2014, at a weighted average exercise price of $0.16 per share;
- shares of common stock issuable upon the exercise of outstanding warrants as of March 31, 2014, at a weighted average exercise price of $ per share, which warrants will terminate upon the completion of this offering if not previously exercised;
- shares of our common stock reserved for future issuance under our 2014 incentive award plan, or the 2014 plan, which will become effective on the business day prior to the public trading date of our common stock (including 1,360,000 shares of common stock reserved for future grant or issuance under our 2013 stock option plan as of March 31, 2014, which shares will be added to the shares reserved under the 2014 plan upon its effectiveness); and
- shares of common stock reserved for future issuance under our 2014 employee stock purchase plan, or ESPP, which will become effective on the business day prior to the public trading date of our common stock.

Unless otherwise indicated, this prospectus reflects and assumes the following:

- the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws, which will occur immediately prior to the completion of this offering;
- the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2014 into 92,330,247 shares of our common stock immediately prior to the completion of this offering and the resultant reclassification of our redeemable convertible preferred stock warrant liability to stockholders' deficit in connection with such conversion;
- a one-for- reverse stock split of our common stock to be effected before the completion of this offering;
- no exercise of the outstanding options and warrants described above, other than the 2013 Warrants; and
- no exercise by the underwriters of their option to purchase additional shares of our common stock to cover over-allotments.

Summary Consolidated Financial Data

The following tables set forth a summary of our consolidated historical financial data as of, and for the periods ended on, the dates indicated. We have derived the consolidated statements of operations data for the years ended December 31, 2012 and 2013 from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations data for the three months ended March 31, 2013 and 2014 and the consolidated balance sheet data as of March 31, 2014 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus and have been prepared on the same basis as the audited consolidated financial statements. In the opinion of our management, the unaudited data reflects all adjustments, consisting of normal and recurring adjustments, necessary for the fair statement of results as of and for these periods. You should read this data together with our audited consolidated financial statements and related notes included elsewhere in this prospectus and the sections in this prospectus entitled "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our historical results for any prior period are not indicative of our future results.

	Years Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
	(in thousands, except share and per share data)			
Consolidated Statements of Operations Data:				
Revenue	$ 926	$ 3,055	$ 363	$ 1,396
Operating expenses:				
Cost of revenue (excluding amortization of purchased technology)	1,974	2,830	517	1,191
Selling, general and administrative expenses	5,149	6,993	1,470	3,018
Research and development expenses	1,055	897	231	241
Amortization of intangible assets	214	214	54	54
Change in fair value of acquisition-related liabilities	(640)	1,265	310	89
Total operating expenses	7,752	12,199	2,582	4,593
Loss from operations	(6,826)	(9,144)	(2,219)	(3,197)
Interest expense	(463)	(941)	(56)	(458)
Loss on extinguishment of 2013 Notes	—	(3,286)	—	—
Other income (expense), net	7	(83)	—	96
Loss before income taxes	(7,282)	(13,454)	(2,275)	(3,559)
Income tax expense	42	42	10	10
Net loss and comprehensive loss	$ (7,324)	$ (13,496)	$ (2,285)	$ (3,569)
Net income (loss) attributable to common stockholders(1)	$ 370	$ (15,807)	$ (2,853)	$ (3,986)
Net income (loss) per share attributable to common stockholders—basic and diluted(1)	$ 0.06	$ (1.60)	$ (0.29)	$ (0.40)
Weighted average shares used to compute net income (loss) per share attributable to common stockholders—basic and diluted(1)	6,501,734	9,856,777	9,775,058	9,943,214
Pro forma net income (loss) per share attributable to common stockholders—basic and diluted (unaudited)(1)		$		$
Weighted average shares used to compute pro forma net loss per share attributable to common stockholders—basic and diluted (unaudited)(1)				

(1) See Note 3 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate the historical net income (loss) and the historical and pro forma net income (loss) per share attributable to common stockholders, basic and diluted, and the number of shares used in the computation of these per share amounts.

	As of March 31, 2014		
	Actual	Pro Forma (1)	Pro Forma As Adjusted (1)(2)
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 9,487		
Working capital (deficit)(3)	(5,983)		
Total assets	18,019		
Redeemable convertible preferred stock warrant liability	1,002		
Borrowings	13,964		
Capital lease obligations, long term	481		
Redeemable convertible preferred stock	20,837		
Total stockholders' deficit	(23,929)		

(1) Gives effect to:

- the automatic conversion of all of our outstanding shares of redeemable convertible preferred stock as of March 31, 2014 into an aggregate of 92,330,247 shares of common stock and the resultant reclassification of our redeemable convertible preferred stock warrant liability to stockholders' equity in connection with such conversion;
- the issuance of $4.0 million in aggregate principal amount of 2014 Notes in July 2014 and the automatic conversion of the 2014 Notes (including accrued interest thereon) into shares of our common stock in connection with the completion of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and assuming the conversion occurs on , 2014 (the expected closing date of this offering); and
- the issuance of shares of common stock as a result of the expected net exercise of the 2013 Warrants in connection with the completion of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, which 2013 Warrants will terminate if not exercised prior to the completion of this offering.

(2) Gives further effect to the issuance and sale of shares of common stock in this offering at the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the pro forma as adjusted amount of each of cash and cash equivalents, working capital (deficit), total assets and total stockholders' deficit by approximately $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of shares offered by us at the assumed initial public offering price would increase (decrease) each of cash and cash equivalents, working capital (deficit), total assets and total stockholders' deficit by approximately $. The pro forma information discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of our initial public offering determined at pricing.

(3) Working capital (deficit) represents the difference between current assets and current liabilities as follows:

	Actual	Pro Forma	Pro Forma As Adjusted
		(in thousands)	
Total current assets	$ 9,709		
Total current liabilities	15,692		
Working capital (deficit)	$ (5,983)		

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this prospectus, including our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision. If any of the following risks is realized, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the trading price of our common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business

We are at an early stage of commercialization with a history of losses, and we expect to incur net losses in the future and may never achieve or sustain profitability.

We have incurred net losses since our inception. For the years ended December 31, 2012 and 2013, we had a net loss of $7.3 million and $13.5 million, respectively, and we expect to incur additional losses this year and in future years. As of December 31, 2013 and March 31, 2014, we had an accumulated deficit of $74.3 million and $77.9 million, respectively. Over the next several years, we expect to continue to devote substantially all of our resources to increase adoption of, and reimbursement for, our Avise products and to develop future diagnostic, prognostic and monitoring solutions. To date, we have generated only limited revenue, and we may never achieve or sustain profitability. Our failure to achieve and sustain profitability in the future could cause the market price of our common stock to decline.

Our financial results depend solely on sales of our Avise products, and we will need to generate sufficient revenue from these products and other diagnostic, prognostic and monitoring solutions to grow our business.

The majority of our historical revenue has been derived from the sale of our Avise SLE products, the first of which we commercially launched in January 2012. For the foreseeable future, we expect to derive a majority of our revenue from sales of our existing Avise SLE products. We are in various stages of research and development for other diagnostic, prognostic and monitoring solutions that we may offer, but there can be no assurance that we will be able to commercialize these solutions.

The demand for our Avise products may decrease or may not continue to increase at historical rates for a number of reasons. In addition, at any point in time we may decide to no longer commercialize any of our Avise products for any number of reasons. While we have experienced early revenue growth from the sale of our Avise products, we may not be able to continue revenue growth or maintain existing revenue levels. Further, we cannot ensure the continued availability of our Avise products in commercial quantities at acceptable costs. If we are unable to increase sales of our Avise products, expand reimbursement for our Avise products, or successfully develop and commercialize other solutions, our revenue and our ability to achieve and sustain profitability would be impaired, and the market price of our common stock could decline.

We may experience limits on our revenue if physicians decide not to order our Avise products or if we are otherwise unable to create or maintain demand for our Avise products.

If we are unable to create or maintain demand for our Avise products in sufficient volume, we may not generate sufficient revenue to become profitable. To generate increased demand, we will need to continue to educate physicians about the benefits of our Avise products through publications in peer-reviewed medical journals, presentations at medical conferences and one-on-one education by our sales force. We also plan to focus on educating patients about the benefits of our Avise products, which we believe will generate further demand. In addition, our inability to obtain and maintain coverage and adequate reimbursement from third-party payers may limit physician adoption.

Physicians may rely on guidelines issued by industry groups regarding the diagnosis, treatment and monitoring of autoimmune rheumatic diseases, or ARDs, and the monitoring of the effectiveness of therapeutic

drugs used to treat such diseases before utilizing any diagnostic test or monitoring solution. Although we have a number of company-sponsored clinical trials and clinical trials sponsored by individual physicians underway to demonstrate the clinical utility of our Avise products, our products are not yet, and may never be, listed in any such guidelines.

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

In addition to the need to scale our testing capacity, future growth will impose significant added responsibilities on management, including the need to identify, recruit, train and integrate additional employees. In addition, rapid and significant growth may strain our administrative and operational infrastructure. Our ability to manage our business and growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. The time and resources required to optimize these systems is uncertain, and failure to complete optimization in a timely and efficient manner could adversely affect our operations. If we are unable to manage our growth effectively, it may be difficult for us to execute our business strategy and our business could be harmed.

Our commercial success depends upon attaining significant market acceptance of our products among physicians, patients, and third-party payers.

Any product that we offer may not gain market acceptance among physicians, third-party payers, patients and the medical community. Market acceptance of our products depends on a number of factors, including:

- the perceived accuracy of our test results by physicians and patients;
- the potential and perceived advantages of our products over alternative products;
- the demonstration in clinical studies of the performance and clinical validity of our products, the results of which studies may not replicate the positive results from earlier studies;
- the cost of our products in relation to alternative products;
- the availability of coverage and adequate reimbursement and pricing by third parties and government authorities;
- relative convenience; and
- the effectiveness of our sales and marketing efforts.

If we had to withdraw a product from the market, it could harm our business and could impact market acceptance of our other products.

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

We rely on sole suppliers for critical supply of reagents, equipment and other materials that we use to perform the tests that comprise our Avise products. We also purchase components used in our Avise product transportation kits from sole-source suppliers. Some of these items are unique to these suppliers and vendors. While we have developed alternate sourcing strategies for many of these materials and vendors, we cannot be certain whether these strategies will be effective or the alternative sources will be available when we need them. We are not a major customer of some of our suppliers, and these suppliers may therefore give other customers' needs higher priority than ours. One of our products in development, Avise Anti-TNF, incorporates iLite technology, the only commercially available cell-based assay that measures anti-TNF levels and drug neutralizing antibodies. Biomonitor A/S is the sole source capable of providing TNF sensitive cells used in such technology. If Biomonitor is unable to meet any of our requirements for such cells, or otherwise completely

ceases producing such cells, we would be unable to develop and potentially commercialize our Avise Anti-TNF product. If our suppliers can no longer provide us with the materials we need to perform the tests that comprise our Avise products, if the materials do not meet our quality specifications, or if we cannot obtain acceptable substitute materials, an interruption in test processing could occur. In addition, if we should encounter delays or difficulties in securing the quality and quantity of equipment we require for our tests, we may need to reconfigure our test processes, which could result in an interruption in sales. Any such interruption may significantly affect our future revenue and harm our customer relations and reputation. In addition, in order to mitigate these risks, we may need to maintain inventories of these supplies at higher levels than would be the case if multiple sources of supply were available.

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

As demand for our Avise products or any of our future products or solutions grows, we will need to continue to scale our testing capacity and processing technology, expand customer service, billing and systems processes and enhance our internal quality assurance program. We will also need additional certified laboratory scientists and other scientific and technical personnel to process higher volumes of our tests. We cannot assure you that any increases in scale, related improvements and quality assurance will be successfully implemented or that appropriate personnel will be available. We will also need to purchase additional equipment, some of which can take several months or more to procure, setup and validate, and increase our software and computing capacity to meet increased demand. Failure to implement necessary procedures, transition to new processes, hire the necessary personnel, obtain any necessary additional equipment and increase software and computing capacity could result in higher costs of processing tests or inability to meet demand. There can be no assurance that we will be able to perform our testing on a timely basis at a level consistent with demand, or that our efforts to scale our operations, expand our personnel, equipment, software and computing capacities, or implement process enhancements will be successfully implemented and will not negatively affect the quality of test results. In addition, there can be no assurance that we will have adequate space in our laboratory facility to accommodate such required expansion. If we encounter difficulty meeting market demand or quality standards, our reputation could be harmed and our future prospects and our business could suffer.

If third-party payers do not provide coverage and adequate reimbursement, breach, rescind or modify their contracts or reimbursement policies or delay payments for our tests, or if we are unable to successfully negotiate payer contracts, our commercial success could be compromised.

Reimbursement by third-party payers, including governmental payers such as Medicare and Medicaid, may depend on a number of factors, including the payer’s determination that tests using our technologies are:

- not experimental or investigational;
- medically necessary;
- appropriate for the specific patient;
- cost-effective;
- supported by peer-reviewed medical journals; and
- included in clinical practice guidelines.

There is uncertainty concerning third-party payer coverage and reimbursement of any new products that we may launch. Several entities conduct technology assessments of new medical tests and devices and provide the results of their assessments for informational purposes to other parties. These assessments may be used by third-party payers and health care providers as grounds to deny coverage for a test or procedure. In addition, insurers, including managed care organizations as well as government payers such as Medicare and Medicaid, have increased their efforts to control the cost, utilization and delivery of healthcare services. These measures have resulted in reduced payment rates and decreased utilization for the diagnostics industry.

Effective April 25, 2012, the then-Medicare contractor for California, Palmetto GBA, LLC, assigned the Avise MTX assay a unique identifier and determined that our product met the applicable Medicare coverage criteria. Other payers make their own decisions as to whether to establish a policy to reimburse our tests, however, and because approvals must be sought on a payer by payer basis, establishing broad coverage is a time-consuming and costly process. There are many payers who have not yet established a coverage policy applicable to our tests. Even if we are being reimbursed for our tests, Medicare, Medicaid and private and other payers may withdraw coverage at any time, review and adjust the rate of reimbursement, require co-payments from patients or stop paying for our tests altogether, any of which would reduce our revenues. Further, from time to time payers change processes that may affect timely payment. These changes may result in uneven cash flow or impact the timing of revenue recognized with these payers.

While our tests are reimbursed by a number of governmental and private payers, we do not have contracts with any significant large private payers. If we are unable to obtain or maintain coverage and reimbursement from third-party payers for our existing tests or new tests or test enhancements we may develop in the future, our ability to generate revenues could be limited. We have in the past, and will likely in the future, experience delays and temporary interruptions in the receipt of payments from third-party payers due to changes in their internal processes, documentation requirements and other issues, which could cause our revenues to fluctuate from period to period.

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

Billing for our products is complex, time consuming and expensive. Depending on the billing arrangement and applicable law, we bill various payers, including Medicare, insurance companies and patients, all of which have different billing requirements. We generally bill third-party payers for our products and pursue reimbursement on a case-by-case basis where pricing contracts are not in place. We may also face increased risk in our collection efforts, including long collection cycles, which could adversely affect our business, results of operations and financial condition.

Several factors make the billing process complex, including:

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

These billing complexities, and the related uncertainty in obtaining payment for our products could negatively affect our revenue and cash flow, our ability to achieve profitability, and the consistency and comparability of our results of operations.

We rely on a third party for substantially all of our billing and collection processing, and any delay in transmitting and collecting claims could have an adverse effect on our revenue.

We rely on a third-party provider to process and collect our claims. We have previously experienced delays in claims processing when our third-party provider made changes to its invoicing system, and again when it did not submit claims to payers within the timeframe we require. If claims for our products are not submitted to payers on a timely basis, or if we are required to switch to a different provider to handle claim processing it could have an adverse effect on our revenue and our business.

We conduct business in a heavily regulated industry, and any changes in regulations or the U.S. Food and Drug Administration's, or FDA's, enforcement discretion, or violations of regulations by us, could adversely affect our business, prospects, results of operations or financial condition.

The diagnostics industry is highly regulated, and we cannot assure you that the regulatory environment in which we operate will not change significantly and adversely in the future. In particular, the laws and regulations governing the marketing of diagnostic products are extremely complex and in many instances there are no significant regulatory or judicial interpretations of these laws and regulations. The Federal Food, Drug and Cosmetic Act, or FDCA, defines a medical device to include any instrument, apparatus, implement, machine, contrivance, implant, in vitro reagent, or other similar or related article, including a component, part, or accessory, intended for use in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment, or prevention of disease, in man or other animals. Our in vitro diagnostic products are considered by the FDA to be subject to regulation as medical devices. Among other things, pursuant to the FDCA and its implementing regulations, the FDA regulates the research, testing, manufacturing, safety, labeling, storage, recordkeeping, premarket clearance or approval, marketing and promotion, and sales and distribution of medical devices in the United States to ensure that medical products distributed domestically are safe and effective for their intended uses. In addition, the FDA regulates the import and export of medical devices manufactured between the United States and international markets.

Although the FDA has statutory authority to assure that medical devices are safe and effective for their intended uses, the FDA has generally exercised its enforcement discretion and not enforced applicable regulations with respect to in vitro diagnostics that are developed, validated, and offered within a single laboratory for use only in that laboratory. These tests are referred to as laboratory developed tests, or LDTs. We currently market our diagnostic products as LDTs, although one of the products we market under a license from Orgentec Diagnostika GmbH, or Orgentec, is subject to a 510(k) clearance held by Orgentec and is subject to the FDA's regulations applicable to 510(k)-cleared devices. While we believe that we are currently in material compliance with applicable laws and regulations as historically enforced by the FDA, we cannot assure you that the FDA will agree with our determination, and a determination that we have violated these laws and regulations, or a public announcement that we are being investigated for possible violations, could adversely affect our business, prospects, results of operations or financial condition.

Under the Food and Drug Administration Safety and Innovation Act of 2012, the FDA is prohibited from issuing guidance on the regulation of LDTs unless it provides Congress with details of the proposed action at least 60 days in advance. The FDA provided such notification to Congress on July 31, 2014, and proposed to modify its enforcement discretion on LDTs in a risk-based manner, to start with the publication of a draft Framework Guidance, that when finalized, may subject us to medical device regulations of registration and listing, premarket clearance or approval, and adverse event reporting. Any new FDA enforcement policies affecting LDTs may result in increased regulatory burdens on our ability to continue marketing our products and to develop and introduce new products in the future.

If the FDA begins to actively regulate our diagnostic tests, we may be required to obtain premarket clearance under Section 510(k) of the FDCA or a premarket approval, or PMA. The process for submitting a 510(k) premarket notification and receiving FDA clearance usually takes from three to twelve months, but it can take significantly longer and clearance is never guaranteed. The process for submitting and obtaining FDA approval of a PMA is much more costly, lengthy and uncertain. It generally takes from one to three years or even longer, and approval is not guaranteed. PMA approval typically requires extensive clinical data and can be significantly longer, more expensive and more uncertain than the 510(k) clearance process. Despite the time, effort and expense expended, there can be no assurance that a particular device ultimately will be cleared or approved by the FDA through either the 510(k) clearance process or the PMA process on a timely basis, or at all. Moreover, there can be no assurance that any cleared or approved labeling claims will be consistent with our current claims or adequate to support continued adoption of and reimbursement for our products. If premarket review is required for some or all of our products, the FDA may require that we stop selling our products pending

clearance or approval, which would negatively impact our business. Even if our products are allowed to remain on the market prior to clearance or approval, demand or reimbursement for our products may decline if there is uncertainty about our products, if we are required to label our products as investigational by the FDA, or if the FDA limits the labeling claims we are permitted to make for our products. As a result, we could experience significantly increased development costs and a delay in generating additional revenue from our Avise products, or from other products now in development.

If the FDA imposes significant changes to the regulation of LDTs it could reduce our revenues or increase our costs and adversely affect our business, prospects, results of operations or financial condition.

Our experience in marketing and selling our products is in the early stages, and if we are unable to expand our direct sales and marketing force to adequately address our customers' needs, our business may be adversely affected.

We sell our Avise products through our own sales force. However, we have limited experience in marketing and selling our Avise products, the first of which was commercially launched in January 2012 with a nine-person sales force. Starting in the fourth quarter of 2013, we expanded our sales team to approximately 30 sales professionals. We may not be able to market and sell our Avise products or other products or solutions we may develop effectively enough to support our planned growth.

Our future sales will depend in large part on our ability to maintain and substantially expand our sales force and to increase the scope of our marketing efforts. Rheumatology is a concentrated specialty, and as such, we believe it is necessary to maintain a sales force that includes sales representatives with specific technical backgrounds. We will also need to attract and develop marketing personnel with industry expertise. Competition for such employees is intense. We may not be able to attract and retain personnel or be able to maintain an efficient and effective sales and marketing force, which could negatively impact sales and marketing acceptance of our products and limit our revenue growth and potential profitability.

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

Our principal competition for our Avise products comes from traditional methods used by physicians to test patients with rheumatic disease-like symptoms. Such traditional methods include testing for a broad range of diagnostic, immunology and chemistry markers, such as anti-nuclear antibodies, or ANA and anti-double-stranded DNA, or anti-dsDNA, and serum complement, such as C3 and C4. We also face competition from commercial laboratories, such as Laboratory Corporation of America Holdings, Quest Diagnostics Incorporated, ARUP Laboratories, Inc. and Mayo Clinic, all of which have strong infrastructures to support the commercialization of diagnostic services. Large, multispecialty group medical clinics, health systems and academic medical university-based clinics may provide in-house clinical laboratories offering autoimmune rheumatic testing services. Additionally, we compete against regional clinical laboratories providing testing in the autoimmune rheumatic field, such as Rheumatology Diagnostics Laboratories, Inc. Other potential competitors include companies that might develop diagnostic or disease or drug monitoring products, such as Myriad Genetics, Inc. In the future, we may also face competition from companies developing new products or technologies.

To compete successfully we must be able to demonstrate, among other things, that our diagnostic, prognostic and monitoring test results are accurate and cost effective.

Many of our potential competitors have widespread brand recognition and substantially greater financial, technical and research and development resources and selling and marketing capabilities than we do. Others may develop products with prices lower than ours that could be viewed by physicians and payers as functionally equivalent to our solution, or offer solutions at prices designed to promote market penetration, which could force

us to lower the list price of our products and affect our ability to achieve profitability. If we are unable to change clinical practice in a meaningful way or compete successfully against current and future competitors, we may be unable to increase market acceptance and sales of our products, which could prevent us from increasing our revenue or achieving profitability and could cause the market price of our common stock to decline.

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

We are devoting considerable resources to the research and development of our planned future Avise products and enhancements to our current Avise products. We may not be able to develop products with the diagnostic or monitoring performance or accuracy necessary to be clinically useful and commercially successful. We are in the process of developing four additional disease and therapeutic drug monitoring products for rheumatic diseases, which we plan to launch by the end of 2016. These products may not be fully developed and introduced on our expected time line, if at all. Also, there are certain products for which a commercial launch would trigger additional payment obligations to licensors of the technology. In these cases, if the economic projections of the product do not outweigh the additional obligations, we may not launch these products. In order to develop and commercialize diagnostic, prognostic and monitoring products, we need to:

- expend significant funds to conduct substantial research and development;
- conduct successful validation studies;
- develop and scale our laboratory processes to accommodate different tests;
- achieve and maintain required regulatory certifications;
- develop and scale our infrastructure to be able to analyze increasingly large amounts of data; and
- build the commercial infrastructure to market and sell new products.

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

- failure to identify additional biomarkers to incorporate into our diagnostic products;
- failure or sub-optimal performance of the product at the research or development stage;
- difficulty in accessing archival patient blood specimens, especially specimens with known clinical results; or
- failure of clinical validation studies to support the effectiveness of the test.

Typically, few research and development projects result in commercial products, and success in early clinical studies often is not replicated in later studies. At any point, we may abandon development of a product candidate or we may be required to expend considerable resources repeating clinical studies, which would adversely affect the timing for generating potential revenue from a new product and our ability to invest in other products in our pipeline. In addition, as we develop products, we will have to make significant investments in product development, marketing and selling resources. If a clinical validation study fails to demonstrate the prospectively defined endpoints of the study, we might choose to abandon the development of the product or product feature that was the subject of the clinical study, which could harm our business. Additionally, competitors may develop and commercialize competing products or technologies faster than us or at a lower cost.

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

As part of our business strategy, we may pursue acquisitions of complementary businesses or assets, as well as technology licensing arrangements. We also may pursue strategic alliances that leverage our core technology

and industry experience to expand our offerings or distribution, or make investments in other companies. To date, other than our acquisition of the medical diagnostics division of Cypress Biosciences, Inc., we have not acquired other companies and have limited experience with respect to the formation of strategic alliances and joint ventures. If we make any acquisitions, we may not be able to integrate these acquisitions successfully into our existing business, and we could assume unknown or contingent liabilities. Any future acquisitions by us also could result in significant write-offs or the incurrence of debt and contingent liabilities, any of which could harm our operating results. Integration of an acquired company or business also may require management resources that otherwise would be available for ongoing development of our existing business. We may not identify or complete these transactions in a timely manner, on a cost-effective basis, or at all, and we may not realize the anticipated benefits of any acquisition, technology license, strategic alliance, joint venture or investment.

To finance any acquisitions or investments, we may choose to issue shares of our stock as consideration, which would dilute the ownership of our stockholders. Once we become a public company, if the price of our common stock is low or volatile, we may not be able to acquire other companies for stock. Alternatively, it may be necessary for us to raise additional funds for these activities through public or private financings or through the issuance of debt. Additional funds may not be available on terms that are favorable to us, or at all, and any debt financing may involve covenants limiting or restricting our ability to take certain actions.

The diagnostics industry is subject to rapidly changing technology, which could make our Avise products, and other products we develop, obsolete.

Our industry is characterized by rapid technological changes, frequent new product introductions and enhancements and evolving industry standards. These advances require us to continuously develop our technology and work to develop new solutions to keep pace with evolving standards of care. Our products could become obsolete unless we continually innovate and expand our product offerings to include new clinical applications. If we are unable to develop new products or to demonstrate the applicability of our products for other diseases, our sales could decline and our competitive position could be harmed.

Our failure to maintain significant relationships or build new relationships with key opinion leaders could materially adversely impact our business and prospects.

We have developed significant relationships with key opinion leaders who are focused on rheumatology. Our failure to provide quality and timely services to such persons and their patients could impair our relationship, which could result in a loss of existing and future physician customers and therefore materially adversely impact our business and prospects.

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

The marketing, sale and use of our Avise products could lead to liability claims if someone were to allege that any such product failed to perform as it was designed. We may also be subject to liability for errors in the results we provide to physicians or for a misunderstanding of, or inappropriate reliance upon, the information we provide. We may also be subject to similar types of claims related to products we may develop in the future. An errors and omissions or professional liability claim could result in substantial damages and be costly and time consuming for us to defend. Although we maintain professional liability insurance, we cannot assure you that our insurance would fully protect us from the financial impact of defending against these types of claims or any judgments, fines or settlement costs arising out of any such claims. Any errors or omissions or professional liability claim brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage in the future. Additionally, any product liability lawsuit could cause injury to our reputation or cause us to suspend sales of our products and solutions. The occurrence of any of these events could have an adverse effect on our business and results of operations.

The loss of members of our senior management team or our inability to attract and retain highly skilled scientists, technicians and salespeople could adversely affect our business.

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

In addition, our research and development programs and commercial laboratory operations depend on our ability to attract and retain highly skilled scientists, including licensed clinical laboratory scientists and biostatisticians. We may not be able to attract or retain qualified scientists and technicians in the future due to the intense competition for qualified personnel among life science businesses, particularly in Southern California. Because it is expected that there will be a shortage of clinical laboratory scientists in coming years, it may become more difficult to hire sufficient numbers of qualified personnel. We also face competition from universities and public and private research institutions in recruiting and retaining highly qualified scientific personnel. Additionally, our success depends on our ability to attract and retain qualified salespeople. We may have difficulties locating, recruiting or retaining qualified salespeople, which could cause a delay or decline in the rate of adoption of our products. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience constraints that could adversely affect our ability to support our research and development, clinical laboratory and sales efforts. All of our employees are at-will, which means that either we or the employee may terminate their employment at any time. We do not carry key man insurance for any of our employees.

If our sole laboratory facility becomes damaged or inoperable, we are required to vacate our existing facility or we are unable to expand our existing facility as needed, we will be unable to perform our testing services and our business will be harmed.

We currently derive all of our revenue from tests conducted at a single laboratory facility located in Vista, California. Vista is situated on or near earthquake fault lines. Our facility and equipment could be harmed or rendered inoperable by natural or man-made disasters, including earthquake, fire, flood, power loss, communications failure or terrorism. In particular, we store all of our flow cytometers, the instrument we use to detect CBCAPs on cells, at our Vista facility. If all of our flow cytometers were rendered inoperable simultaneously pursuant to a natural or man-made disaster, we would be unable to perform these key tests as we do in the ordinary course of our business. The inability to perform our tests or to reduce the backlog of analyses that could develop if our facility is inoperable, for even a short period of time, may result in the loss of customers or harm to our reputation, and we may be unable to regain those customers or repair our reputation in the future. Additionally, we store our bio-repository of specimens, which were collected in collaboration with leading academic institutions and help us to further validate our Avise products, at our Vista facility. If these specimens were destroyed pursuant to a natural or man-made disaster or otherwise become unavailable, our ability to develop new products may be delayed. Furthermore, our facility and the equipment we use to perform our research and development work could be unavailable or costly and time-consuming to repair or replace. It would be difficult, time-consuming and expensive to rebuild our facility or license or transfer our proprietary technology to a third-party, particularly in light of the licensure and accreditation requirements for a commercial laboratory like ours. Even in the unlikely event we are able to find a third party with such qualifications to enable us to conduct our tests, we may be unable to negotiate commercially reasonable terms.

In order to rely on a third party to perform our tests, we would need to engage another facility with established state licensure and Clinical Laboratory Improvement Amendments of 1988, or CLIA, accreditation under the scope of which tests could be performed following validation and other required procedures. We cannot assure you that we would be able to find another CLIA-certified facility willing to comply with the

required procedures, that any such facility would be willing to perform our tests for us on commercially reasonable terms, or that it would be able to meet our quality standards.

In order to establish an additional clinical reference laboratory facility, we would have to spend considerable time and money securing adequate space, constructing the facility, recruiting and training employees, and establishing the additional operational and administrative infrastructure necessary to support a second facility. We may not be able, or it may take considerable time, to replicate our testing processes or results in a new facility. Additionally, any new clinical reference laboratory facility opened by us would be subject to certification under CLIA and licensing by several states, including California and New York, which could take a significant amount of time and result in delays in our ability to begin operations.

We expanded our laboratory into available space immediately next to our existing laboratory in July 2014. With this expansion, we believe we have the capacity to meet our projected needs for at least the next 12 months, although we may grow at a rate that is faster than we expect. Beyond this time frame, we may need to further expand our laboratory space. Any future expansion could disrupt laboratory operations, resulting in an inability to meet customer turnaround time expectations, and could be delayed, resulting in slower realization of laboratory efficiencies anticipated from the use of the expanded facilities. Adverse consequences resulting from a delay in the laboratory expansion could harm our relationships with our customers and our reputation, and could affect our ability to generate revenue.

We carry insurance for damage to our property and the disruption of our business, but this insurance may not cover all of the risks associated with damage or disruption to our business, provide coverage in amounts sufficient to cover our potential losses or continue to be available to us on acceptable terms, if at all.

Our testing process involves the use of sophisticated state-of-the-art equipment that requires precise calibration, and issues affecting such equipment may delay delivery of the test results to physicians or otherwise adversely affect our operations.

As part of our process of determining CBCAPs, which is part of our Avise SLE products, we utilize a number of flow cytometers that require calibration and performance validation according to the requirements of the College of American Pathologists, or CAP, at specified time intervals. While we believe we have implemented appropriate controls and metrics in our laboratory to meet such requirements, we cannot provide any assurance that our instruments will not fall out of specification, in which case we would be required to re-calibrate them. Patient specimens degrade and become unusable generally within 48 hours of collection. Therefore, if we do not have other sufficient properly functioning flow cytometers due to failure to meet specifications or they otherwise become inoperable, our ability to process patient specimens in the required timeframe would be compromised and our business could be harmed.

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

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

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

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

Failure in our information technology, telephone or other systems could significantly disrupt our operations and adversely affect our business and financial condition.

Information technology and telephone systems are used extensively in virtually all aspects of our business, including laboratory testing, sales, billing, customer service, logistics and management of medical data. The success of our business depends on the ability to obtain, process, analyze, maintain and manage this data. Our management relies on our information systems because:

- patient specimens must be received, tracked and processed on a timely basis;
- test results must be reported on a timely basis;
- billings and collections for all customers must be managed efficiently and accurately;
- third party ancillary billing services require proper tracking and reporting;
- pricing and other information related to our services is needed by our sales force and other personnel in a timely manner to conduct business;
- patient-identifiable health information must be securely held and kept confidential;
- regulatory compliance requires proper tracking and reporting; and
- proper recordkeeping is required for operating our business, managing employee compensation and other personnel matters.

Our business, results of operations and financial condition may be adversely affected if, among other things:

- our information technology, telephone or other systems fail or are interrupted for any extended length of time;
- services relating to our information technology, telephone or other systems are not kept current;
- our information technology, telephone or other systems do not have the capacity to support expanded operations and increased levels of business;
- data is lost or unable to be restored or processed; or
- data is corrupted due to a breach of security.

Despite the precautionary measures we have taken to prevent breakdowns in our information technology, telephone and other systems, sustained or repeated system failures that interrupt our ability to process test orders, deliver test results or perform testing in a timely manner or that cause us to inadvertently disclose or lose patient information could adversely affect our business, results of operations and financial condition.

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

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

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

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

Performance issues, service interruptions or price increases by our shipping carrier could adversely affect our business, results of operations and financial condition, and harm our reputation and ability to provide our specialized diagnostic services on a timely basis.

Expedited, reliable shipping is essential to our operations. We rely almost exclusively on a single carrier, Federal Express Corporation, for reliable and secure point-to-point transport of patient specimens to our laboratory and enhanced tracking of these patient specimens. Should Federal Express, or any other carrier we may use in the future, encounter delivery performance issues such as loss, damage or destruction of a specimen, it may be difficult to replace our patient specimens in a timely manner and such occurrences may damage our reputation and lead to decreased utilization from physicians for our specialized diagnostic services and increased cost and expense to our business. In addition, any significant increase in shipping time could adversely affect our ability to receive and process patient specimens on a timely basis.

If we or Federal Express were to terminate our relationship, we would be required to find another party to provide expedited, reliable point-to-point transport of our patient specimens. There are only a few other providers of such nationwide transport services, and there can be no assurance that we will be able to enter into arrangements with such other providers on acceptable terms, if at all. Finding a new provider of transport

services would be time-consuming and costly and result in delays in our ability to provide our specialized diagnostic services. Even if we were to enter into an arrangement with any such provider, there can be no assurance that they will provide the same level of quality in transport services currently provided to us by Federal Express. If any new provider does not provide, or if Federal Express does not continue to provide, the required quality and reliability of transport services at the same or similar costs, it could adversely affect our business, reputation, results of operations and financial condition.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be further limited.

Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change" (generally defined as a greater than 50% change (by value) in its equity ownership over a three year period), the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. Our ability to use a portion of our net operating loss carryforwards is subject to limitation under Section 382 as a result of a prior ownership change. If we undergo an ownership change in connection with this offering, or as a result of subsequent shifts in our stock ownership, our ability to utilize our net operating loss carryforwards and other pre-change tax attributes could be further limited by Section 382 and as a result, if we earn net taxable income, our ability to use such pre-change net operating loss carryforwards and other pre-change tax attributes to offset U.S. federal taxable income may be limited.

Our term loan contains restrictions that limit our flexibility in operating our business, and if we fail to comply with the covenants and other obligations under our loan agreement, the lenders may be able to accelerate amounts owed under the facility and may foreclose upon the assets securing our obligations.

In October 2013, we entered into a term loan agreement, or the loan agreement, with Capital Royalty Partners II L.P., Capital Royalty Partners II—Parallel Fund "A" L.P. and Parallel Investment Opportunities Partners II L.P., which we refer to collectively as Capital Royalty. The loan agreement is collateralized by substantially all of our personal property, including our intellectual property. The loan agreement also subjects us to certain affirmative and negative covenants, including limitations on our ability to transfer or dispose of assets, merge with or acquire other companies, make investments, pay dividends, incur additional indebtedness and liens and conduct transactions with affiliates. We are also subject to certain covenants that require us to maintain a minimum liquidity of at least $2.0 million and achieve certain minimum amounts of annual revenue, and are required under certain conditions to make mandatory prepayments of outstanding principal. As a result of these covenants, we have certain limitations on the manner in which we can conduct our business, and we may be restricted from engaging in favorable business activities or financing future operations or capital needs until our current debt obligations are paid in full or we obtain the consent of Capital Royalty, which we may not be able to obtain. As of March 31, 2014, there was $15.0 million in principal outstanding under the term loan. We are required to repay any outstanding principal and capitalized interest in quarterly installments over a two-year period, commencing on December 31, 2016. We cannot be certain that we will be able to generate sufficient cash flow or revenue to meet the financial covenants or pay the principal and accrued interest on our debt.

In addition, upon the occurrence of an event of default, Capital Royalty, among other things, can declare all indebtedness due and payable immediately, which would adversely impact our liquidity and reduce the availability of our cash flows to fund working capital needs, capital expenditures and other general corporate purposes. An event of default includes, but is not limited to, our failure to pay any amount due and payable under the loan agreement, the occurrence of a material adverse change in our business as defined in the loan agreement, our breach of any representation or warranty in the loan agreement, our breach of any covenant in the loan agreement (subject to a cure period in some cases), a change in control as defined in the loan agreement, our default on any debt payments to a third party in an amount exceeding $300,000 or any voluntary or involuntary insolvency proceeding. If an event of default occurs and we are unable to repay amounts due under the loan agreement, Capital Royalty could foreclose on substantially all of our personal property, including our intellectual property. We cannot be certain that future working capital, borrowings or equity financings will be available to repay or refinance our debt to Capital Royalty or any other debt we may incur in the future.

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

We expect capital expenditures and operating expenses to increase over the next several years as we expand our infrastructure, commercial operations and research and development activities. We believe, based on our current plan, that the net proceeds from this offering, together with our current cash and cash equivalents and anticipated future product revenue, will be sufficient to meet our anticipated cash requirements over at least the next 18 months. However, if our available cash balances, net proceeds from this offering and anticipated future product revenue are insufficient to satisfy our liquidity requirements, including because of lower demand for our products as a result of lower-than-expected rates of reimbursement from commercial third-party payers and government payers or other risks described in this "Risk Factors" section, we may seek to raise additional capital through equity offerings, debt financings, collaborations or licensing arrangements. We may also consider raising additional capital in the future to expand our business, pursue strategic investments, take advantage of financing opportunities, or for other reasons.

Additional funding may not be available to us on acceptable terms, or at all. In addition, our loan agreement restricts our ability to raise funds through additional debt financings. If we raise funds by issuing equity securities, dilution to our stockholders could result, and the market price of our common stock could decline. Any equity securities issued also may provide for rights, preferences or privileges senior to those of holders of our common stock. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights, and other operating restrictions that could adversely affect our ability to conduct our business. In the event that we enter into collaborations or licensing arrangements to raise capital, we may be required to accept unfavorable terms. These agreements may require that we relinquish or license to a third party on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves, or reserve certain opportunities for future potential arrangements when we might be able to achieve more favorable terms. If we are not able to secure additional funding when needed, we may have to delay, reduce the scope of or eliminate one or more research and development programs or selling and marketing initiatives. In addition, we may have to work with a partner on one or more of our products or market development programs, which could lower the economic value of those programs to our company.

The FDA has stated its intention to modify its enforcement discretion policy with respect to LDTs in a risk-based manner, and we may become subject to extensive regulatory requirements and may be required to conduct additional clinical trials prior to continuing to sell our existing tests or launching any other tests we may develop, which may increase the cost of conducting, or otherwise harm, our business.

On July 31, 2014, the FDA notified Congress of its intent to modify, in a risk-based manner, its policy of enforcement discretion with respect to LDTs. Our diagnostic products may become subject to FDA regulation, and we may be required to cease commercial sales of our products and conduct additional clinical testing prior to making submissions to the FDA to obtain premarket clearance or approval. If we are required to conduct such clinical trials, delays in the commencement or completion of clinical testing could significantly increase our test development costs and delay commercialization of any currently-marketed tests that we may be required to cease selling or the commercialization of any future tests that we may develop. Many of the factors that may cause or lead to a delay in the commencement or completion of clinical trials may also ultimately lead to delay or denial of regulatory clearance or approval. The commencement of clinical trials may be delayed due to insufficient patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites and the eligibility criteria for the clinical trial.

We may find it necessary to engage contract research organizations to perform data collection and analysis and other aspects of our clinical trials, which might increase the cost and complexity of our trials. We may also depend on clinical investigators, medical institutions and contract research organizations to perform the trials, and would control only certain aspects of their activities. Nevertheless, we would be responsible for ensuring that

each of our trials is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and our reliance on these third parties would not relieve us of our regulatory responsibilities.

We and our third party contractors are required to comply with good clinical practices, or GCPs, which are regulations and guidelines enforced by the FDA, the Competent Authorities of the Member States of the European Economic Area, or EEA, and comparable foreign regulatory authorities for products in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any third party contractor fails to comply with applicable GCPs, the clinical data generated in clinical trials may be deemed unreliable and the FDA, Competent Authorities of the Member States of the EEA or comparable foreign regulatory authorities may require us to perform additional clinical trials before clearing or approving our marketing applications. A failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory clearance or approval process. In addition, if these parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, or if the quality, completeness or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or for other reasons, our clinical trials may have to be extended, delayed or terminated. Many of these factors would be beyond our control. We may not be able to enter into replacement arrangements without undue delays or considerable expenditures. If there are delays in testing or clearances or approvals as a result of the failure to perform by third parties, our research and development costs would increase, and we may not be able to obtain regulatory clearance or approval for our tests. In addition, we may not be able to establish or maintain relationships with these parties on favorable terms, if at all. Each of these outcomes would harm our ability to market our tests, or to achieve sustained profitability.

The FDA requires medical device manufacturers to comply with, among other things, current good manufacturing practices for medical devices, known as the Quality System Regulation, which requires manufacturers to follow elaborate design, testing, control, documentation and other quality assurance procedures during the manufacturing process; the medical device reporting regulation, which requires that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur; labeling regulations, including the FDA's general prohibition against promoting products for unapproved or "off-label" uses; and the reports of corrections and removals regulation, which requires manufacturers to report to the FDA if a device correction or removal was initiated to reduce a risk to health posed by the device or to remedy a violation of the FDCA caused by the device which may present a risk to health.

Even if we were able to obtain FDA clearance or approval for one or more of our products, if required, a product may be subject to limitations on the indications for which it may be marketed or to other regulatory conditions. In addition, such clearance or approval may contain requirements for costly post-market testing and surveillance to monitor the safety or efficacy of the product. The FDA has broad post-market enforcement powers, and if unanticipated problems with our products arise, or if we or our suppliers fail to comply with regulatory requirements following FDA clearance or approval, we may become subject to enforcement actions such as:

- restrictions on manufacturing processes;
- restrictions on product marketing;
- warning letters;
- withdrawal or recall of products from the market;
- refusal to approve pending PMAs, 510(k)s or supplements to approved PMAs or cleared 510(k)s that we submit;
- fines, restitution or disgorgement of profits or revenue;
- suspension or withdrawal of regulatory clearances or approvals;

- limitation on, or refusal to permit, import or export of our products;
- product seizures;
- injunctions; or
- imposition of civil or criminal penalties.

Risks Related to Regulatory and Compliance Matters

Healthcare policy changes, including recently enacted legislation reforming the U.S. healthcare system, may have a material adverse effect on our financial condition and results of operations.

Reimbursement to healthcare providers, such as specialized diagnostic service providers like us, is subject to continuing change in policies by governmental payers, such as Medicare and Medicaid, private insurers, including managed care organizations, and other private payers, such as hospitals and private medical groups. Statutory and regulatory changes, retroactive rate adjustments and administrative rulings, and other policy changes may be implemented with little or no prior notice, all of which could materially decrease the range of services for which we are reimbursed or the reimbursement rates paid for our Avise products.

For example, on April 1, 2014, the Protecting Access to Medicare Act of 2014, or PAMA, was signed into law, which, among other things, significantly alters the current payment methodology under the Medicare Clinical Laboratory Fee Schedule, or CLFS. Under the new law, starting January 1, 2016 and every three years thereafter (or annually in the case of advanced diagnostic lab tests), clinical laboratories must report laboratory test payment data for each Medicare-covered clinical diagnostic lab test that it furnishes during a time period to be defined by future regulations. The reported data must include the payment rate (reflecting all discounts, rebates, coupons and other price concessions) and the volume of each test that was paid by each private payer (including health insurance issuers, group health plans, Medicare Advantage plans and Medicaid managed care organizations). Beginning in 2017, the Medicare payment rate for each clinical diagnostic lab test will be equal to the weighted median amount for the test from the most recent data collection period. The payment rate will apply to laboratory tests furnished by a hospital laboratory if the test is separately paid under the hospital outpatient prospective payment system. It is too early to predict the impact on reimbursement for our Avise products.

Also under PAMA, the Centers for Medicare & Medicaid Services, or CMS, is required to adopt temporary billing codes to identify new tests and new advanced diagnostic laboratory tests that have been cleared or approved by the FDA. For an existing test that is cleared or approved by the FDA and for which Medicare payment is made as of April 1, 2014, CMS is required to assign a unique billing code if one has not already been assigned by the agency. In addition to assigning the code, CMS must publicly report payment for the tests no later than January 1, 2016. We cannot determine at this time the full impact of the new law on our business, financial condition and results of operations.

Other recent laws make changes impacting clinical laboratories, many of which have already gone into effect. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively, the ACA, enacted in March 2010, includes a reduction in the annual update factor used to adjust payments under the CLFS for inflation. This update factor reflects the consumer price index for all urban consumers, or CPI-U, and the ACA reduces the CPI-U by 1.75% for the years 2011 through 2015. The ACA also imposes a multifactor productivity adjustment in addition to the CPI-U, which may further reduce payment rates. In addition, each medical device manufacturer is required to pay an excise tax in an amount equal to 2.3% of the price for which such manufacturer sells its medical devices that are listed with the FDA. Although the FDA has contended that LDTs, such as our tests, are medical devices, none of our products are currently listed with the FDA. We cannot assure you that the tax will not be extended to services such as ours in the future.

Other significant measures contained in the ACA include, for example, coordination and promotion of research on comparative clinical effectiveness of different technologies and procedures, initiatives to revise

Medicare payment methodologies, such as bundling of payments across the continuum of care by providers and physicians, and initiatives to promote quality indicators in payment methodologies. The ACA also includes significant new fraud and abuse measures, including required disclosures of financial arrangements with physician customers, lower thresholds for violations and increasing potential penalties for such violations. We are monitoring the impact of the ACA in order to enable us to determine the trends and changes that may be necessitated by the legislation and that, in turn, may potentially impact our business over time.

Additionally, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction (known as sequestration) to several government programs. This includes aggregate reductions to Medicare payments to providers of 2% per fiscal year, beginning April 1, 2013, which will remain in effect through 2024 unless additional congressional action is taken.

In February 2012, the Middle Class Tax Relief and Job Creation Act of 2012 was passed, which, among other things, reduced by 2% the 2013 Medicare CLFS, and rebased payments at the reduced rate for subsequent years. Overall, when adding this 2% reduction to the ACA's 1.75% reduction to the update factor and the productivity adjustment, the payment rates under the CLFS declined by 2.95% and 0.75% for 2013 and 2014, respectively. This reduction does not include the additional sequestration adjustment.

On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Legislative freezes and updates affect some of our flow cytometry tests, which are reimbursed by the Medicare program under the Medicare Physician Fee Schedule, or MPFS. The schedule, which is updated on an annual basis using a prescribed statutory formula, requires Congressional intervention to avoid significant reductions in reimbursement. In the past, when the application of the statutory formula resulted in lower payments, Congress has passed interim legislation to prevent the reductions. The most recent legislative intervention was passed with PAMA, which provided for a 0.5% update from 2013 MPFS payment rates through 2014 and a 0% update from January 1 until April 1, 2015. If Congress fails to intervene to prevent the negative update factor in future years, the resulting decrease in payment may adversely affect our revenue and results of operations.

Further with respect to the MPFS, CMS also reviews from time to time the relative value units, or RVUs, which are translated to payments rates under the schedule for established billing codes, including flow cytometry codes that describe some of our tests. In developing the RVUs, CMS in 2013 proposed to cap RVUs at rates paid to hospitals under the Medicare hospital outpatient rule, which would have resulted in decreases in payments to independent laboratories. CMS did not adopt the proposal for 2014 and its RVU proposals for 2015 would result in an increase in RVUs for our flow cytometry tests. CMS continues to evaluate its proposals, however, and identified in its proposed 2015 rule at least one flow cytometry billing code as potentially incorrectly valued. We cannot predict how CMS will value RVUs in the future or whether downward changes to the MPFS RVUs, if any, will impact our business. Any change in reimbursement that materially lowers reimbursement for our Avise products could materially affect our business.

Medicare payments are significant to our business, not only because approximately 25% of the total payments we received from payers in 2013 were derived from the Medicare program, but also because other payers often use the MPFS and CLFS amounts as a benchmark to develop their payment rates. We cannot predict whether Medicare and other third-party payer reimbursement rates that mirror Medicare's will be sufficient to make our tests commercially attractive. Moreover, some states have passed or proposed legislation that would revise reimbursement methodology for clinical laboratory payment rates under their respective Medicaid programs. For example, in October 2011, CMS approved California's plan to reduce certain Medi-Cal payments

by 10% retroactive to June 1, 2011. In February 2012, Medi-Cal began the recoupment process, adjusting payments on new claims. According to the California Department of Health Care Services, the cut would apply to various healthcare providers and outpatient services, including laboratory services, with exceptions for certain acute illness and physician specialties. There is currently pending legislation in California to reverse the 10% cut in Medi-Cal provider rates. In addition, the California legislature introduced an amendment to the state Medicaid plan, which if approved by CMS could potentially apply an additional 10% reduction to laboratory payments retroactive to July 1, 2012. CMS has requested additional information from the Medi-Cal program and has not yet issued a response to Medi-Cal's reimbursement reduction recommendation. Although recent changes to reimbursement for laboratory tests in states outside of California have not changed the payment rate for our tests to date, we cannot be certain that state payment rates for our tests will not be affected in the future.

We also cannot predict whether future healthcare initiatives will be implemented at the federal or state level or in countries outside of the United States in which we may do business in the future, or the effect any future legislation or regulation will have on us. Although we cannot predict the full effect of the recent legislative changes discussed above, including taxes imposed by the ACA, cost reduction measures, the expansion in government's role in the U.S. healthcare industry and PAMA's changes to the reimbursement methodology under the CLFS, such changes individually or in the aggregate may result in decreased profits to us and/or lower reimbursement by payers for tests, which may adversely affect our business, financial condition and results of operations.

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

We are subject to CLIA, a federal law that regulates clinical laboratories that perform testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention or treatment of disease. CLIA regulations mandate specific standards in the areas of personnel qualifications, administration, and participation in proficiency testing, patient test management, quality control, quality assurance and inspections. We have a current certificate of accreditation under CLIA to perform testing through our accreditation by CAP. To renew this certificate, we are subject to survey and inspection every two years. Moreover, CLIA inspectors may make random inspections of our clinical reference laboratory.

Although we are required to hold a certificate of accreditation or compliance under CLIA that allows us to perform high complexity testing, we are not required to hold a certificate of accreditation through CAP. We could alternatively maintain a certificate of accreditation from another accrediting organization or a certificate of compliance through inspection by surveyors acting on behalf of the CLIA program. If our accreditation under CAP were to terminate, either voluntarily or involuntarily, we would need to convert our certification under CLIA to a certificate of compliance (or to a certificate of accreditation with another accreditation organization) in order to maintain our ability to perform clinical testing and to continue commercial operations. Whether we would be able to successfully maintain operations through either of these alternatives would depend upon the facts and circumstances surrounding termination of our CAP accreditation, such as whether any deficiencies were identified by CAP as the basis for termination and, if so, whether these were addressed to the satisfaction of the surveyors for the CLIA program (or another accrediting organization).

The failure to comply with CLIA requirements can result in enforcement actions, including the revocation, suspension, or limitation of our CLIA certificate of accreditation, as well as a directed plan of correction, state on-site monitoring, civil money penalties, civil injunctive suit and/or criminal penalties. We must maintain CLIA compliance and certification to be eligible to bill for tests provided to Medicare beneficiaries. If we were to be found out of compliance with CLIA program requirements and subjected to sanctions, our business and reputation could be harmed. Even if it were possible for us to bring our laboratory back into compliance, we could incur significant expenses and potentially lose revenue in doing so.

We are also required to maintain a license to conduct testing in California. California laws establish standards for day-to-day operation of our clinical reference laboratory, including the training and skills required

of personnel and quality control. In addition, our clinical reference laboratory is required to be licensed on a product-specific basis by New York as an out of state laboratory and our products, as LDTs, must be approved by the New York State Department of Health, or NYDOH, on a product-by-product basis before they are offered in New York. Once approved, we would also be subject to periodic inspection by the NYDOH and required to demonstrate ongoing compliance with NYDOH regulations and standards. To the extent NYDOH identified any non-compliance and we are unable to implement satisfactory corrective actions to remedy such non-compliance, the State of New York could withdraw approval for our tests. New York law also mandates proficiency testing for laboratories licensed under New York state law, regardless of whether or not such laboratories are located in New York. Moreover, several other states require that we hold licenses to test specimens from patients in those states. Other states may have similar requirements or may adopt similar requirements in the future. Although we have obtained licenses from states where we believe we are required to be licensed, we may become aware of other states that require out-of-state laboratories to obtain licensure in order to accept specimens from the state, and it is possible that other states currently have such requirements or will have such requirements in the future.

If we were to lose our CLIA accreditation or California license, whether as a result of a revocation, suspension or limitation, we would no longer be able to sell our tests, which would limit our revenues and harm our business. If we were to lose our license or fail to obtain or maintain NYDOH approval for our laboratory developed tests in New York or if we were to lose our license in other states where we are required to hold licenses, we would not be able to test specimens from those states which would limit our revenue.

If we fail to comply with healthcare laws and regulations, we could face substantial penalties and our business, operations and financial condition could be adversely affected.

We and our partners, including those with whom we may enter into co-promotion or co-marketing arrangements, are also subject to healthcare fraud and abuse regulation by both the federal government and the states in which we or our partners conduct our business. These laws include, without limitation, state and federal anti-kickback, self-referral, fraud and abuse, false claims, and physician sunshine laws and regulations.

The federal Anti-kickback Statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any good, facility, item or service, including laboratory services, reimbursable, in whole or in part, under Medicare, Medicaid or other federally financed healthcare programs. The term “remuneration” has been broadly interpreted to include anything of value. The Anti-kickback Statute has been interpreted to apply to arrangements between manufacturers on one hand and prescribers, purchasers and formulary mangers on the other. Although there are a number of statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution, the exceptions and safe harbors are drawn narrowly. Our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor, however, does not make the conduct per se illegal under the Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Several courts have interpreted the statute’s intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the Anti-Kickback Statute has been violated. Further, the ACA amends the intent requirement of the Federal Anti-kickback Statute and certain criminal health care fraud statutes. A person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-kickback Statute constitutes a false or fraudulent claim for purposes of the false claims laws.

On June 25, 2014, the Office of Inspector General of the Department of Health and Human Services, or the OIG, released a Special Fraud Alert, expressing concern regarding laboratory payments made to referring physicians and physician group practices for blood specimen collection, processing, and packaging. Specifically,

the OIG expressed concern that such arrangements may implicate the Federal Anti-Kickback Statute when laboratories make payments to physicians for services that are already covered and reimbursed by Medicare, or are not commercially reasonable or exceed fair market value, all in order to induce physicians to order tests from such laboratory. Because the choice of laboratory and the decision to order laboratory tests is made or strongly influenced by the physician, with little or no input from patients, such payment may induce physicians to order more laboratory tests than are medically necessary, particularly when the payments are tied to, or take into account, the volume or value of business generated by the physician. We have entered into certain arrangements with physicians for services related to specimen collection, transporting and handling. To the extent our arrangements are found to be inconsistent with applicable laws, we may be required to restructure or discontinue such arrangements, or be subject to other significant penalties, including criminal penalties and exclusion from participation in U.S. federal or state health care programs.

The Federal civil False Claims Act prohibits, among other things, any person from knowingly presenting or causing to be presented a false claim for payment to the federal government, or knowingly making or causing to be made a false statement to get a false or fraudulent claim paid by the federal government. A claim includes “any request or demand” for money or property presented to the U.S. government. Penalties for a Federal civil False Claims Act violation include three times the actual damages sustained by the government, plus mandatory civil penalties of between $5,500 and $11,000 for each separate false claim, the potential for exclusion from participation in federal healthcare programs and criminal liability. If the government were to allege that we were, or convict us of, violating these false claims laws, we could be subject to a substantial fine and adversely affect our operations. In addition, private individuals have the ability to bring actions under these false claims laws in the name of the government alleging false and fraudulent claims presented to or paid by the government (or other violations of the statutes) and to share in any amounts paid by the entity to the government in fines or settlement. Such suits, known as qui tam actions, have increased significantly in the healthcare industry in recent years. In addition, the federal civil monetary penalties statute imposes penalties against any person or entity that, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent. The majority of states also have statutes or regulations similar to the federal anti-kickback and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payer.

We are also subject to the federal physician self-referral prohibitions, commonly known as the Stark Law, which prohibits, among other things, physicians who have a financial relationship, including an investment, ownership or compensation relationship with an entity, from referring Medicare patients for designated health services, which include clinical laboratory services, unless an exception applies. Similarly, entities may not bill Medicare or any other party for services furnished pursuant to a prohibited referral. Many states have their own self-referral laws as well, which in some cases apply to all third-party payers, not just Medicare and Medicaid.

In addition, a person who offers or transfers to a Medicare or Medicaid beneficiary any remuneration, including waivers of co-payments and deductible amounts (or any part thereof), that the person knows or should know is likely to influence the beneficiary’s selection of a particular provider, practitioner or supplier of Medicare or Medicaid payable items or services may be liable for civil monetary penalties of up to $10,000 for each wrongful act. Moreover, in certain cases, providers who routinely waive copayments and deductibles for Medicare and Medicaid beneficiaries can also be held liable under the Anti-kickback Statute and civil False Claims Act, which can impose additional penalties associated with the wrongful act. One of the statutory exceptions to the prohibition is non-routine, unadvertised waivers of copayments or deductible amounts based on individualized determinations of financial need or exhaustion of reasonable collection efforts. The Office of Inspector General of the Department of Health and Human Services emphasizes, however, that this exception should only be used occasionally to address special financial needs of a particular patient. Although this prohibition applies only to federal healthcare program beneficiaries, the routine waivers of copayments and deductibles offered to patients covered by commercial payers may implicate applicable state laws related to, among other things, unlawful schemes to defraud, excessive fees for services, tortious interference with patient

contracts and statutory or common law fraud. To the extent our programs are found to be inconsistent with applicable laws, we may be required to restructure or discontinue such programs, or be subject to other significant penalties.

The ACA, among other things, also imposed new reporting requirements on manufacturers of certain devices, drugs and biologics for certain payments and transfers of value by them and in some cases their distributors to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit required information timely, completely and accurately for all payments, transfers of value and ownership or investment interests may result in civil monetary penalties of up to an aggregate of $150,000 per year (or up to an aggregate of $1.0 million per year for "knowing failures"). The period between August 1, 2013 and December 31, 2013 was the first reporting period, and manufacturers were required to report aggregate payment data by March 31, 2014, and to report detailed payment data and submit legal attestation to the completeness and accuracy of such data by June 30, 2014. Thereafter, manufacturers must submit reports by the 90th day of each subsequent calendar year. CMS will release the data on a public website by September 30, 2014. Any failure to comply with these reporting requirements could result in significant fines and penalties. Because we manufacture our own LDTs solely for use by or within our own laboratory, we believe that we are exempt from these reporting requirements. We cannot assure you, however, that the government will agree with our determination, and a determination that we have violated these laws and regulations, or a public announcement that we are being investigated for possible violations, could adversely affect our business, prospects, results of operations or financial condition.

It is possible that some of our business activities could be subject to challenge under one or more of such laws. Such a challenge, regardless of the outcome, could have a material adverse effect on our business, business relationships, reputation, financial condition and results of operations. Although an effective compliance program can mitigate the risk of investigation and prosecution for violations of these laws, the risks cannot be entirely eliminated. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. Moreover, achieving and sustaining compliance with these laws may prove costly. If we or our operations, or any of the healthcare providers or entities with whom we do business are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including administrative, civil and/or criminal penalties, damages, fines, disgorgement, individual imprisonment, exclusion from participation in U.S. federal or state health care programs, and the curtailment or restructuring of our operations, any of which could materially adversely affect our ability to operate our business and our financial results. To the extent that any of our products are sold in a foreign country, we may be subject to similar foreign laws and regulations, which may include, for instance, applicable post-marketing requirements, including safety surveillance, anti-fraud and abuse laws, and implementation of corporate compliance programs and reporting of payments or transfers of value to healthcare professionals.

Failure to comply with HIPAA, the Health Information Technology for Economic and Clinical Health Act, the HITECH Act, their implementing regulations, and similar comparable state laws and regulations affecting the transmission, security and privacy of health information could result in significant penalties.

Numerous federal and state laws and regulations, including HIPAA and the HITECH Act, govern the collection, dissemination, security, use and confidentiality of patient-identifiable health information. HIPAA and the HITECH Act require us to comply with standards for the use and disclosure of health information within our company and with third parties. The Standards for Privacy of Individually Identifiable Health Information, or Privacy Standards, and the Security Standards for the Protection of Electronic Protected Health Information, or Security Standards, under HIPAA establish a set of basic national privacy and security standards for the protection of individually identifiable health information by health plans, healthcare clearinghouses and certain healthcare providers, referred to as covered entities, and the business associates with whom such covered entities contract for services. Notably, whereas HIPAA previously directly regulated only these covered entities, the HITECH Act, which was signed into law as part of the stimulus package in February 2009, made certain of the

Security Standards directly applicable to business associates. Further, the HITECH Act and the Final HIPAA Omnibus Rule that was promulgated in 2013, made additional parts of HIPAA directly applicable to business associates. As a result, both covered entities and business associates are now subject to significant civil and criminal penalties for failure to comply with the Privacy Standards and/or the Security Standards.

HIPAA and the HITECH Act also include standards for common healthcare electronic transactions and code sets, such as claims information, plan eligibility, payment information and the use of electronic signatures, and privacy and electronic security of individually identifiable health information. Covered entities, such as health care providers, are required to conform to such transaction set standards, known as the Standards for Electronic Transactions, pursuant to HIPAA.

HIPAA requires covered entities to develop and maintain policies and procedures with respect to protected health information that is used or disclosed, including the adoption of administrative, physical and technical safeguards to protect such information. The HITECH Act expands the notification requirement for breaches of patient-identifiable health information, restricts certain disclosures and sales of patient-identifiable health information and provides a tiered system for civil monetary penalties for HIPAA violations. The Final HIPAA Omnibus Rule modifies the breach reporting standard in a manner that will likely make more data security incidents qualify as reportable breaches. The HITECH Act also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney fees and costs associated with pursuing federal civil actions. Additionally, certain states have adopted comparable privacy and security laws and regulations, some of which may be more stringent than HIPAA.

If we do not comply with the requirements of HIPAA, the HITECH Act or applicable state privacy and security laws, we could be subject to criminal or civil sanctions that could adversely affect our financial condition. The costs of complying with privacy and security related legal and regulatory requirements are burdensome and could have a material adverse effect on our business. These laws are subject to interpretation by various courts and other governmental authorities, thus creating potentially complex compliance issues for us, as well as our physician clients. In addition, we are unable to predict what changes to the HIPAA Privacy Standards and Security Standards might be made in the future or how those changes could affect our business. Any new legislation or regulation in the area of privacy and security of personal information, including personal health information, could also adversely affect our business operations.

Risks Related to our Intellectual Property

If we are unable to maintain intellectual property protection, our competitive position could be harmed.

Our ability to protect our technologies such as CBCAPs, red blood cell methotrexate polyglutamates, or MTXPG, exposure assessments and anti-MCV antibodies, affects our ability to compete and to achieve sustained profitability. We rely on a combination of U.S. and foreign patents and patent applications, copyrights, trademarks and trademark applications, and contractual restrictions to protect our intellectual property rights. We cannot be certain that the claims in our granted patents and pending patent applications covering our Avise products will be considered patentable or enforceable by the United States Patent and Trademark Office, or the USPTO, courts in the United States, or by patent offices and courts in foreign countries. If we fail to protect our intellectual property, third parties may be able to compete more effectively against us and we may incur substantial litigation costs in our attempts to recover or restrict use of our intellectual property.

We apply for patents covering our products and technologies and uses thereof, as we deem appropriate, however we may fail to apply for patents on important products and technologies in a timely fashion or at all, or we may fail to apply for patents in potentially relevant jurisdictions, or we may cease our prosecution and maintenance of patents in potentially relevant jurisdictions. Currently, we have an exclusive license to 10 issued U.S. patents, three pending U.S. patent applications, and certain corresponding foreign counterpart patents and

patent applications, relevant to our Avise products. We also own three pending U.S. patent applications, two corresponding foreign counterpart applications, and one pending international Patent Cooperation Treaty, or PCT, application relevant to our Avise products. While we intend to pursue additional patent applications, it is possible that our pending patent applications and any future applications may not result in issued patents. Even if such patents do successfully issue, third parties may challenge the validity, enforceability or scope thereof, which may result in such patents being narrowed, invalidated or held unenforceable. Any successful opposition to our patents could deprive us of exclusive rights necessary for the further development of our Avise products. Furthermore, even if they are unchallenged, our patents may not adequately protect our intellectual property, provide exclusivity for our Avise products or prevent others from designing around our claims.

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

In addition to the protection afforded by patents, we rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, or that we elect not to patent, processes for which patents are difficult to enforce and any other elements of our Avise products and development processes that involve proprietary know-how, information or technology that is not covered by patents. However, trade secrets can be difficult to protect. While we use commercially reasonable efforts to protect our trade secrets, our licensors, employees, consultants, contractors and other advisors may unintentionally or willfully disclose such trade secret information to third parties and competitors. We attempt to protect our proprietary technology in large part by entering into confidentiality and non-disclosure agreements with our employees, consultants and other contractors. We cannot assure you, however, that these agreements will not be breached, that we will have adequate remedies for any breach or that competitors will not know of, or independently discover, our trade secrets. We cannot assure you that others will not independently develop substantially equivalent proprietary information or be issued patents that may prevent the sale of our products, technologies, services or know-how or require licensing and the payment of significant fees or royalties by us in order to produce our products, technologies or services. Further, we cannot be certain that the steps we have taken will prevent the misappropriation of our trade secrets and other confidential information.

Monitoring unauthorized disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate. If we were to enforce a claim that a third party had illegally obtained and was using our trade secrets, it would be expensive and time consuming, and the outcome would be unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. If we are unable to prevent unauthorized material disclosure of our trade secrets and other confidential information to third parties, and in particular in jurisdictions where we have not filed for patent protection, we may not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, operating results and financial condition.

Certain of our products utilize unpatented technology that is publicly available and can be used by our competitors.

Certain of our Avise products, such as Avise SLE+CT, utilize both patented technology and publicly available technology that is not protected by patents or other intellectual property rights. We believe that using certain publicly available technology allows us to offer a better and more comprehensive product. However, the publicly available technology which we rely upon is also used in, and may continue to be used in, products which are competitive with our Avise products. Our competitors may independently develop competing diagnostic products and services that do not infringe our intellectual property.

Changes in U.S. patent law could diminish the value of patents in general, thereby impairing our ability to protect our Avise products.

As is the case with other diagnostics companies, our success is heavily dependent on intellectual property, particularly on obtaining and enforcing patents. Obtaining and enforcing patents in the diagnostics industry involves both technological and legal complexity, and is therefore costly, time-consuming and inherently uncertain. From time-to-time the U.S. Supreme Court, other federal courts, the U.S. Congress or the USPTO, may change the standards of patentability and any such changes could have a negative impact on our business. For instance, on October 30, 2008, the Court of Appeals for the Federal Circuit issued a decision that methods or processes cannot be patented unless they are tied to a machine or involve a physical transformation. The U.S. Supreme Court later reversed that decision in *Bilski v. Kappos*, finding that the "machine-or-transformation" test is not the only test for determining patent eligibility. The Court, however, declined to specify how and when processes are patentable. On March 30, 2012, in the case *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, the U.S. Supreme Court reversed the Federal Circuit's application of *Bilski* and invalidated a patent focused on a diagnostic process because the patent claim embodied a law of nature. On July 30, 2012, the USPTO released a memorandum entitled "2012 Interim Procedure for Subject Matter Eligibility Analysis of Process Claims Involving Laws of Nature," with guidelines for determining patentability of diagnostic or other processes in line with the *Mayo* decision. On June 13, 2013, in *Association for Molecular Pathology v. Myriad Genetics*, the Supreme Court held that a naturally occurring DNA segment is a product of nature and not patent eligible merely because it has been isolated. The Supreme Court did not address the patentability of any innovative method claims involving the manipulation of isolated genes. On March 4, 2014, the USPTO released a memorandum entitled "2014 Procedure For Subject Matter Eligibility Analysis Of Claims Reciting Or Involving Laws Of Nature/Natural Principles, Natural Phenomena, And/Or Natural Products." This memorandum provides guidelines for the USPTO's new examination procedure for subject matter eligibility under 35 U.S.C. §101 for claims embracing natural products or natural principles. Although the guidelines do not have the force of law, patent examiners have been instructed to follow them. Some aspects of our technology involve processes that may be subject to this evolving standard and we cannot guarantee that any of our pending process claims will be patentable as a result of such evolving standards. In addition, patents we own or license that issued before these recent cases may be subject to challenge in court or before the USPTO in view of these current legal standards. Changes in either the patent laws or in interpretations of patent laws in the United States or other countries could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. We cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents. We may not develop additional proprietary products, methods and technologies that are patentable.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our Avise products in all countries throughout the world would be prohibitively expensive. Moreover, we believe that obtaining foreign patents may be more difficult than obtaining domestic patents because of differences in patent laws and, accordingly, our patent position may be stronger in the United States than abroad. In addition, the laws of some foreign countries do not protect intellectual property rights in the same manner and to the same extent as laws in the United States. Various countries limit the subject matter that can be patented and limit the ability of a patent owner to enforce patents in the medical and other related fields. This may limit our ability to obtain or utilize those patents internationally. In order to manage our foreign patent costs and focus on the U.S. market, we made the decision to cease the prosecution and maintenance of certain of our foreign patents and patent applications related to our CBCAPs technology, which is used in our Avise products. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection but enforcement of such patent protection is not as strong as that in the United States. These products may compete with our Avise products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could lose license rights that are important to our business.

We are a party to a number of license agreements under which we are granted intellectual property rights that are important to our business. For example, certain patent rights related to Avise SLE are licensed from the University of Pittsburgh, certain patent rights related to Avise MCV are licensed from Orgentec, and certain patent rights related to Avise MTX are licensed from Prometheus Laboratories Inc., or Prometheus. Our existing license agreements as related to our Avise products impose various regulatory and/or commercial diligence obligations, payment of milestones and/or royalties and other obligations. If we fail to comply with our obligations under a license agreement, the license agreement may be terminated, in which event we would not be able to further develop or market certain Avise products. Additionally, we may not always have the first right to maintain, enforce or defend our licensed intellectual property rights and, although we would likely have the right to assume the maintenance, enforcement and defense of such intellectual property rights if our licensors do not, our ability to do so may be compromised by our licensors' acts or omissions.

Licensing of intellectual property rights is of critical importance to our business and involves complex legal, business and scientific issues. Disputes may arise between us and our licensors regarding intellectual property rights subject to a license agreement, including the scope of rights granted under the license agreement and other interpretation-related issues, and whether and the extent to which our technology and processes infringe on intellectual property rights of the licensor that are not subject to the licensing agreement. If disputes over intellectual property rights that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, our business, results of operations, financial condition and prospects may be adversely affected. We may enter into additional licenses in the future and if we fail to comply with obligations under those agreements, we could suffer adverse consequences.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent process. Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on any issued patents and/or applications are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patents and/or applications. Our outside counsel has systems in place to monitor deadlines to pay these fees and to remind us of these fees, and our outside counsel employs an outside firm to pay these fees due to the USPTO and to foreign patent agencies based on our instructions. In the aggregate, these fees can be cost prohibitive for an early-stage company. Accordingly, we made a financially-driven decision to prioritize our payment of these fees and to allow certain of our applications to lapse, particularly with respect to our Ex-U.S. rights licensed from the University of Pittsburgh related to our CBCAPs technology. Additionally, while an

inadvertent lapse may sometimes be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, our competitors might be able to enter the market earlier than should otherwise have been the case, which would have a material adverse effect on our business.

We may not be successful in obtaining or maintaining necessary rights to product components and processes for our development pipeline through acquisitions and in-licenses.

Presently we have intellectual property rights, through licenses from third parties and under patents that we own, related to our Avise products. Because our programs may involve additional products that require the use of proprietary rights held by third parties, the growth of our business will likely depend in part on our ability to acquire, in-license or use these proprietary rights. We may be unable to acquire or in-license proprietary rights that we identify as being necessary for our Avise products. Even if we are able to obtain a license to such proprietary rights, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In that event, we may be required to expend significant time and resources to develop or license replacement technology.

The licensing and acquisition of third-party proprietary rights is a competitive area, and companies, which may be more established, or have greater resources than we do, may also be pursuing strategies to license or acquire third-party proprietary rights that we may consider necessary or attractive in order to further develop our Avise products. More established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities.

In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us, either on reasonable terms, or at all. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment, or at all. If we are unable to successfully obtain rights to required third-party intellectual property rights on commercially reasonable terms, our ability to further develop our Avise products, and our business, financial condition and prospects for growth could suffer.

Third-party claims alleging intellectual property infringement may prevent or delay our development efforts.

Our commercial success depends in part on our avoiding infringement of the patents and proprietary rights of third parties. There is a substantial amount of litigation, both within and outside the United States, involving patents and other intellectual property rights in the diagnostics industry, as well as administrative proceedings for challenging patents, including interference and reexamination proceedings before the USPTO or oppositions and other comparable proceedings in foreign jurisdictions. The Leahy-Smith America Invents Act introduced new procedures including inter partes review and post grant review. The implementation of these procedures bring the possibility of third party challenges to our patents and the outcome of such challenges could result in a loss or narrowing of our patent rights. In such an event, our competitors might be able to enter the market earlier than should otherwise have been the case, which would have a material adverse effect on our business. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing our Avise products. As the diagnostics industry expands and more patents are issued, the risk increases that our activities related to our Avise products may give rise to claims of infringement of the patent rights of others.

We cannot assure you that any of our current or future Avise products will not infringe existing or future patents. Although we are not aware of any issued patents that will prevent us from marketing our Avise products, there may be patents that have already issued that a third party might assert are infringed by one of our current or future Avise products.

Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents of which we are currently unaware with claims to materials or methods of manufacture related to the use or manufacture of our Avise products. Because patent applications can take many years to issue and may be confidential for 18 months or more after filing, there may be currently pending third-party patent applications which may later result in issued patents that our Avise products or our technologies may infringe, or which such third parties claim are infringed by the use of our technologies.

Parties making claims against us for infringement or misappropriation of their intellectual property rights may seek and obtain injunctive or other equitable relief, which could effectively block our ability to further develop one or more of our Avise products. Defense of these claims, regardless of their merit, would involve substantial expenses and would be a substantial diversion of employee resources from our business. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees if we are found to be willfully infringing a third party's patents, obtain one or more licenses from third parties, pay royalties or redesign our infringing products, which may be impossible or require substantial time and monetary expenditure. We cannot predict whether any such license would be available at all or whether it would be available on commercially reasonable terms. Furthermore, even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or development of our Avise products. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all. In that event, we would be unable to further develop our Avise products, which could harm our business significantly. Even if we were able to obtain a license, the rights may be nonexclusive, which may give our competitors access to the same intellectual property.

In addition to infringement claims against us, if third parties have prepared and filed patent applications in the United States that also claim technology to which we have rights, we may have to participate in interference proceedings in the USPTO to determine the priority of invention. Third parties may also attempt to initiate reexamination, post grant review or inter partes review of our patents in the USPTO. We may also become involved in similar proceedings in the patent offices in other jurisdictions regarding our intellectual property rights with respect to our Avise products and technology.

We may be involved in proceedings to protect or enforce our patents or the patents of our licensors, which could be expensive, time-consuming and unsuccessful.

Third parties may infringe, misappropriate or otherwise violate our existing patents, patents that may issue to us in the future, or the patents of our licensors that are licensed to us. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. We may not be able to prevent, alone or with our licensors, misappropriation of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States.

In addition, if we or one of our licensors initiated legal proceedings against a third party to enforce a patent covering one of our Avise products, the defendant could counterclaim that the patent covering such Avise product is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace, and there are numerous grounds upon which a third party can assert invalidity or unenforceability of a patent. Such proceedings could result in an invalidation of our patents. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our Avise products. Such a loss of patent protection could have a material adverse impact on our business.

Litigation proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the

results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock.

Because of the expense and uncertainty of litigation, we may not be in a position to enforce our intellectual property rights against third parties.

Because of the expense and uncertainty of litigation, we may conclude that even if a third party is infringing our patents or other intellectual property rights, the risk-adjusted cost of bringing and enforcing such a claim or action may be too high or not in the best interest of our company or our stockholders. In addition, there can be no assurance that our licensors will be willing to bring and enforce claims to prevent third parties from infringing intellectual property that is licensed to us, particularly if the affected intellectual property is less important to the licensor's business than to ours. In such cases, we may decide that the more prudent course of action is to simply monitor the situation or initiate or seek some other non-litigious action or solution.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties.

We have received confidential and proprietary information from third parties. In addition, we employ individuals who were previously employed at other companies in our industry. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise improperly used or disclosed confidential information of these third parties or our employees' former employers. Further, we may be subject to ownership disputes in the future arising, for example, from conflicting obligations of consultants or others who are involved in developing our Avise products. We may also be subject to claims that former employees, collaborators or other third parties have an ownership interest in our patents or other intellectual property. Litigation may be necessary to defend against these and other claims challenging our right to and use of confidential and proprietary information. If we fail in defending any such claims, in addition to paying monetary damages, we may lose our rights therein. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against these claims, litigation could result in substantial cost and be a distraction to our management and employees.

Risks Related to Being a Public Company

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

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

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

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal control over financial reporting and, beginning with our second annual report following this offering, which will be for our year ending December 31, 2015, provide a management report on the internal control over financial reporting.

If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our consolidated financial statements may be materially misstated. We are in the process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, our management will be unable to conclude that our internal control over financial reporting is effective. Moreover, when we are no longer an emerging growth company, our independent registered public accounting firm will be required to issue an attestation report on the effectiveness of our internal control over financial reporting. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed.

If we are unable to assert that our internal control over financial reporting is effective, or when we are no longer an emerging growth company, if our independent registered public accounting firm were to express an adverse opinion on the effectiveness of our internal control over financial reporting because we had one or more material weaknesses, investors could lose confidence in the accuracy and completeness of our financial disclosures, which could cause the price of our common stock to decline. Internal control deficiencies could also result in a restatement of our financial results in the future.

We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our consolidated financial statements. If we fail to remediate one or more of our material weaknesses or if we fail to establish and maintain effective control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. generally accepted accounting principles. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

Prior to the completion of this offering, we have been a private company with limited accounting personnel and other resources to address our internal control over financial reporting. During the course of preparing for this offering, we determined that material adjustments to various accounts were necessary, which required us to restate the financial statements as of and for the year ended December 31, 2012 that had been previously audited by another independent audit firm. These adjustments leading to a restatement of those financial statements led us to conclude that we had a material weakness in internal control over financial reporting as of December 31, 2012 and 2013, specifically that we did not maintain a sufficient complement of resources with an appropriate level of accounting knowledge, experience and training commensurate with our structure and financial reporting requirements.

For a discussion of our remediation plan and the actions that we have executed during 2014, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Controls and Procedures.” The actions we have taken are subject to continued review, supported by confirmation and testing by management as well as audit committee oversight. While we have implemented a plan to remediate this weakness we cannot assure you that we will be able to remediate this weakness, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows. If we are unable to successfully remediate this material weakness, and if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable stock exchange listing requirements.

Our failure to remediate the material weakness identified above, or the identification of additional material weaknesses in the future, could adversely affect our ability to report financial information, including our filing of quarterly or annual reports with the Securities and Exchange Commission on a timely and accurate basis. Moreover, our failure to remediate the material weakness identified above or the identification of additional material weaknesses, could prohibit us from producing timely and accurate consolidated financial statements, which may adversely affect our stock price and we may be unable to maintain compliance with exchange listing requirements.

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

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, enacted in April 2012, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies, including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act also 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 of 1933, as amended, or 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 are choosing 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.

We could remain an emerging growth company for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.0 billion, (ii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if, among other things, the market value of common equity securities held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the preceding three-year period.

We cannot predict whether investors will find our common stock less attractive if we choose to rely on one or more of these exemptions. If some investors find our common stock less attractive as a result of any decisions to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

Risks Related to this Offering and Our Common Stock

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

Prior to this offering, there has been no public market for our common stock, and an active public market for our stock may not develop or be sustained after this offering. We and the representatives of the underwriters will determine the initial public offering price of our common stock through negotiation. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell our stock following this offering. In addition, the trading price of our common stock following this offering is likely to be highly

volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include:

- actual or anticipated variations in our and our competitors' financial condition and results of operations;
- announcements by us or our competitors of new products, strategic partnerships or capital commitments;
- changes in reimbursement by current or potential payers;
- issuance of new securities analysts' reports or changed recommendations for our stock;
- actual or anticipated changes in regulatory oversight of our products;
- developments or disputes concerning our intellectual property or other proprietary rights;
- commencement of, or our involvement in, litigation;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- any major change in our management;
- changes in accounting principles;
- announcement or expectation of additional financing efforts;
- future sales of our common stock by our executive officers, directors and other stockholders; and
- general economic conditions and slow or negative growth of our markets.

In addition, the stock market in general, and the market for stock of life sciences companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors, as well as general economic, political and market conditions such as recessions or interest rate changes, may seriously affect the market price of our common stock, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering. If the market price of our common stock after this offering does not exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources. Any adverse determination in any such litigation or any amounts paid to settle any such actual or threatened litigation could require that we make significant payments.

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

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

Future sales of shares by existing stockholders could cause our stock price to decline.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the lock-up and other legal restrictions on resale discussed in this prospectus lapse, the trading price of our common stock could decline. Based on the number of shares of common stock outstanding as of , 2014, upon the completion of this offering, we will have outstanding a total of shares of common stock, assuming the net exercise of all outstanding warrants we issued in 2013, or the 2013 Warrants, no exercise of the underwriters' over-allotment option and no exercise of outstanding options or warrants (other than the 2013 Warrants). Of these shares, will be freely tradable, without restriction, in the public market immediately after the offering. Each of our directors and officers and substantially all of our other stockholders has entered into a lock-up agreement with the underwriters described in "Underwriting" elsewhere in this prospectus, which restricts their ability to sell or transfer their shares. The lock-up agreements pertaining to this offering will expire 180 days from the date of this prospectus. The underwriters, however, may, in their sole discretion, waive the contractual lock-up prior to the expiration of the lock-up agreements. After the lock-up agreements expire, based on shares outstanding as of , 2014, up to an additional shares of common stock will be eligible for sale in the public market, of which shares are held by directors, executive officers and other affiliates and will be subject to volume limitations under Rule 144 under the Securities Act.

In addition, shares of common stock that are subject to outstanding options as of , 2014 will become eligible for sale in the public market to the extent permitted by the provisions of various option agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. We intend to file a registration statement on Form S-8 under the Securities Act covering all of the shares of common stock subject to options outstanding and reserved for issuance under our employee benefit plans. This registration statement will become effective immediately upon filing, and shares covered by this registration statement will be eligible for sale in the public markets, subject to Rule 144 limitations applicable to affiliates, the terms of the applicable plan and the option agreements entered into with option holders, and any lock-up agreements described above. In addition, our directors and executive officers may establish programmed selling plans under Rule 10b5-1 of the Exchange Act for the purpose of effecting sales of our common stock. Any sales of securities by these stockholders, or the perception that those sales may occur, including the entry into such programmed selling plans, could have a material adverse effect on the trading price of our common stock.

In addition, the holders of shares of common stock and holders of warrants to purchase an aggregate of shares of common stock will be entitled to rights with respect to registration of such shares under the Securities Act pursuant to an investors' rights agreement between such holders and us. See "Certain Relationships and Related Person Transactions—Investors' Rights Agreement" below. If such holders, by exercising their registration rights, sell a large number of shares, they could adversely affect the market price for our common stock. If we file a registration statement for the purpose of selling additional shares to raise capital and are required to include shares held by these holders pursuant to the exercise of their registration rights, our ability to raise capital may be impaired.

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

Upon completion of this offering, our existing stockholders, directors, executive officers and their affiliates will beneficially own, in the aggregate, approximately % of our outstanding shares of common stock, and if the underwriters' option to purchase additional shares is exercised in full, such persons and their affiliates will beneficially own, in the aggregate, approximately % of our outstanding shares of common stock. As a result, these stockholders will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit stockholders' ability to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

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

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon the completion of this offering, may have the effect of delaying or preventing a change of control or changes in our management. Some of these provisions:

- authorize our board of directors to issue, without further action by the stockholders, up to 10,000,000 shares of undesignated preferred stock and up to approximately shares of authorized but unissued shares of common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the Chairman, the Chief Executive Officer or the President;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving staggered terms;
- provide that our directors may be removed only for cause; and
- provide that vacancies on our board of directors may, except as otherwise required by law, be filled only by a majority of directors then in office, even if less than a quorum.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us. These anti-takeover provisions and other provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by the then-current board of directors and could also delay or impede a merger, tender offer or proxy contest involving our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing or cause us to take other corporate actions you desire. Any delay or prevention of a change of control transaction or changes in our board of directors could cause the market price of our common stock to decline.

Our management will have discretion in the use of the net proceeds from this offering and may not use them in a way which increases the value of your investment.

We currently intend to use the net proceeds of the offering for selling and marketing activities, including expansion of our sales force to support the ongoing commercialization of our current products and future products, for research and development activities, including medical and clinical costs, related to the continued support of our Avise products, as well as the development of our product pipeline, for general and administrative expenses (including compensation of our officers and directors and other personnel-related costs and the costs of operating as a public company), and for working capital and other general corporate purposes, as outlined in “Use of Proceeds” elsewhere in this prospectus. However, our management will have considerable discretion in the application of the net proceeds from this offering and investors will be relying on the judgment of our management regarding the application of those proceeds. Our management may spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock, and you will not have the opportunity to influence management’s decisions on how to use the proceeds from this offering. Our failure to apply these funds effectively could have a material adverse effect on our business, delay the development of new tests and cause the price of our common stock to decline.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The initial public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock immediately after this offering. Therefore, if you purchase our common stock in this offering, you will incur an immediate dilution of $ in net tangible book value per share from the price you paid, based on an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus. In addition, new investors who purchase shares in this offering will contribute approximately % of the total amount of equity capital raised by us through the date of this offering, but will only own approximately % of the outstanding equity capital. The exercise of outstanding options and warrants will result in further dilution. In addition, if we raise additional funds by issuing equity securities, our stockholders may experience further dilution. For a detailed description of the dilution that you will experience immediately after this offering, see "Dilution."

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

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We currently intend to retain any future earnings to fund the growth of our business. In addition, our loan agreement restricts our ability to pay cash dividends on our common stock and we may also enter into credit agreements or other borrowing arrangements in the future that will restrict our ability to declare or pay cash dividends on our common stock. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future.

If an active, liquid trading market for our common stock does not develop, you may not be able to sell your shares quickly or at or above the initial offering price.

There has not been a public market for our common stock. An active and liquid trading market for our common stock may not develop or be sustained following this offering. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration. You may not be able to sell your shares quickly or at or above the initial offering price. The initial public offering price will be determined by negotiations with the representatives of the underwriters. This price may not be indicative of the price at which our common stock will trade after this offering, and our common stock could trade below the initial public offering price.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations and financial position, business strategy, current and future product offerings, reimbursement and coverage, research and development costs, timing and likelihood of success and plans and objectives of management for future operations are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. The forward-looking statements in this prospectus are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this prospectus and are subject to a number of risks, uncertainties and assumptions described under the sections in this prospectus entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this prospectus. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. The forward-looking statements contained in this prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended.

This prospectus also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the common stock that we are offering will be approximately $ million (or $ million if the underwriters exercise their over-allotment option to purchase additional shares in full), assuming an initial public offering price of $ per share, the midpoint of the price range listed on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1.0 million in the number of shares we are offering would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, by approximately $ million, assuming the assumed initial public offering price stays the same.

The principal purposes of this offering are to obtain additional capital to support our operations, to create a public market for our common stock and to facilitate our future access to the public equity markets. We intend to use the net proceeds from this offering for working capital and general corporate purposes, including sales and marketing activities, research and development and capital expenditures. We may also use a portion of the net proceeds to in-license, acquire or invest in complementary businesses or products; however, we have no current commitments or obligations to do so.

We believe, based on our current operating plan, that the net proceeds from this offering and our existing cash and cash equivalents and anticipated future product revenue, will be sufficient to fund our operations for at least the next 18 months.

The amounts and timing of our actual expenditures will depend on numerous factors, including the timing and amount of our cash receipts from the sale of our products, the development efforts for our products and diagnostic solutions and other factors described under “Risk Factors” in this prospectus, as well as the amount of cash used in our operations. We therefore cannot estimate the amount of net proceeds to be used for the purposes described above. We may find it necessary or advisable to use the net proceeds for other purposes, and we will have broad discretion in the application of the net proceeds. Pending the uses described above, we plan to invest the net proceeds from this offering in short- and intermediate-term, interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We intend to retain future earnings, if any, to finance the operation of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors after considering our financial condition, results of operations, capital requirements, business prospects and other factors the board of directors deems relevant, and subject to the restrictions contained in any future financing instruments. In addition, our ability to pay cash dividends is currently prohibited by the terms of our term loan agreement with Capital Royalty.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, and our capitalization as of March 31, 2014 as follows:

- on an actual basis;
- on a pro forma basis to reflect (1) the issuance of $4.0 million in aggregate principal amount of 2014 Notes in July 2014 and the automatic conversion of the 2014 Notes (including accrued interest thereon) into shares of our common stock in connection with the completion of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and assuming the conversion occurs on , 2014 (the expected closing date of this offering), (2) the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2014 into 92,330,247 shares of common stock immediately prior to the completion of this offering and the resultant reclassification of our redeemable convertible preferred stock warrant liability to stockholders' deficit in connection with such conversion, (3) the issuance of shares of common stock as a result of the expected net exercise of the 2013 Warrants in connection with the completion of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, which 2013 Warrants will terminate if not exercised prior to the completion of this offering, and (4) the filing of our amended and restated certificate of incorporation immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to give further effect to our issuance and sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma and pro forma as adjusted information below is illustrative only, and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this information in conjunction with our consolidated financial statements and the related notes included in this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and other financial information contained in this prospectus.

	As of March 31, 2014		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
	(in thousands)		
Cash and cash equivalents	$ 9,487	$	$
Redeemable convertible preferred stock warrant liability	$ 1,002		
Borrowings and long-term capital lease obligations	14,445		
Redeemable convertible preferred stock, $0.001 par value per share; 145,000,000 shares authorized; 92,330,247 shares issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma and pro forma as adjusted	20,837		
Stockholders' deficit:			
Preferred stock, $0.001 par value per share; shares authorized; no shares outstanding, actual, pro forma and pro forma as adjusted			
Common stock, $0.001 par value per share; 163,000,000 shares authorized, 9,943,214 shares issued and outstanding, actual; shares authorized; pro forma and pro forma as adjusted; shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	10		
Additional paid-in capital	53,918		
Accumulated deficit	(77,857)		
Total stockholders' deficit	(23,929)		
Total capitalization	$ 12,355		$

(1) Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of each of cash and cash equivalents, total stockholders' deficit and total capitalization by approximately $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of shares offered by us at the assumed initial public offering price per share would increase (decrease) the pro forma as adjusted amount of each of cash and cash equivalents, total stockholders' deficit and total capitalization by approximately $.

The number of shares in the table above excludes:

- 8,810,016 shares of common stock issuable upon exercise of stock options outstanding as of March 31, 2014, at a weighted average exercise price of $0.16 per share;
- shares of common stock issuable upon the exercise of outstanding warrants as of March 31, 2014, at a weighted average exercise price of $ per share, which warrants will terminate upon the completion of this offering if not previously exercised;
- shares of our common stock reserved for future issuance under our 2014 incentive award plan, or the 2014 plan, which will become effective on the business day prior to the public trading date of our common stock (including 1,360,000 shares of common stock reserved for future grant or issuance under our 2013 stock option plan as of March 31, 2014, which shares will be added to the shares reserved under the 2014 plan upon its effectiveness); and
- shares of common stock reserved for future issuance under our 2014 employee stock purchase plan, which will become effective on the business day prior to the public trading date of our common stock.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the pro forma as adjusted net tangible book value per share of our common stock after this offering.

As of March 31, 2014, we had a historical net tangible book value (deficit) of $(30.4) million, or $(3.06) per share of common stock. Our historical net tangible book value (deficit) per share represents total tangible assets less total liabilities, divided by the number of shares of common stock outstanding at March 31, 2014.

On a pro forma basis, after giving effect to (1) the issuance of $4.0 million in aggregate principal amount of 2014 Notes in July 2014 and the automatic conversion of the 2014 Notes (including accrued interest thereon) into shares of our common stock in connection with the completion of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus and assuming the conversion occurs on , 2014 (the expected closing date of this offering), (2) the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2014 into 92,330,247 shares of our common stock immediately prior to the completion of this offering and the resultant reclassification of our redeemable convertible preferred stock warrant liability to stockholders' equity in connection with such conversion, and (3) the issuance of shares of common stock as a result of the expected net exercise of the 2013 Warrants in connection with the completion of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, which 2013 Warrants will terminate if not exercised prior to the completion of this offering, our pro forma net tangible book value (deficit) as of March 31, 2014 would have been approximately $ or approximately $ per share of our common stock.

After giving further effect to the sale of shares of common stock that we are offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2014 would have been approximately $ million, or approximately $ per share. This amount represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of approximately $ per share to new investors purchasing shares of common stock in this offering.

Dilution per share to new investors is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by new investors. The following table illustrates this dilution (without giving effect to any exercise by the underwriters of their option to purchase additional shares):

Assumed initial public offering price per share		$
Historical net tangible book value (deficit) per share as of March 31, 2014	$(3.06)	
Pro forma increase in historical net tangible book value per share attributable to the pro forma transactions described in the preceding paragraphs		
Pro forma net tangible book value per share as of March 31, 2014	$	
Increase in pro forma net tangible book value per share attributable to this offering		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors in this offering		$

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as

adjusted net tangible book value per share after this offering by approximately $, and dilution in pro forma net tangible book value per share to new investors by approximately $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and the estimated offering expenses payable by us. Each increase (decrease) of 1.0 million shares in the number of shares offered by us would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by approximately $ per share and decrease (increase) the dilution to investors participating in this offering by approximately $ per share, assuming that the assumed initial public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and the estimated offering expenses payable by us.

If the underwriters exercise their over-allotment option to purchase additional shares of our common stock in full in this offering, the pro forma as adjusted net tangible book value after the offering would be $ per share, the increase in pro forma net tangible book value per share to existing stockholders would be $ per share and the dilution per share to new investors would be $ per share, in each case assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus.

The following table summarizes on the pro forma as adjusted basis described above, as of March 31, 2014, the differences between the number of shares purchased from us, the total consideration paid to us in cash and the average price per share paid by existing stockholders for shares issued prior to this offering and the price to be paid by new investors in this offering. The calculation below is based on the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of the prospectus, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors					
Total		100%		100%	

The foregoing tables and calculations exclude:

- 8,810,016 shares of common stock issuable upon exercise of stock options outstanding as of March 31, 2014, at a weighted average exercise price of $0.16 per share;
- shares of common stock issuable upon the exercise of outstanding warrants as of March 31, 2014, at a weighted average exercise price of $ per share, which warrants will terminate upon the completion of this offering if not previously exercised;
- shares of our common stock reserved for future issuance under our 2014 incentive award plan, or the 2014 plan, which will become effective on the business day prior to the public trading date of our common stock (including 1,360,000 shares of common stock reserved for future grant or issuance under our 2013 stock option plan as of March 31, 2014, which shares will be added to the shares reserved under the 2014 plan upon its effectiveness); and
- shares of common stock reserved for future issuance under our 2014 employee stock purchase plan, which will become effective on the business day prior to the public trading date of our common stock .

To the extent any outstanding options or warrants are exercised, there will be further dilution to new investors. If all of such outstanding options and warrants had been exercised as of March 31, 2014, the pro forma as adjusted net tangible book value per share after this offering would be $, and total dilution per share to new investors would be $.

If the underwriters exercise their over-allotment option to purchase additional shares of our common stock in full:

- the percentage of shares of common stock held by existing stockholders will decrease to approximately % of the total number of shares of our common stock outstanding after this offering; and
- the number of shares held by new investors will increase to , or approximately % of the total number of shares of our common stock outstanding after this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth selected consolidated historical financial data as of, and for the periods ended on, the dates indicated. We have derived the consolidated statements of operations data for the years ended December 31, 2012 and 2013 and the consolidated balance sheet data as of December 31, 2012 and 2013 from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations data for the three months ended March 31, 2013 and 2014 and the consolidated balance sheet data as of March 31, 2014 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus and have been prepared on the same basis as the audited consolidated financial statements. In the opinion of our management, the unaudited data reflects all adjustments, consisting of normal and recurring adjustments, necessary for the fair statement of results as of and for these periods. You should read this data together with our audited consolidated financial statements and related notes included elsewhere in this prospectus and the section in this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our historical results for any prior period are not indicative of our future results.

	Years Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
	(in thousands, except share and per share data)			
Consolidated Statements of Operations Data:				
Revenue	$ 926	$ 3,055	$ 363	$ 1,396
Operating expenses:				
Cost of revenue (excluding amortization of purchased technology)	1,974	2,830	517	1,191
Selling, general and administrative expenses	5,149	6,993	1,470	3,018
Research and development expenses	1,055	897	231	241
Amortization of intangible assets	214	214	54	54
Change in fair value of acquisition-related liabilities	(640)	1,265	310	89
Total operating expenses	7,752	12,199	2,582	4,593
Loss from operations	(6,826)	(9,144)	(2,219)	(3,197)
Interest expense	(463)	(941)	(56)	(458)
Loss on extinguishment of 2013 Notes	—	(3,286)	—	—
Other income (expense), net	7	(83)	—	96
Loss before income taxes	(7,282)	(13,454)	(2,275)	(3,559)
Income tax expense	42	42	10	10
Net loss and comprehensive loss	$ (7,324)	$ (13,496)	$ (2,285)	$ (3,569)
Net income (loss) attributable to common stockholders(1)	$ 370	$ (15,807)	$ (2,853)	$ (3,986)
Net income (loss) per share attributable to common stockholders—basic and diluted(1)	$ 0.06	$ (1.60)	$ (0.29)	$ (0.40)
Weighted average shares used to compute net income (loss) per share attributable to common stockholders—basic and diluted(1)	6,501,734	9,856,777	9,775,058	9,943,214
Pro forma net income (loss) per share attributable to common stockholders—basic and diluted (unaudited)(1)		$		$
Weighted average shares used to compute pro forma net loss per share attributable to common stockholders—basic and diluted (unaudited)(1)				

(1) See Note 3 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate the historical net income (loss) and the historical and pro forma net income (loss) per share attributable to common stockholders, basic and diluted, and the number of shares used in the computation of these per share amounts.

	As of December 31,		As of March 31,
	2012	2013	2014
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 2,745	$ 7,743	$ 9,487
Working capital (deficit)(1)	1,178	(2,552)	(5,983)
Total assets	11,266	16,451	18,019
Redeemable convertible preferred stock warrant liability	400	1,085	1,002
Borrowings	2,561	8,811	13,964
Capital lease obligations, long term	145	488	481
Redeemable convertible preferred stock	9,478	20,420	20,837
Total stockholders' deficit	(4,656)	(19,969)	(23,929)

(1) Working capital (deficit) represents the difference between current assets and current liabilities as follows for the periods included:

	As of December 31,		As of March 31,
	2012	2013	2014
	(in thousands)		
Total current assets	$3,570	$ 8,027	$ 9,709
Total current liabilities	2,392	10,579	15,692
Working capital (deficit)	$1,178	$ (2,552)	$ (5,983)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes and other financial information included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business and future financial performance, includes forward-looking statements that are based on current beliefs, plans and expectations and involve risks, uncertainties and assumptions. You should review the "Risk Factors" section of this prospectus for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Please also see the section of this prospectus entitled "Special Note Regarding Forward-Looking Statements."

Overview

We are a commercial-stage diagnostics company committed to addressing the significant unmet need for the accurate diagnosis and monitoring of patients affected by autoimmune rheumatic diseases. These chronic diseases can cause lifelong inflammation in the joints, tissues and internal organs, resulting in serious complications, such as irreversible organ damage. Untreated chronic inflammation can also lead to premature hardening of the arteries, heart attacks and strokes. The accurate, timely and differential diagnosis for patients suffering from the approximately 30 autoimmune rheumatic diseases, or ARDs, is critical as treatment for each disease can vary, and inappropriate or delayed therapy may expose patients to unnecessary risks or the hazards of uncontrolled disease activity. Physicians face significant difficulties in making a definitive diagnosis of a specific ARD because patients with different diseases often present with a common set of symptoms. We currently market three products under our Avise brand to provide an accurate, timely and differential diagnosis and to optimize the treatment of ARDs. We processed approximately 9,300 patient specimens for our lead diagnostic product line, Avise SLE, in 2013 and approximately 4,500 in the first quarter of 2014.

It is estimated that 11 million adults in the United States suffer from ARDs, including Rheumatoid Arthritis, or RA, Systemic Lupus Erythematosus, or SLE, Sjögren's syndrome, scleroderma, and Mixed Connective Tissue Disease, or MCTD. In addition, patients afflicted with fibromyalgia, a chronic neurologic disorder, have many of the same clinical symptoms as ARDs.

The diagnosis and treatment of ARDs is generally provided by the community rheumatologist, a sub-specialty of internal medicine which includes approximately 3,500 physicians in the United States. Patients often present to a rheumatologist after a lengthy referral process because of the similarity and overlap of symptoms among ARDs, the waxing and waning of these symptoms and the shortcomings of current diagnostic tests. Establishing a definitive diagnosis is often difficult and can take years. Throughout this time, patients may continue to suffer from the debilitating effects of their disease, receive inappropriate treatments and may face a significant financial burden. As a result, physicians strive to make an accurate diagnosis in a timely manner, especially for more serious ARDs, such as SLE, which can be life threatening.

We market and sell our solutions to community rheumatologists with our approximately 30 person sales force. Reimbursement for our testing services comes from several sources, including commercial third-party payers, such as insurance companies and health maintenance organizations, government payers, such as Medicare, and patients. Reimbursement rates vary by product and payer.

Since inception we have devoted substantially all our efforts developing and marketing products for the diagnosis, prognosis and monitoring of ARDs. Our revenues increased from $0.9 million in 2012 to $3.1 million in 2013, or 230%. We have never been profitable and, as of March 31, 2014, had an accumulated deficit of $77.9 million. We incurred net losses of $7.3 million, $13.5 million and $3.6 million in the years ended

December 31, 2012 and 2013 and for the three months ended March 31, 2014, respectively. As of March 31, 2014, we had cash and cash equivalents of $9.5 million.

Financial Overview

Revenue

We derive our revenue from the sale of our Avise products, most of which is attributable to our Avise SLE+CT test. We primarily market our products to rheumatologists and their physician assistants. The healthcare professionals who order our tests and to whom results are reported are generally not responsible for payment for these services. The parties that pay for these services, or payers, consist of commercial third-party payers, government payers, and patients.

As of March 31, 2014, substantially all of our revenue is recognized upon the earlier of payment notification, if applicable, or cash receipt. Our service is completed upon the delivery of test results to the prescribing physician, which triggers billing for the service. Because the timing and amount of cash payments received is difficult to predict, we expect that our revenue could fluctuate significantly in any given quarter.

Our ability to increase our revenue will depend on our ability to further penetrate the market for our current and any future products, and increase our reimbursement and collection rates for tests performed.

Cost of Revenue

Cost of revenue represents the expenses associated with obtaining and testing patient specimens. The components of our cost of revenue include materials costs, direct labor, equipment and infrastructure expenses associated with testing specimens, shipping charges to transport specimens, blood specimen collections fees, royalties, depreciation and allocated overhead, including rent and utilities. Costs associated with performing tests are recorded as the test is processed regardless of whether and when revenue is recognized with respect to that test. Because we currently recognize substantially all of our revenue upon cash receipt, the costs of our tests are often recognized in advance of any associated revenues. As a result, our cost of revenue as a percentage of revenue may vary significantly from period to period because we generally do not recognize the corresponding revenue in the period in which the associated costs are incurred.

We expect cost of revenue in absolute dollars to increase as the number of tests we perform increases. However, we expect that the cost per test will decrease over time due to volume discounts on materials and shipping costs and other volume efficiencies we may gain as the number of tests we perform increases.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of personnel costs, including stock-based compensation expense, direct marketing expenses, accounting and legal expenses, consulting costs, and allocated overhead including rent, information technology, equipment depreciation and utilities.

We anticipate that our selling, general and administrative expenses will increase in absolute dollars in future periods as we expand our sales and sales support functions. We also expect our selling, general and administrative expenses will increase as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the Securities and Exchange Commission, additional insurance expenses, investor relations activities and other administrative and professional services.

Research and Development Expenses

Research and development expenses include costs incurred to develop our technology, products and product candidates, collect clinical specimens and conduct clinical studies to develop and support our products and product candidates. These costs consist of personnel costs, including stock-based compensation expense,

materials, laboratory supplies, consulting costs, costs associated with setting up and conducting clinical studies and allocated overhead including rent and utilities. We expense all research and development costs in the periods in which they are incurred.

We expect our research and development expenses will increase in absolute dollars, potentially significantly, in future periods as we continue to invest in research and development activities related to our existing products and product candidates.

Amortization of Intangible Assets

Amortization of intangible assets represents the total amortization expense for our purchased technologies.

We expect our amortization of intangible assets to remain relatively constant over the next several years.

Change in Fair Value of Acquisition-Related Liabilities

In connection with a historical acquisition, we are required to pay an additional amount not to exceed $9.2 million in the event specified revenue, contractual and product launch milestones are achieved. The fair value of this contingent consideration is determined at the end of each reporting period based on probabilities assigned to the milestones being achieved, and interest rates. Changes in fair value are recorded in the consolidated statements of operations and comprehensive loss.

Interest Expense

Interest expense consists of cash and non-cash interest expense associated with our financing arrangements, including the borrowings under our term loan agreement with Capital Royalty.

Interest expense will likely increase over current levels for the next several years due to the draws we made under our term loan agreement.

Loss on Extinguishment of 2013 Notes

In 2013, we converted previously outstanding convertible promissory notes into shares of our Series D redeemable convertible preferred stock. Loss on extinguishment of 2013 notes represents the difference in the carrying amount of the convertible promissory notes and the fair value of the shares of Series D redeemable convertible preferred stock issued upon conversion of the notes.

Other Income (Expense), Net

Other income (expense), net consists primarily of changes in the measurement of the value of the liability associated with outstanding warrants exercisable for shares of our Series D redeemable convertible preferred stock, and in 2013, changes in the value of an embedded derivative recorded in connection with then-outstanding convertible promissory notes.

The outstanding warrants to purchase shares of our Series D redeemable convertible preferred stock are expected to be exercised in connection with this offering, or they will terminate, and will no longer be subject to measurement once exercised.

Income Tax Expense

Income taxes include federal and state income taxes in the United States.

Critical Accounting Policies and Significant Management Estimates

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

Revenue Recognition

Our revenues are derived from sales of our diagnostic, prognostic and monitoring products. We primarily market our testing services to rheumatologists and their physician assistants. The healthcare professionals who order our products and to whom test results are reported are generally not responsible for payment for these products. The parties that pay for these services consist of commercial third-party payers, Medicare and other government payers, and patients.

We recognize revenue when the following criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured.

Our service is completed upon the delivery of test results to the prescribing physician which triggers billing for the service. We recognize revenue related to billings to third-party payers on an accrual basis, net of contractual adjustments, only when we have established pricing with our third-party payers as indicated by contractual pricing arrangements or predictable patterns of payments for our services.

In the absence of a predictable pattern of reimbursement or a contract with a third-party payers, revenue is recognized upon the earlier of payment notification, if applicable, or cash receipt. We currently recognize revenue on a cash basis from sales of our products. The assessment of the fixed or determinable nature of the fees charged and the collectability of those fees requires significant judgment by management. Accordingly, we expect to recognize revenue on a cash basis until we have sufficient history to reliably estimate payment patterns.

As of December 31, 2012 and 2013 and March 31, 2013 and 2014, substantially all of our revenue is recognized upon the earlier of payment notification, if applicable, or cash receipt.

Goodwill and Intangible Assets

We apply Financial Accounting Standards Codification, or FASB, Accounting Standards Codification, or ASC, Topic 805, "*Business Combinations*" and FASB ASC Topic 350, "*Intangibles—Goodwill and Other*" to account for goodwill and intangible assets. In accordance with these standards, we amortize all finite lived intangible assets over their respective estimated useful lives, while goodwill has an indefinite life and is not amortized. We review finite lived intangible assets subject to amortization for impairment whenever events or circumstances indicate that the associated carrying amount may not be recoverable. Goodwill is not amortized but is tested for impairment at least annually or more frequently whenever a triggering event or change in circumstances occurs, at the reporting unit level. We are required to recognize an impairment charge if the carrying amount of the reporting unit exceeds its fair value.

Management uses all available information to make this fair value determination, including the present values of expected future cash flows using discount rates commensurate with the risks involved in the assets and observed market multiples of operating cash flows. In addition, if the estimated fair value of the reporting unit is less than the book value (including the goodwill), further management judgment must be applied in determining the fair values of individual assets and liabilities for purposes of the hypothetical purchase price allocation. No provision for goodwill or other intangible asset impairments was recorded during the three months ended March 31, 2014, or the years ended December 31, 2012 and 2013. However, a lower fair value estimate in the future could result in impairment. Following the completion of this offering, our stock price and associated market capitalization will also be considered in the determination of reporting unit fair value. A prolonged or significant decline in our share price could provide evidence of a need to record a material impairment of goodwill.

Stock-Based Compensation

We recognize compensation costs related to stock options granted to employees based on the estimated fair value of the awards on the date of grant, net of estimated forfeitures. We estimate the grant date fair value, and the resulting stock-based compensation expense, using the Black-Scholes option-pricing model. The grant date fair value of stock-based awards is expensed on a straight-line basis over the vesting period of the respective award.

We account for stock-based compensation arrangements with non-employees using a fair value approach. The fair value of these options is measured using the Black-Scholes option-pricing model reflecting the same assumptions as applied to employee options in each of the reported periods, other than the expected life, which is assumed to be the remaining contractual life of the option. The compensation costs of these arrangements are subject to remeasurement over the vesting terms as earned.

We recorded stock-based compensation expense of approximately $116,000, $152,000 and $26,000 for the years ended December 31, 2012 and 2013, and the three months ended March 31, 2014, respectively. We expect to continue to grant stock options and other equity-based awards in the future, and to the extent that we do, our stock-based compensation expense recognized in future periods will likely increase.

The Black-Scholes option-pricing model requires the use of highly subjective and complex assumptions, which determine the fair value of stock-based awards. If we had made different assumptions, our stock-based compensation expense, net loss and net loss per share of common stock could have been significantly different. Our assumptions are as follows:

- *Fair value of our common stock.* Because our stock was not publicly traded prior to this offering, we estimate the fair value of our common stock. See “—Significant Factors, Assumptions and Methodologies Used in Determining Fair Value of Our Common Stock” below. Upon the completion of this offering, our common stock will be valued by reference to the publicly-traded price of our common stock.
- *Expected term.* The expected term represents the period that the stock-based awards are expected to be outstanding. Our historical share option exercise experience does not provide a reasonable basis upon which to estimate an expected term because of a lack of sufficient data. Therefore we estimate the expected term by using the simplified method, which calculates the expected term as the average of the time-to-vesting and the contractual life of the options.
- *Expected volatility.* As our common stock has never been publicly traded, the expected volatility is derived from the average historical volatilities of publicly traded companies within our industry that we consider to be comparable to our business over a period approximately equal to the expected term. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.

- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term.
- *Expected dividend.* The expected dividend is assumed to be zero as we have never paid dividends and have no current plans to pay any dividends on our common stock.
- *Expected forfeiture.* We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. To the extent actual forfeitures differ from the estimates, the difference will be recorded as a cumulative adjustment in the period that the estimates are revised.

Significant Factors, Assumptions and Methodologies Used in Determining Fair Value of Our Common Stock

We are also required to estimate the fair value of the common stock underlying our stock-based awards when performing the fair value calculations using the Black-Scholes option-pricing model. Our board of directors, with the assistance of management, determined the fair value of our common stock on each grant date. All options to purchase shares of our common stock are intended to be granted with an exercise price per share no less than the fair value per share of our common stock underlying those options on the date of grant, based on the information known to us on the date of grant.

Because there has been no public market for our common stock, the fair value of the common stock that underlies our stock options has historically been determined by our board of directors based upon information available to it at the time of grant, including the following:

- contemporaneous valuations performed by independent third-party firms;
- our current and projected operating and financial performance, including our levels of available capital resources;
- trends and developments in our industry;
- the valuation of publicly traded companies in our sector, as well as recently completed initial public offerings and mergers and acquisitions of comparable companies;
- rights, preferences and privileges of our common stock compared to the rights, preferences and privileges of our other outstanding equity securities;
- U.S. and global economic and capital market conditions;
- the likelihood of achieving a liquidity event for the shares of common stock, such as an initial public offering or an acquisition of our company given prevailing market and sector conditions;
- the illiquidity of our securities by virtue of being a private company;
- business risks; and
- management and board experience.

The valuations of our common stock performed by independent third-party firms were performed in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. Historically, we utilized an option pricing method to allocate our business enterprise value to our common stock and common stock equivalents. Beginning in March 2014, we began utilizing a probability-weighted expected returns method, or PWERM, valuation approach. Under this approach, the valuation of our common stock was based upon the probability-weighted present value of expected future returns, considering each of the possible future scenarios available to us.

Our business enterprise value was estimated using a combination of two generally accepted approaches: the income approach and the market-based approach. The income approach estimates enterprise value based on the estimated present value of future net cash flows the business is expected to generate over its remaining life. The

estimated present value is calculated using a discount rate reflective of the cost of capital associated with an investment in a similar company and risks associated with our cash flow projections. Our discounted cash flow projections are sensitive to highly subjective assumptions that we were required to make each valuation date. The market-based approach measures the value of a business through an analysis of recent sales or offerings of comparable investments or assets, and in our case, focuses on comparing us to the group of peer companies. In applying this method, valuation multiples are derived from historical operating data of the peer company group. We then apply multiples to our operating data to arrive at a range of indicated values of the company. For each valuation, we prepared a financial forecast to be used in the computation of the value of invested capital for both the market approach and income approach. The financial forecasts took into account our past results and expected future financial performance. There is inherent uncertainty in these estimates as the assumptions used are highly subjective and subject to changes as a result of new operating data and economic and other conditions that impact our business.

If we had made different assumptions than those used, the amount of our stock-based compensation expense, net income and net income per share amounts could have been significantly different. Following the completion of this offering, the fair value per share of our common stock for purposes of determining stock-based compensation expense will be the closing price of our common stock as reported on the applicable grant date.

The compensation cost that has been included in the consolidated statement of operations for all stock-based compensation arrangements is as follows (in thousands):

	Years Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
			(Unaudited)	
Cost of revenue	$ 3	$ 2	$ —	$ 1
Selling, general and administrative expenses	92	125	31	22
Research and development expense	21	25	7	3
Total stock-based compensation expense	$116	$152	$ 38	$ 26

Based on the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, the intrinsic value of stock options outstanding as of March 31, 2014 would be $ million, of which $ million and $ million would have been related to stock options that were vested and unvested, respectively, at that date.

Estimated Fair Value of Redeemable Convertible Preferred Stock Warrants, Embedded Derivative Liabilities and Acquisition-Related Liabilities

We account for our redeemable convertible preferred stock warrant liabilities as freestanding instruments for shares that are puttable or redeemable. These warrants are classified as liabilities on our consolidated balance sheets and are recorded at their estimated fair values. At the end of each reporting period, changes in estimated fair value during the period are recorded as a component of other income (expense), net in the accompanying statement of operations and comprehensive loss. We will continue to re-measure the fair value of the warrant liabilities until: (i) exercise, (ii) expiration of the related warrant, or (iii) conversion of the preferred stock underlying the security into common stock, which will occur in connection with this offering.

We estimate the fair values of our warrant liabilities using an option pricing model based on inputs as of the valuation measurement dates, including the fair value of our redeemable convertible preferred stock, the estimated volatility of the price of our redeemable convertible preferred stock, the expected term of the warrants and the risk-free interest rates.

In 2013, we converted previously outstanding convertible promissory notes into shares of our Series D redeemable convertible preferred stock at a 20% discount to the issuance price of such shares. We determined this

discount to be an embedded put feature derivative requiring bifurcation and separate accounting. Accordingly, we recorded a derivative liability which was remeasured to fair value through the conversion of the convertible notes. The related remeasurement adjustments were recognized as a change in fair value of derivative liabilities associated with the convertible promissory notes in the consolidated statements of operations and comprehensive loss.

The inputs used to determine the estimated fair value of these derivative instruments included the probability of potential settlement scenarios for the convertible promissory notes, an estimate of the expected timing of settlement, expected volatility and risk-free interest rates.

In connection with a historical acquisition, we are required to pay an additional amount not to exceed $9.2 million in the event specified revenue, contractual and product launch milestones are achieved. This contingent liability requires the use of inputs which are not observable in the market to assess its fair value at the end of each reporting period. For this liability, fair value is determined based on probabilities assigned to the milestones being achieved, and interest rates. Changes in fair value are recorded in the consolidated statements of operations and comprehensive loss.

Income Taxes

We file U.S. federal income tax returns and tax returns in California and New Mexico. To date, we have not been audited by the Internal Revenue Service or any state income tax authority, however all tax years remain open for examination by federal tax authorities.

As of December 31, 2013, our gross deferred tax assets were $10.2 million. The deferred tax assets were primarily comprised of federal and state tax net operating loss and tax credit carryfowards. We have performed an analysis to determine whether an “ownership change” occurred from inception to December 31, 2013. Based on this analysis, we determined that we did experience a historical ownership change of greater than 50% in 2008. Therefore, our ability to utilize our net operating losses incurred prior to this date is limited.

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

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP. There are also areas in which our management’s judgment in selecting any available alternative would not produce a materially different result. Please see our audited consolidated financial statements and notes thereto included elsewhere in this prospectus, which contain accounting policies and other disclosures required by GAAP.

Results of Operations

Comparison of the Three Months Ended March 31, 2013 and 2014

	Three Months Ended March 31,		Dollar Change
	2013	2014	
	(In thousands) (Unaudited)		
Revenue	$ 363	$ 1,396	$ 1,033
Operating expenses:			
Cost of revenue (excluding amortization of purchased technology)	517	1,191	674
Selling, general and administrative expenses	1,470	3,018	1,548
Research and development expenses	231	241	10
Amortization of intangible assets	54	54	—
Change in fair value of acquisition-related liabilities	310	89	(221)
Total operating expenses	2,582	4,593	2,011
Loss from operations	(2,219)	(3,197)	(978)
Interest expense	(56)	(458)	(402)
Other income (expense), net	—	96	96
Loss before income taxes	(2,275)	(3,559)	(1,284)
Income tax expense	10	10	—
Net loss	$ (2,285)	$ (3,569)	$(1,284)

Revenue

Revenue increased $1.0 million, or 285%, in the three months ended March 31, 2014 compared to the three months ended March 31, 2013, primarily due to an increase in the number of Avise SLE diagnostic products for which we collected revenue and an increase in average reimbursement per test. We increased the number of Avise SLE diagnostic products for which we collected revenue by 200% to 2,906 for the three months ended March 31, 2014 compared to 968 for the three months ended March 31, 2013.

Cost of Revenue

Cost of revenue increased $0.7 million, or 130%, in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. This increase is primarily due to an increase in variable costs which are directly related to the increase in the number of Avise SLE diagnostic patient specimens received for testing.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $1.5 million, or 105%, in the three months ended March 31, 2014 compared to the three months ended March 31, 2013. This increase was primarily due to increases in headcount, including expansion of the sales force to approximately 30 representatives during the three months ended March 31, 2014 from eight during the three months ended March 31, 2013, as well as higher commissions, bonus and stock-based compensation expense.

Costs that tend to vary based on revenue, which include commissions and performance-based compensation and other sales and marketing employee related expenses, increased $0.8 million in the three months ended March 31, 2014 compared to the three months ended March 31, 2013, resulting from our continuing expansion of our dedicated sales force. In addition, third party billing fees increased $0.1 million due to increases in the number of tests performed and billed.

Compensation and other employee related expenses for our general and administrative support functions increased $0.2 million in the three months ended March 31, 2014 compared to the three months ended March 31, 2013, resulting primarily from additions to our headcount. In addition, expenses incurred for accounting and legal services increased $0.2 million in the three months ended March 31, 2014 compared to the three months ended March 31, 2013.

Research and Development Expenses

Research and development expenses remained relatively consistent for the three months ended March 31, 2014 compared to the three months ended March 31, 2013.

Amortization of Intangible Assets

Amortization of intangible assets remained consistent for the three months ended March 31, 2014 compared to the three months ended March 31, 2013.

Change in Fair Value of Acquisition-Related Liabilities

Change in fair value of acquisition-related liabilities decreased $0.2 million, or 71%, in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 due to changes in our estimates of the probabilities and timing associated with achieving certain revenue, contractual and product launch milestones in connection with a historical acquisition.

Interest Expense

Interest expense increased $0.4 million, or 718%, in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily as result of increased interest expense related to the $10.0 million outstanding under our term loan agreement, which we drew down in October 2013.

Other Income (Expense), Net

Other income (expense), net increased $0.1 million in the three months ended March 31, 2014 compared to the three months ended March 31, 2013 primarily as result of the change in the fair value of the redeemable convertible preferred stock warrant liability.

Comparison of the Years Ended December 31, 2012 and 2013

	Year Ended December 31,		Dollar Change
	2012	2013	
	(In thousands)		
Revenue	$ 926	$ 3,055	$ 2,129
Operating expenses:			
Cost of revenue (excluding amortization of purchased technology)	1,974	2,830	856
Selling, general and administrative expenses	5,149	6,993	1,844
Research and development expenses	1,055	897	(158)
Amortization of intangible assets	214	214	—
Change in fair value of acquisition-related liabilities	(640)	1,265	1,905
Total operating expenses	7,752	12,199	4,447
Loss from operations	(6,826)	(9,144)	(2,318)
Interest expense	(463)	(941)	478
Loss on extinguishment of 2013 Notes	—	(3,286)	3,286
Other income (expense), net	7	(83)	90
Loss before income taxes	(7,282)	(13,454)	(6,172)
Income tax expense	42	42	—
Net loss	$ (7,324)	$ (13,496)	$(6,172)

Revenue

Revenue increased $2.1 million, or 230%, in 2013 compared to 2012. This increase was primarily due to an increase in the number of Avise SLE diagnostic products for which we collected revenue following the launch of our Avise SLE diagnostic test in January 2012 and our Avise SLE+CT diagnostic test in August 2012. We increased the number of Avise SLE diagnostic products for which we collected revenue by 354% to 6,909 in 2013 compared to 1,520 in 2012.

Cost of Revenue

Cost of revenue increased $0.9 million, or 43%, in 2013 compared to 2012. This increase is primarily due to increase in variable costs which are directly related to the increase in the number of Avise SLE patient specimens received for analysis under our Avise SLE diagnostic products, offset by a decrease in labor, overhead, and related costs per test as we capture economies of scale related to the increase in patient specimens.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $1.8 million, or 36%, in 2013 compared to 2012. This increase was primarily due to increases in headcount, including higher commissions, bonus and stock-based compensation expense.

Costs that tend to vary based on revenue, which include commissions and performance-based compensation and other sales and marketing employee related expenses, increased $1.0 million in 2013 compared to 2012, resulting from our continuing expansion of our dedicated sales force. In addition, third party billing fees increased $0.2 million due to increases in the number of tests performed and billed.

Compensation and other employee related expenses for our general and administrative support functions increased $0.5 million in 2013 as compared to 2012, resulting from additions to our headcount.

Research and Development Expenses

Research and development expenses decreased $0.2 million, or 15%, in 2013 compared to 2012 primarily due to the completion of clinical trials in 2012 related to the Avise SLE product launch.

Amortization of Intangible Assets

Amortization of intangible assets remained consistent in 2013 compared to 2012.

Change in Fair Value of Acquisition-Related Liabilities

Change in fair value of acquisition-related liabilities increased $1.9 million, or 298%, in 2013 compared to 2012 due to changes in our estimates of the probabilities and timing associated with achieving revenue, contractual and product launch milestones related to a historical acquisition.

Interest Expense

Interest expense increased $0.5 million, or 103%, in 2013 compared to 2012 primarily as result of increased interest expense related to the $10.0 million outstanding under our term loan agreement, which we drew down in October 2013.

Loss on Extinguishment of 2013 Notes

In 2013, we converted previously outstanding convertible promissory notes into shares of our Series D redeemable convertible preferred stock. Loss on extinguishment of 2013 notes of $3.3 million represents the difference in the carrying amount of the convertible promissory notes and the fair value of the shares of Series D redeemable convertible preferred stock issued upon conversion of the notes. No comparable transaction occurred in 2012.

Other Income (Expense), Net

Other income (expense), net decreased $0.1 million in 2013 compared to 2012 primarily as result of changes in the fair value of the redeemable convertible preferred stock warrant liabilities and other embedded derivatives that existed in 2013.

Liquidity and Capital Resources

We have incurred net losses since our inception. For the years ended December 31, 2012 and 2013 and for the three months ended March 31, 2014, we had a net loss of $7.3 million, $13.5 million and $3.6 million, respectively, and we expect to incur additional losses this year and in future years. As of March 31, 2014, we had an accumulated deficit of $77.9 million. To date, we have generated only limited revenue, and we may never achieve revenue sufficient to offset our expenses.

Since inception, our operations have been financed primarily by net proceeds of approximately $82.0 million from sales of our common and redeemable convertible preferred stock and borrowings under various debt financings. As of December 31, 2013 and March 31, 2014, we had $7.7 million and $9.5 million of cash and cash equivalents, respectively.

In October 2013, we entered into a term loan agreement, under which we drew down an initial $10.0 million in October 2013 and another $5.0 million on March 31, 2014. Loans drawn under the term loan agreement are being used for working capital and general corporate purposes.

The loan accrues interest at an annual rate equal of 14%, 10% of which is payable in cash on a quarterly basis and 4% of which we have elected to capitalize as part of the outstanding loan obligation. We are required to

repay any outstanding principal and capitalized interest in quarterly installments over a two-year period, commencing on December 31, 2016. We may, at our option, prepay the term loan borrowings by paying the lender a prepayment premium.

Our obligations under the term loan agreement are secured by a security interest in substantially all of our personal property, including our intellectual property. The loan and security agreement contains customary conditions to borrowing, events of default, and covenants, including covenants requiring us to maintain a minimum liquidity of at least $2.0 million and achieve certain minimum amounts of revenue, and limiting our ability to dispose of assets, undergo a change in control, merge with or acquire other entities, incur debt, incur liens, pay dividends or other distributions to holders of our capital stock, repurchase stock and make investments, in each case subject to certain exceptions.

In connection with the execution of the term loan agreement, we issued the lenders a ten-year warrant to purchase 3,186,430 shares of our Series D redeemable convertible preferred stock at an exercise price of $0.25 per share, and a ten-year warrant to purchase 3,186,430 shares of our common stock at an exercise price of $0.01 per share. In November 2013, we also issued a warrant to purchase 988,000 shares of our Series D redeemable convertible preferred stock at an exercise price of $0.25 per share to an investment advisor involved in the consummation of the term loan agreement.

Our primary uses of cash are to fund our operations as we continue to grow our business. We expect to continue to incur operating losses in the near term as our operating expenses will be increased to support the growth of our business. We expect that our cost of revenue, selling, general and administrative, research and development expenses will continue to increase as we increase our test volume, expand our marketing efforts and increase our internal sales force to drive increased adoption of and reimbursement for our Avise products, prepare to commercialize new products, continue our research and development efforts and further develop our product pipeline. We expect that we will use a substantial portion of the net proceeds of this offering, in combination with our existing cash and cash equivalents, for these purposes and for the increased expenses associated with being a public company. We recently completed the build-out of our laboratory in Vista, California, and we believe we have sufficient laboratory capacity to support increased test volume. Other than the addition of laboratory equipment, we expect that we will not need to make material capital expenditures in the near term related to our laboratory facilities. Cash used to fund operating expenses is impacted by the timing of when we pay expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

We expect that our near-and longer-term liquidity requirements will continue to consist of working capital and general corporate expenses associated with the growth of our business. Based on our current business plan, we believe that the estimated net proceeds from this offering, together with our existing cash and cash equivalents as of March 31, 2014 and our anticipated future product revenue, will be sufficient to meet our anticipated cash requirements for at least the next 18 months. Management may elect, however, to finance operations by utilizing additional debt or selling equity securities. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders may be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. If additional funding is required or desired, there can be no assurance that additional funds will be available to us on acceptable terms on a timely basis, if at all, or that we will generate sufficient cash from operations to adequately fund our operating needs or achieve or sustain profitability. If we are unable to raise additional capital or generate sufficient cash from operations to adequately fund our operations, we will need to curtail planned activities to reduce costs. Doing so will likely have an unfavorable effect on our ability to execute on our business plan. If we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, financial condition, and results of operations could be adversely affected.

Our estimate of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors. We have based this estimate on assumptions that may prove to be wrong, and we may utilize our available capital resources sooner than we currently expect.

The following table summarizes our cash flows for the three months ended March 31, 2013 and 2014 and the years ended December 31, 2012 and 2013:

	Years Ended December 31,		Dollar Change	Three Months Ended March 31,		Dollar Change
	2012	2013		2013	2014	
	(In thousands)			(Unaudited)		
Net cash provided by (used in):						
Operating activities	$ (7,477)	$ (6,865)	$ 612	$ (1,778)	$ (3,197)	$(1,419)
Investing activities	(1,133)	549	1,682	631	(45)	(676)
Financing activities	7,252	11,314	4,062	(770)	4,986	5,756
(Decrease) Increase in cash and cash equivalents	$ (1,358)	$ 4,998	$6,356	$ (1,917)	$ 1,744	$ 3,661

Cash Flows from Operating Activities

Cash used in operating activities was $3.2 million for the three months ended March 31, 2014 compared to $1.8 million for the three months ended March 31, 2013. The $1.4 million increase in cash used in operating activities was primarily due to the increase in our net loss of $1.3 million for the three months ended March 31, 2014 compared to March 31, 2013.

Cash used in operating activities was $6.9 million in 2013 compared to $7.5 million in 2012. The $0.6 million decrease in cash used in operating activities was primarily due to increases in changes in accounts payable and accrued liabilities of approximately $1.3 million due to the growth in our operations and the timing of payments offset by a $0.6 million increase in net cash used by losses, as adjusted for change in fair value of acquisition-related liabilities, amortization of debt discount and other non-cash interest expense, loss on extinguishment of 2013 notes, depreciation and amortization expense.

Cash Flows from Investing Activities

Cash used in investing activities was $0.1 million for the three months ended March 31, 2014 compared to cash provided by investing activities of $0.6 million for the three months ended March 31, 2013. The $0.7 million decrease in cash provided by investing activities is primarily attributable to the return of approximately $0.6 million of restricted cash related to the subsequently retired borrowing facility with a bank received in the three months ended March 31, 2013.

Cash provided by investing activities was $0.5 million in 2013 compared to cash used in investing activities of $1.1 million in 2012. The $1.7 million decrease in cash used in investing activities is primarily attributable to the $1.4 million change in the activity in restricted cash related to a borrowing facility with a bank that was retired in 2013, offset by a decrease of approximately $0.3 million in purchases of intangible assets, property and equipment.

Cash Flows from Financing Activities

Cash provided by financing activities was $5.0 million for the three months ended March 31, 2014 compared to cash used in financing activities of $0.8 million for the three months ended March 31, 2013. The $5.8 million increase in cash provided by financing activities is due to a $5 million draw made under our term loan agreement in March 2014, and repayments totaling approximately $0.6 million on bank borrowings in the three months ended March 31, 2013.

Cash provided by financing activities was $11.3 million in 2013 compared to $7.3 million in 2012. The $4.1 million increase in cash provided from financing activities is due to a $10.0 million draw made under our term loan agreement in October 2013, offset by increases in payments on long term debt of $2.6 million and a decrease of $2.9 million in the net proceeds received from the sale of our redeemable convertible preferred stock.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2013:

	Payments Due by Period				
	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
	(In thousands)				
Operating leases(1)	$ 211	$ 357	$ 11	$ —	$ 579
Capital leases	196	358	260	—	814
Firm purchase commitments	261	564	593	—	1,418
2013 term loan agreement(2)	1,037	3,724	11,242	—	16,003
	$ 1,705	$5,003	$12,106	$ —	$18,814

(1) We currently lease 14,000 square feet of office and laboratory space in Vista, California, under a lease that expires in 2017, with options to extend the lease for two additional 36-month periods. We also lease approximately 3,200 square feet of office space in Albuquerque, New Mexico, under a lease that expires in 2014.

(2) In October 2013, we entered into our term loan agreement and made an initial draw of $10.0 million. In March 2014, we drew an additional $5.0 million under the term loan agreement that is not included in the table above. Payments above include principal and interest.

The contractual obligations table does not include any potential contingent payments upon the achievement by us of specified sales-based and other milestones, or royalty payments we may be required to make under license agreements we have entered into pursuant to which we have in-licensed certain intellectual property, including our license agreements with the University of Pittsburgh, Prometheus, Orgentec and Dr. Dervieux . See “Business—Intellectual Property Overview—License Agreements” for additional information. The timing of when these payments will actually be made is uncertain and the payments are contingent upon the completion of future activities.

Off-Balance Sheet Arrangements

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

Controls and Procedures

A company’s internal control over financial reporting is a process designed by, or under the supervision of, a company’s principal executive and principal financial officers, or persons performing similar functions, and effected by a company’s board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate. In connection with our preparation for this offering, we concluded that there was a material weakness in our internal control over financial reporting that caused the restatement of our previously issued financial statements as of and for the year ended December 31, 2012. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness that we identified was that we did not maintain a

sufficient complement of resources with an appropriate level of accounting knowledge, experience and training commensurate with our structure and financial reporting requirements.

During the fourth quarter of 2013 and in preparation for this offering, we initiated various remediation efforts, including hiring additional resources with the appropriate public company and technical accounting expertise and have taken other actions that are more fully described below. As such remediation efforts are still ongoing, we have concluded that the material weakness has not been remediated. Our remediation efforts to date have included the following:

- *Addition of employee resources.* We continue to add appropriate resources to our finance team and are leveraging external consultants to facilitate accurate and timely accounting closes and to accurately prepare and review financial statements and related footnote disclosure. Our finance team has been expanded to include a Corporate Controller and a Director of Financial Planning and Analysis, both with significant public company and life science industry experience, a Director of Revenue Assurance, and external consultants with significant financial and accounting technical experience
- *Other actions to strengthen the internal control environment.* As a result of the additional resources added to the finance function, we are allowing for separate preparation and review of the reconciliations and other account analyses. In addition, we are implementing a new accounting software system which will allow us to strengthen certain control procedures.

The actions that have been taken are subject to continued review, supported by confirmation and testing by management as well as audit committee oversight. While we have implemented a plan to remediate this weakness, we cannot assure you that we will be able to remediate this weakness, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows. For additional information about this material weakness, see “Risk Factors—Risks Related to this Offering and the Ownership of Our Common Stock—We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future that may cause us to fail to meet our reporting obligations or result in material misstatements of our consolidated financial statements. If we fail to remediate one or more material weaknesses or if we fail to establish and maintain effective control over financial reporting, our ability to accurately report our financial results could be adversely affected.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rates. We had cash and cash equivalents of $7.7 million and $9.5 million as of December 31, 2013 and March 31, 2014, respectively, which consist of bank deposits. Such interest-bearing instruments carry a degree of risk; however, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our consolidated financial statements.

JOBS Act Accounting Election

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for an “emerging growth company.” As an emerging growth company, we are electing not to take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards, 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 not to take advantage of the extended transition period is irrevocable. In addition, we are in the process of evaluating the benefits of relying on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if as an emerging growth company we choose to rely on such exemptions, we may not be required to, among other things, (1) provide an auditor’s attestation

report on our system of internal controls over financial reporting pursuant to Section 404, (2) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (3) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis), and (4) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer's compensation to median employee compensation. These exemptions will apply for a period of five years following the completion of our initial public offering or until we no longer meet the requirements of being an emerging growth company, whichever is earlier.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update, or ASU, 2014-09, *Revenue from Contracts with Customers*, which provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for annual periods beginning after December 15, 2016 (fiscal 2018) and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, which provides for changes to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. These changes require an entity to present an unrecognized tax benefit as a liability in the financial statements if (i) a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or (ii) the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset to settle any additional income taxes that would result from the disallowance of a tax position. Otherwise, an unrecognized tax benefit is required to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. These changes become effective for us on January 1, 2014. We are currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

BUSINESS

Overview

We are a commercial-stage diagnostics company committed to addressing the significant unmet need for the accurate diagnosis and monitoring of patients affected by autoimmune rheumatic diseases. These chronic diseases can cause lifelong inflammation in the joints, tissues and internal organs, resulting in serious complications, such as irreversible organ damage. Untreated chronic inflammation can also lead to premature hardening of the arteries, heart attacks and strokes. The accurate, timely and differential diagnosis for patients suffering from the approximately 30 autoimmune rheumatic diseases, or ARDs, is critical as treatment for each disease can vary, and inappropriate or delayed therapy may expose patients to unnecessary risks or the hazards of uncontrolled disease activity. Physicians face significant difficulties in making a definitive diagnosis of a specific ARD because patients with different diseases often present with a common set of symptoms. We currently market three products under our Avise brand to provide an accurate, timely and differential diagnosis and to optimize the treatment of ARDs. We processed approximately 9,300 patient specimens for our lead diagnostic product line, Avise SLE, in 2013 and approximately 4,500 in the first quarter of 2014.

It is estimated that 11 million adults in the United States suffer from ARDs, including Rheumatoid Arthritis, or RA, Systemic Lupus Erythematosus, or SLE, Sjögren's syndrome, scleroderma, and Mixed Connective Tissue Disease, or MCTD. In addition, patients afflicted with fibromyalgia, a chronic neurologic disorder, have many of the same clinical symptoms as ARDs.

The diagnosis and treatment of ARDs is generally provided by the community rheumatologist, a sub-specialty of internal medicine which includes approximately 3,500 physicians in the United States. Patients often present to a rheumatologist after a lengthy referral process because of the similarity and overlap of symptoms among ARDs, the waxing and waning of these symptoms and the shortcomings of current diagnostic tests. Establishing a definitive diagnosis is often difficult and can take years. Throughout this time, patients may continue to suffer from the debilitating effects of their disease, receive inappropriate treatments and may face a significant financial burden. As a result, physicians strive to make an accurate diagnosis in a timely manner, especially for more serious ARDs, such as SLE, which can be life threatening.

Our lead product, Avise SLE+CT, is a proprietary diagnostic test that provides an enhanced solution for patients presenting with symptoms indicative of a wide variety of ARDs, such as SLE, RA, Sjögren's, scleroderma and other disorders that mimic ARDs such as fibromyalgia. Avise SLE+CT allows physicians to more accurately rule-in or rule-out SLE and inform decisions about the presence of other ARDs, all with the convenience of one blood draw. Differential diagnosis of these diseases is critically important because earlier diagnosis has been shown to improve patient outcomes. Once diagnosed, physicians can tailor therapy to a patient's specific disease and avoid the "trial and error" approach that often takes place when a definitive diagnosis cannot be made.

We have validated the clinical utility of Avise SLE 2.0, the proprietary component of our Avise SLE+CT solution, in a multi-center study in an aggregate of 794 subjects, preliminary results of which were presented at the American College of Rheumatology, or ACR, annual conference in 2013. The primary endpoint of the study was the performance characteristics, specifically sensitivity and specificity, of Avise SLE 2.0 compared to common autoantibodies used to diagnose SLE and other ARDs, such as antinuclear antibodies, or ANA, and anti-double stranded DNA, or anti-dsDNA. The final results of this study showed that Avise SLE 2.0 demonstrated 86% specificity and 80% sensitivity in distinguishing SLE from other ARDs, was 33% more specific than ANA and was 48% more sensitive than anti-dsDNA. Avise SLE 2.0 includes Cell Bound Complement Activation Products, or CBCAPs, technology, which we exclusively license from the University of Pittsburgh. This technology is the result of over a decade of extensive research and development conducted at the Lupus Center of Excellence at the University of Pittsburgh Medical Center.

In addition to Avise SLE+CT, we also offer Avise SLE Prognostic, a test that provides additional information to better manage patients diagnosed with SLE. Specifically, our Avise SLE Prognostic report includes information regarding an SLE patient's risk of developing kidney damage, or neurologic or cardiovascular complications. We offer the Avise SLE Prognostic test, which we launched in June 2014, to physicians as a complement to Avise SLE+CT.

We also market Avise MTX, a drug monitoring solution that provides physicians with information to support the optimization of methotrexate, or MTX, a front-line treatment prescribed in over 70% of patients with RA. This solution has been validated prospectively in a number of studies published in peer-reviewed medical journals.

We intend to develop additional innovative, high value diagnostic solutions for the rheumatologist while continuing to improve the performance characteristics of our currently marketed products. In particular, we are developing and validating testing solutions that are designed to assist rheumatologists with the monitoring of disease activity in patients with SLE and monitoring the active drug levels of some of the more commonly prescribed pharmaceuticals for the treatment of ARDs. We are conducting validation studies for these products in collaboration with academic centers of excellence and intend to publish the results of these studies in peer-reviewed medical journals.

Our Strategy

Our goal is to establish ourselves as the preeminent provider of testing solutions to rheumatologists by offering a comprehensive set of tools to effectively diagnose and optimize the treatment of patients with ARDs. To achieve this objective, we intend to:

- *Accelerate the adoption of our existing products.* We plan to expand the use of our Avise product suite by adding new physicians to our customer base as well as increasing utilization among our existing customers. We have recently increased our specialty sales force and expect to selectively add more sales representatives to extend our reach and frequency of engagement with community rheumatologists. In addition, we are conducting medical education seminars for physicians through our community speaker programs, where national and regional thought leaders present information regarding the clinical utility of our products. We will continue to heighten awareness by seeking exhibit and speaker sponsorship opportunities at leading rheumatology medical conferences.
- *Further demonstrate the clinical utility of our products to drive adoption and support reimbursement.* We are conducting additional clinical studies to facilitate the adoption of our testing solutions. We plan to continue to present the results of our studies at national scientific meetings and publish results in peer-reviewed medical journals. We plan to use data from our ongoing trials combined with existing data and our core expertise in managed care, claims adjudication and billing to drive broader access and support reimbursement.
- *Expand our portfolio of high value testing solutions.* We are continuing to develop additional products to address the significant challenges in the diagnosis, prognosis and monitoring of patients with ARDs, and plan to launch four new products by the end of 2016. We believe that by providing a broader set of innovative solutions, we can enhance our value proposition to rheumatologists.
- *Establish ourselves as the trusted partner to the rheumatologist.* We intend to continue to build upon our relationship with the rheumatology community. Our reputation with our physician customers is built on their confidence in the quality of our testing solutions, the timely delivery of our test reports and the value of our consultative support. Our laboratory reports deliver critical information in a form that is optimized for the physician's ease of use. We will also explore opportunities for physicians to access our extensive database of test results. We believe that these measures will position us as a trusted partner to our physician customers and allow us to leverage the resources and infrastructure that we have dedicated to these customers.

- *Engage in partnerships to access additional market opportunities.* We believe there is meaningful potential for our current and future products beyond the rheumatology specialty, particularly for those physician groups that see patients earlier in the diagnostic process. For example, because ARDs are most common in women, obstetrics and gynecology, or OB/GYN, specialists are often the first physicians to see a patient presenting with ARDs. We intend to selectively seek complementary partnerships to address these broader markets.

Autoimmune Rheumatic Diseases

ARDs are a group of serious, chronic and debilitating autoimmune diseases involving inflammation of the joints, tissues and internal organs. There are approximately 30 ARDs, many of which have overlapping symptoms. Additionally, other rheumatic disorders that are not autoimmune in nature, such as fibromyalgia, can present similar symptoms. It is estimated that 11 million patients in the United States suffer from ARDs, including RA, SLE, Sjögren's syndrome, scleroderma and MCTD, and patients afflicted with fibromyalgia have many of the same clinical symptoms as ARDs. These diseases create a significant burden on the healthcare system, due in part to the difficulty in obtaining a differential diagnosis. These chronic diseases can cause lifelong inflammation in the joints, tissues and internal organs, resulting in serious complications, such as irreversible organ damage. Untreated chronic inflammation can also lead to premature hardening of the arteries, heart attacks and strokes. Due to the overlapping symptoms, unpredictable periods of disease flares and disease inactivity, patients may cycle from physician to physician for months or even years before receiving a definitive diagnosis.

The ARDs and other rheumatic conditions that may be confused in diagnosis include the following:

- *Systemic Lupus Erythematosus (SLE).* A chronic autoimmune disease involving inflammation and destruction of organs such as the brain, kidneys and lungs resulting in irreversible damage and in severe cases death.
- *Rheumatoid Arthritis (RA).* A chronic autoimmune disease involving inflammation and destruction of joints, bone and in some cases organs, including eyes and lungs.
- *Sjögren's Syndrome.* A chronic autoimmune disease involving inflammation and destruction of secretory glands such as salivary glands and tear ducts. This disease can occur with RA and SLE.
- *Scleroderma.* A chronic autoimmune disease involving scar tissue build-up in tissues, such as the skin or, in more serious cases, muscles, blood vessels and internal organs.
- *Mixed Connective Tissue Disease (MCTD).* A chronic autoimmune disease having features of other ARDs, most commonly RA, SLE, Sjögren's and scleroderma.
- *Fibromyalgia.* A chronic condition characterized by wide-spread pain and tenderness to touch. Although not an autoimmune disease, this disease has been reported to occur in 25% of RA and SLE patients and 50% of Sjögren's patients.

Patients with these disorders often present with a common set of symptoms, which can include joint pain, fatigue, inflammation, stiffness and muscle aches, among others. Additionally, these patients may experience unpredictable periods of disease flares and disease inactivity, which can meaningfully change the patients' symptoms and how they present to the physician. The combination of overlapping symptoms and disease biology can lead these patients to cycle from physician to physician for months or even years before receiving a definitive diagnosis. Due to this, we believe physicians are in critical need of objective tests capable of differentially diagnosing these disorders, especially for more potentially life threatening ARDs, such as SLE.

The primary goal in the treatment of ARDs is suppressing disease activity in order to prevent tissue or bone destruction and/or organ damage. Powerful drugs that suppress the immune system are utilized to minimize the inflammatory process caused by autoantibodies. In RA, these drugs are referred to as Disease-Modifying Anti-Rheumatic Drugs, or DMARDs, because in clinical studies they have demonstrated the ability to change the

natural course of ARDs if utilized effectively. Optimization of DMARDs requires physicians to closely monitor disease activity on an ongoing basis and adjust exposure to active drug to achieve and maintain disease control. We believe drug monitoring tools allow for the personalization and optimization of biological DMARD therapy which will improve clinical and economic outcomes. DMARDs commonly used by rheumatologists to treat ARDs are:

- *Methotrexate (MTX)*—MTX is one of the most widely used drugs to treat RA. It is estimated that over one million patients annually are prescribed MTX in the United States and over 70% of RA patients receive this drug. Physicians typically start patients on MTX, but because approximately 40% of patients do not respond adequately, other DMARDs are often added. This variability in effectiveness of MTX can be caused by variable absorption, metabolism and excretion of the drug. Patient compliance may also be an issue with MTX.
- *Hydroxychloroquine (HCQ)*—HCQ is one of the most widely used drugs in SLE and RA. It is estimated that over 700,000 patients annually are prescribed HCQ therapy in the United States. HCQ is used in SLE to control disease activity or flares. HCQ is also regarded as a DMARD and is commonly used in combination with MTX to treat RA. Patient compliance issues with HCQ can lead to loss of disease control in both RA and SLE.
- *Anti-Tumor Necrosis Factor Alpha (Anti-TNF)*—Anti-TNF drugs are biological DMARDs and are regarded as one of the most effective classes of agents for the treatment of RA. In RA alone, it is estimated that over 250,000 patients in the United States are prescribed anti-TNF therapy annually. In most cases, anti-TNF drugs are used in combination with MTX. The most widely prescribed anti-TNF drugs are etanercept (marketed as Enbrel), adalimumab (marketed as Humira) and infliximab (marketed as Remicade). These treatments cost approximately $20,000 per patient per year.

Systemic Lupus Erythematosus

Overview

It is estimated that over one million people in the United States suffer from some form of lupus. SLE, the most common and serious form of lupus, is a chronic, inflammatory disorder that can damage any part of the body, including the skin, joints and internal organs. SLE varies in severity, from mild cases to those in which significant and potentially fatal damage occurs to vital organs such as the brain, heart, kidneys and lungs.

SLE is characterized by unpredictable, intermittent increases and decreases of disease activity, or flares, with a rise in symptoms and/or abnormal laboratory test values. The blood of a person afflicted with SLE contains autoantibodies, which are the cause of the inflammation and organ damage, and are one indicator of immune system abnormalities. Earlier diagnosis of SLE allows physicians to initiate the most appropriate therapy sooner in order to minimize organ damage, however, more than half of those afflicted with lupus waited at least four years, and saw three or more doctors, before obtaining a correct diagnosis, according to a Lupus Foundation of America survey. Patients with delayed or undiagnosed SLE will often continue to experience disease activity, potentially leading to irreversible tissue or organ damage. Conversely, patients incorrectly diagnosed with SLE may be unnecessarily prescribed potentially toxic and harmful medications, such as high dose corticosteroids, and often undergo unnecessary referrals and laboratory tests.

SLE is most common in women and usually develops during childbearing years, but men and children can also develop the disease. The cause of SLE is unknown and, while it is more common in people who have a first-degree relative with SLE, most cases of SLE occur episodically, indicating that both genetic and environmental factors may play a role in disease development.

Diagnosis

Diagnosing SLE is difficult due to the fluctuating nature of the disease and overlapping symptoms with other ARDs and fibromyalgia. Compounding this issue, the current immunological tests used to diagnose SLE

lack combined sensitivity and specificity. The ACR and the Systemic Lupus International Collaborating Clinics, or SLICC, have developed patient classification criteria for clinical trials that are used to support an SLE diagnosis. These criteria, which were created as a classification tool for clinical studies rather than a diagnostic tool, are difficult to apply in practice due to SLE symptoms that evolve, change, disappear and reappear over time. Many SLE patients do not meet the ACR criteria necessary for SLE classification at initial disease presentation and may not meet the criteria for months or even years.

Standard laboratory tests for diagnosing SLE include measuring immunological biomarkers, such as ANA or anti-dsDNA, and other autoantibody tests. ANA is a useful screening tool for ARDs in general, including SLE, and the vast majority of SLE patients test positive for ANA. However, the good sensitivity of ANA for SLE is counterbalanced by somewhat poor specificity. For instance, an analysis of serum samples from 4,754 people aged 12 or older in the National Health and Nutrition Examination Survey taken from 1999-2004 found that 13.8% of these patients tested positive for ANA. If this rate was applied generally to the U.S. population over the age of 12, an estimated 32 million Americans would test positive for ANA, but the vast majority of these individuals would not have SLE.

Patients who test positive for anti-dsDNA are likely to have SLE, as anti-dsDNA is relatively specific for that disease. However, most patients with SLE do not have a positive anti-dsDNA test result. Thus, the diagnosis of SLE can be missed if the physician is relying on the presence of a positive anti-dsDNA test. For instance, in our validation study for Avise SLE 2.0, the second generation of our integrated algorithmic test, 68% of patients with SLE tested negative for anti-dsDNA and would have not been diagnosed with SLE based on the anti-dsDNA test.

In a published study involving 476 patients, there was less than 50% agreement between the diagnosis of the referring physician and the final diagnosis by an autoimmune sub-specialist. In the study, 27% of patients referred by a rheumatologist with an initial diagnosis of SLE were found to be misdiagnosed. Moreover, 29% of the patients in the study with presumptive SLE diagnoses tested positive for ANA, but did not have an ARD. In addition, 39 patients who were positive for ANA but had no ARD were inappropriately treated with corticosteroids at doses as high as 60 mg per day. We believe the drawbacks with ANA and anti-dsDNA testing contribute to the diagnostic challenges faced by physicians in definitively diagnosing SLE.

Physicians also measure components of the complement system, including serum levels of C3 and C4, to help diagnose SLE and monitor SLE disease activity. In active SLE, C3 and C4 complement proteins are activated and broken down to fragments, known as complement activation products. Therefore, low levels of C3 and C4 suggest diagnosis of SLE and that the disease is active. However, variability in the levels of C3 and C4 can occur due to factors unrelated to SLE disease presence or disease activity, making them less reliable as biomarkers for SLE. For example, deficiencies of C4 may occur in SLE patients due to lower natural production of the C4 protein on a genetic basis, obscuring the impact of the disease on C4 levels. Furthermore, as with anti-dsDNA antibodies, many SLE patients have normal complement levels even when the disease is active. Although relatively specific for SLE, low complement levels can also be seen in certain chronic infections, including non-lupus related kidney inflammation, severe liver disease and other ARDs. Despite these shortcomings, in 2012 the SLICC added low C3 and low C4 as immunologic criteria for classifying SLE. The limitations of these tests for SLE diagnosis and the need for additional and better SLE biomarkers are generally recognized by the rheumatology community.

Treatment

Once diagnosed, treatment of SLE generally involves the use of antimalarials, corticosteroids, immunosuppressants, and newer biologic agents to prevent or suppress active disease or flares. During acute periods of more severe disease flares, physicians use corticosteroids at high doses to control the autoimmune response and inflammation. While often effective at controlling disease, long-term use of these powerful agents can have serious, wide-ranging and long-term adverse effects, such as diabetes, osteoporosis and high blood pressure. Due to the unpredictability of disease flares, there is a significant need for frequent monitoring of

disease activity to guide therapeutic choices and optimize drug effectiveness. Even in patients who are appropriately diagnosed, monitoring disease activity is imperfect because of the lack of accurate biomarkers.

Large biopharmaceutical companies are seeking to develop and commercialize new biologic therapies for SLE. In March 2011, the first new biologic drug targeting treatment of SLE in over 50 years, Benlysta, was approved by the U.S. Food and Drug Administration, or FDA. Additionally, five biologic therapies are currently in phase III clinical trials for SLE or Lupus Nephritis, a serious and common complication of SLE. We believe the significant investment made by the companies seeking to develop and commercialize these therapies will result in a dramatic increase in the awareness and understanding of SLE, and that our products and our strategy of focusing on the rheumatologist and ARDs will benefit from this increased awareness and understanding.

Due in part to the over and under diagnosis of SLE and the lack of tools to effectively monitor disease flares, treatment and management of SLE remains suboptimal. Patients misdiagnosed with SLE may be unnecessarily prescribed potentially toxic and harmful medications and often undergo unnecessary referrals and laboratory tests. In addition, patients with a delayed or missed diagnosis of SLE may continue to experience disease progression potentially leading to serious tissue or irreversible organ damage, such as renal failure or pulmonary fibrosis that could otherwise have been prevented with a prompt and correct initial diagnosis and treatment. Physicians and patients are in need of improved, objective testing solutions to help with the diagnosis, prognosis and monitoring of patients with SLE.

Our Solution

We are committed to providing physicians with products that address the significant unmet need for accurate and timely diagnosis, prognosis and monitoring of ARDs. We market three products under our Avise brand, which facilitate the accurate, timely and differential diagnosis and prognosis of certain ARDs and drug-level monitoring of one of the most widely prescribed pharmaceuticals in rheumatology. These tests are designed to seamlessly integrate with a rheumatologist's daily workflow and each of our tests are processed in our laboratory in California, which is certified under the Clinical Laboratory Improvement Amendments of 1988, or CLIA and accredited by the College of American Pathologists, or CAP.

Our differentiated product offering includes:

Diagnosis	Prognosis	Monitoring
AVISE SLE+ Connective Tissue 2.0 Powered by CBCAPs Technology	AVISE SLE Prognostic	AVISE MTX
Diagnostic test incorporating our proprietary CBCAPs technology to rule-in or rule-out SLE from other ARDs, offering improved accuracy compared to currently available tests	Comprehensive SLE prognostic panel to assist in determining risk for lupus nephritis, neuropsychiatric SLE or thrombotic / cardiovascular events	Test to monitor levels of methotrexate polyglutamates, or MTXPG, the active metabolites of methotrexate, a first-line therapy for RA

Avise SLE+CT

Overview

Our lead product, which we market under our Avise SLE+CT brand, is a proprietary diagnostic test that provides an enhanced solution for patients presenting with symptoms indicative of a wide variety of ARDs such as SLE, RA, Sjögren's, scleroderma and other disorders with similar symptoms, such as fibromyalgia. Avise SLE+CT allows physicians to more accurately rule-in or rule-out SLE, and inform decisions about the presence of other ARDs. Differential diagnosis of these diseases is critically important because earlier diagnosis has been shown to improve patient outcomes. Once diagnosed, physicians can tailor therapy to a patient's specific disease and avoid the "trial and error" approach that often takes place when a definitive diagnosis cannot be made.

Avise SLE+CT is comprised of our proprietary Avise SLE solution and other established biomarkers to diagnose ARDs. Avise SLE is a ten-marker panel test that includes two biomarkers based on our CBCAPs technology, which we exclusively license from the University of Pittsburgh, and a proprietary algorithm to optimize its performance. CBCAPs, measured by flow cytometry, drive superior performance of our solution versus existing standards of diagnosis, including ANA and anti-dsDNA.

We launched Avise SLE in January 2012, following the completion of our CAPITAL study, which was published in *Arthritis and Rheumatism* in 2012. Avise SLE incorporated our CBCAPs technology with three existing autoantibodies, ANA, anti-dsDNA and anti-mutated citrullinated vimentin, or anti-MCV, to produce a proprietary five-marker SLE diagnostic with an enhanced ability to distinguish SLE from selected ARDs, such as RA.

In August 2012 we launched Avise SLE+CT, which added additional established autoantibodies for assisting in the diagnosis of a broader set of ARDs to our proprietary Avise SLE solution. We developed this offering to enhance the clinical utility of our test and respond to our customer's need for a more comprehensive solution to assist in differentially diagnosing ARDs.

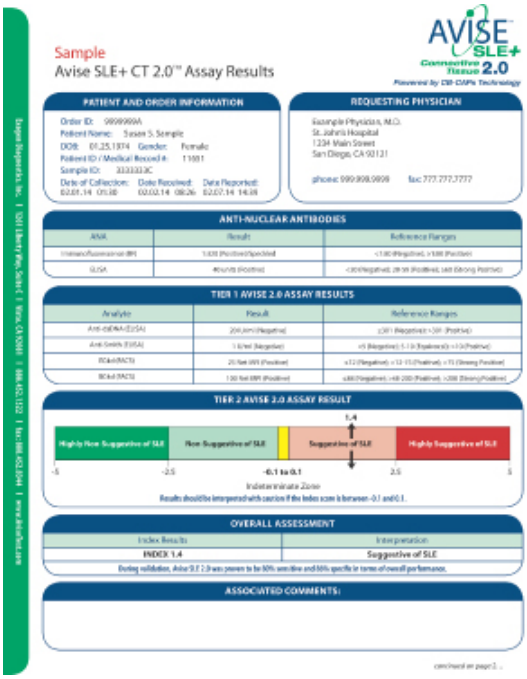
We launched the second generation of our integrated algorithmic test, Avise SLE 2.0, in February 2014, by integrating five additional autoantibodies into the algorithm of Avise SLE, resulting in a ten-marker proprietary test. This test further improves the ability to distinguish SLE from other ARDs, including RA, scleroderma, Sjögren's and polymyositis/dermatomyositis. Similar to our previous version, we added a panel of autoantibodies to Avise SLE 2.0, including extractable nuclear antigens, anti-phospholipid syndrome, RA and thyroid autoantibodies. We market this improved second generation test as Avise SLE+CT 2.0.

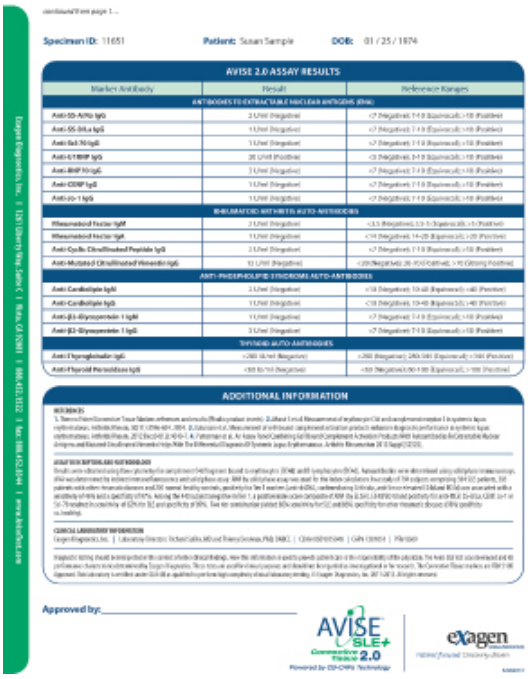
Physicians are able to order our Avise SLE or our Avise SLE+CT solution. We believe physicians prefer our comprehensive panel to help diagnose a broader set of ARDs, as well as the associated convenience for patients of a single blood draw. This is evidenced by Avise SLE+CT representing over 89% of our currently-marketed Avise SLE diagnostic products ordered during the three months ended March 31, 2014.

Test Report

We provide the results of our Avise SLE diagnostic products to physicians typically within five business days following receipt from the physician of the blood draw from a patient. Our test's ability to provide accurate and timely information on a broad range of ARDs is convenient for both physicians and their patients.

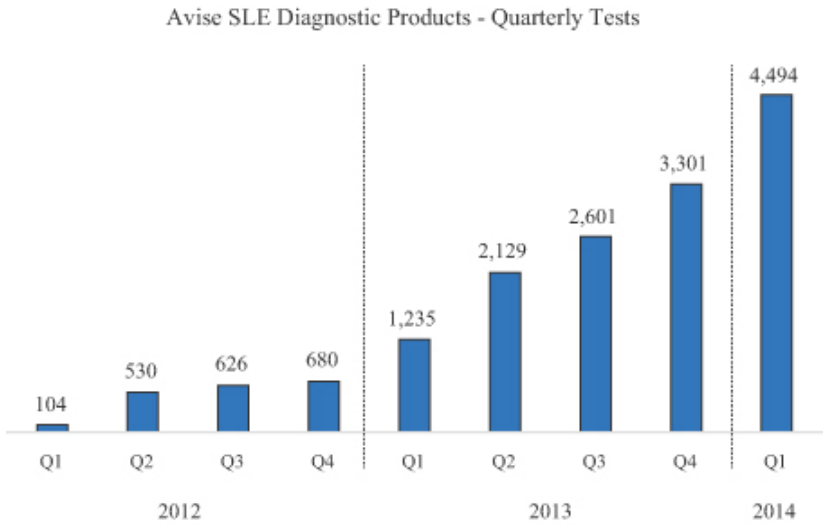
The results are provided to physicians in an intuitive, easy to understand report. A sample of an Avise SLE+CT report is shown below:


Sample
Avise SLE+ CT 2.0™ Assay Results
PATIENT AND ORDER INFORMATION
REQUESTING PHYSICIAN
ANTI-NUCLEAR ANTIBODIES
TIER 1 AVISE 2.0 ASSAY RESULTS
TIER 2 AVISE 2.0 ASSAY RESULT
Highly Non-Suggestive of SLE
Non-Suggestive of SLE
Suggestive of SLE
Highly Suggestive of SLE
1.4
-1
-2.5
-0.1 to 0.1
2.5
1
Indeterminate Zone
OVERALL ASSESSMENT
Index Results
Interpretation
INDEX 1.4
Suggestive of SLE
ASSOCIATED COMMENTS:


Specimen ID: 11651
Patient: Susan Sample
DOB: 01/25/1974
AVISE 2.0 ASSAY RESULTS
Marker/Antibody
Result
Reference Ranges
ADDITIONAL INFORMATION
Approved by:

Commercial Performance

We have demonstrated significant growth in demand for our Avise SLE diagnostic products. For example, in the quarter ended March 31, 2014, our quarterly orders for our Avise SLE diagnostic products increased 36% over the prior quarter and 264% over the quarter ended March 31, 2013. We believe this strong demand is a reflection of the value proposition we are providing to our physician customers and represents the market need for an enhanced solution to differentially diagnose ARDs.

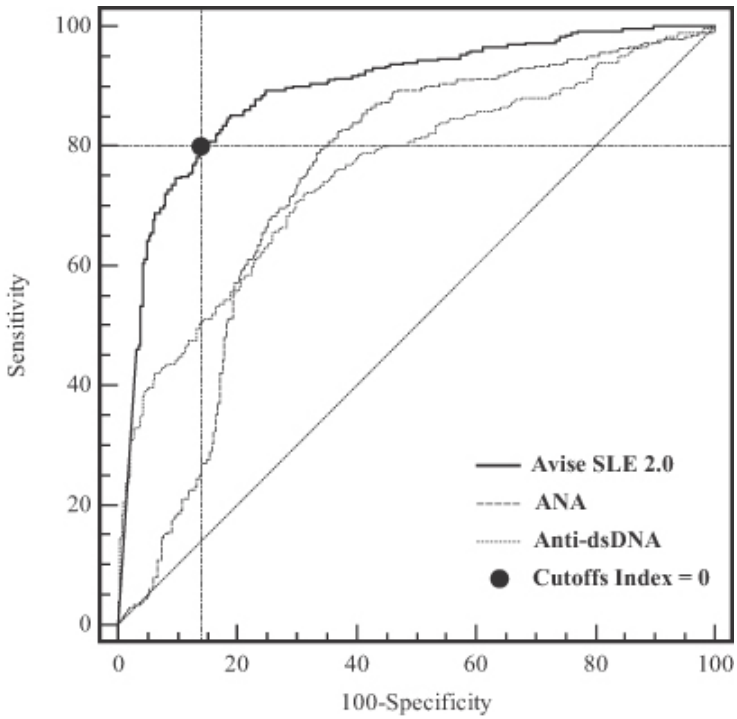


Clinical Validation

We validated Avise SLE 2.0 in a multi-center clinical study involving 794 subjects comprised of 304 SLE patients, 285 patients with other ARDs and fibromyalgia, and 205 normal healthy subjects from two cohorts. The study was conducted in collaboration with leading academic centers with expertise in SLE and other ARDs, including Albert Einstein College of Medicine, Northwestern University, North Shore-LIJ Health System and NYU College of Medicine, and the preliminary results were presented at the ACR annual conference in 2013. The primary endpoint of the study was the performance characteristics, specifically sensitivity and specificity, of Avise SLE 2.0 compared to common autoantibodies used to diagnose SLE and other ARDs, such as ANA and anti-dsDNA. The final results of this study showed that Avise SLE 2.0:

- demonstrated 86% specificity and 80% sensitivity in distinguishing SLE from other ARDs and fibromyalgia;
- was 33% more specific than ANA; and
- was 48% more sensitive than anti-dsDNA.

These data suggest that Avise SLE 2.0 ruled-in SLE effectively, allowing for greater confidence in diagnosing the disease. The superior performance of Avise SLE 2.0 over ANA and anti-dsDNA in this study is further demonstrated on the Receiver Operator Characteristic, or ROC, curve below. Each point on the ROC curve illustrates a possible combined sensitivity and specificity. The superior performance of Avise SLE 2.0 compared to ANA and anti-dsDNA alone is highlighted in the diagram below.



Ongoing Clinical Studies

As part of our ongoing efforts to further validate and establish Avise SLE 2.0 as the leading diagnostic solution for ARDs, we have initiated additional studies that will expand the clinical utility of our solution. For example, we are collaborating with Columbia University on a study to further support the clinical utility of CBCAPs for the diagnosis of SLE. We are also conducting a study with a leading fibromyalgia expert to further establish the clinical utility of Avise SLE 2.0 in distinguishing SLE from fibromyalgia, a common affliction with overlapping symptoms to ARDs.

Avise SLE Prognostic

Avise SLE Prognostic, which was launched in June 2014, is a blood test that complements Avise SLE+CT by providing results which inform the prognosis of SLE patients and provide physicians with more information to tailor treatment for their patients. This test is a ten-marker panel of autoantibodies that have established predictive value for assessing the potential for complications affecting the kidney, brain and cardiovascular system, including lupus nephritis, lupus psychosis, and thrombosis or blood clots. When physicians are ordering Avise SLE+CT, they can also request that we perform our Avise SLE Prognostic test if the initial Avise SLE+CT result suggests that the patient has SLE. This provides additional convenience for ordering physicians and their patients.

Avise MTX

Avise MTX is the first therapeutic drug monitoring test to precisely measure levels of MTXPG, the active form of MTX in the patient's blood. MTX is a first-line therapy for RA, and Avise MTX can allow physicians to personalize therapy by targeting the appropriate dose to individual patients. There is large variability in the way patients absorb and metabolize MTX, and several studies have shown that low levels of MTXPG in the blood correlate with a lower response to MTX therapy. Avise MTX provides crucial information as to whether a patient has achieved MTXPG blood levels consistent with an appropriate response to MTX, also known as the therapeutic level, or if the MTXPG levels are too low to produce adequate effects, which is known as the sub therapeutic level. The physician can then adjust MTX dosing as necessary to maximize the benefit of MTX therapy.

The clinical validity and utility of Avise MTX has been established in numerous independent studies. In a pivotal study published in peer-reviewed medical journals and sponsored by Prometheus Laboratories, our licensor and the original developer of the MTXPG technology, 258 patients with RA were treated with MTX. The study demonstrated that patients who achieved MTXPG levels above 60 nanomoles per liter of red blood cells were five times more likely to respond adequately to MTX than patients who presented with MTXPG levels below 60 nanomoles per liter. Two other independent studies enrolling 500 patients in the aggregate also demonstrated the validity of MTXPG measurement as a drug monitoring solution in RA.

Our Pipeline

We are focused on delivering meaningful solutions to aid rheumatologists and other physicians in the diagnosis of patients with ARDs and providing physicians with additional tools to determine the most appropriate therapy over time to improve patient care. Our pipeline includes solutions that differentially diagnose ARDs, provide prognosis of ARDs and monitor disease activity and active drug levels.

Our near-term pipeline is highlighted below:

Test	Description	Category	Status	Estimated Launch
AVISE HCQ	Measures HCQ drug level	Drug Monitoring	Validation	2H 2014
AVISE™ Anti-TNF	Measures anti-TNF active drug level and drug neutralizing antibody activity levels	Drug Monitoring	Validation	1H 2015
AVISE™ SLE Monitoring	Measures SLE disease activity	Disease Monitoring	Validation	1H 2016
AVISE™ RA	Determines potential risk for bone damage or joint erosion/diagnosis of RA	Prognostic/ Diagnostic	Validation	2016

Avise HCQ

Avise HCQ is a blood test to help physicians objectively monitor blood levels of HCQ as they treat patients with SLE and other ARDs, including RA. HCQ is typically prescribed daily to patients to control ARD activity and prevent flares. However, there is a large variability in the response to HCQ therapy, and patients can be poorly compliant. In order to optimize HCQ therapy, it is crucial to determine if the patient is taking the drug as prescribed, and also to determine whether the blood levels are adequate and consistent with clinical efficacy. By measuring HCQ concentration in the blood, we believe that Avise HCQ will help physicians optimize HCQ therapy, identify noncompliant patients and identify patients that are not absorbing the drug adequately.

We plan to launch our Avise HCQ drug monitoring solution by the end of 2014. By offering Avise HCQ along with our currently marketed Avise MTX test, we will address two of the drugs most commonly prescribed by the rheumatologist.

We are collaborating with leading academic centers, including Johns Hopkins University, to conduct a clinical study to generate support for the utility of our test. This study, which is expected to enroll 50 subjects, is designed to evaluate the value of monitoring MTXPG and HCQ in the treatment of patients with SLE. The HCQ assay performance characteristics are supported by multiple peer-reviewed medical journals, which established that HCQ levels in the blood correlate with disease control in SLE and RA.

Avise Anti-TNF

Avise Anti-TNF is a blood test to help physicians monitor the levels of anti-TNF bioactivity in patients with RA. Many patients with RA are treated with monoclonal antibodies that selectively inhibit the proinflammatory cytokine tumor necrosis factor a, or TNF-a. Anti-TNF biologics are estimated to generate more than $5 billion in annual sales in the United States for RA and are used in an estimated 250,000 RA patients. However, approximately 30% of patients either do not respond at all or have insufficient responses to these therapies. The lack of response is due to refractoriness to the mechanism of action of the drug itself, referred to as TNF blockade, or the development of drug neutralizing antibodies. Due to this, rheumatologists are in need of a solution to precisely identify the cause of non-response to anti-TNF therapy. We believe Avise Anti-TNF can provide crucial information to help physicians determine when to adjust the anti-TNF dose or switch to a different drug.

We anticipate launching Avise Anti-TNF in the first half of 2015 to monitor infliximab, etanercept and adalimumab, the three most utilized anti-TNF drugs. We intend to expand the application of Avise Anti-TNF to include the other two currently commercialized anti-TNFs, certolizumab and golimumab. We believe that we will provide additional value to the rheumatologist by offering our Avise Anti-TNF along with our currently marketed Avise MTX test because MTX, which is commonly prescribed with anti-TNF, is effective at improving anti-TNF efficacy.

Avise Anti-TNF incorporates iLite technology, the only commercially available cell-based assay that measures anti-TNF levels and drug neutralizing antibodies. Avise Anti-TNF uses TNF-a-sensitive cells in a bioassay that measures TNFa activity. The key advantage of the iLite technology compared to other currently available anti-TNF monitoring tests is that it measures functional levels of anti-TNF. In addition, the iLite technology determines the presence of antidrug antibodies. The FDA has released guidance indicating that cell-based assays are the preferred technology platform for determining immunogenicity for therapeutic proteins. The iLite technology is currently available in certain European countries through Biomonitor A/S, and has received a CE mark. We have a distribution agreement with Biomonitor that allows us to sell and market the iLite technology in the United States.

Avise SLE Monitoring

Avise SLE Monitoring is a multi-analyte panel blood test to help physicians track the disease status of their SLE patients. SLE is characterized by the emergence of disease flares that may result in serious and irreversible damage to organs, including kidneys, lungs and brain. As such, rheumatologists and their patients are in need of methods that can help monitor disease activity. We believe rheumatologists are in need of better monitoring solutions for their SLE patients and that the lack of validated disease activity biomarkers in SLE is a major hurdle to improving long term outcomes.

We intend to launch Avise SLE Monitoring in the first half of 2016. We believe that our test will facilitate the monitoring of SLE disease activity and provide the rheumatologists with actionable tools to improve therapy and patient outcomes.

We are conducting two studies to evaluate our proprietary CBCAPs technology to monitor SLE disease activity. Participating institutions include Albert Einstein College of Medicine, Northwestern University, North Shore-LIJ Health System, NYU College of Medicine and Oklahoma Medical Research Foundation.

Avise RA

Avise RA is a blood test to determine if a patient is at risk of bone damage or joint erosion. We expect that this test will also be helpful in diagnosing RA, which impacts over one million adults in the United States.

One of the major complications of RA is the development of bone damage or joint erosion that leads to severe disability and poor quality of life for the patient. The ACR guidelines have established disease remission

and/or minimal disease activity as the clinical goals of therapy. Achieving these goals requires early diagnosis and effective therapy. We believe that rheumatologists are in need of solutions to better diagnose and identify the patients having a high likelihood of rapid disease progression.

Avise RA is a combination of our proprietary anti-mutated citrullinated vimentin, or anti-MCV, technology, which is licensed to us for the United States and Mexico, and other well-established autoantibodies having prognostic and diagnostic value in RA, including anti-cyclic citrullinated peptide, or CCP, and rheumatoid factors, or RF. Several peer-reviewed medical journals have published studies supporting the strong predictive value of anti-MCV for the development of bone damage and joint erosion in patients with RA. For example, in a study of 238 patients followed longitudinally for 10 years, a patient with a positive anti-MCV test was 7.3 times more likely to present with progressive bone damage than a patient with a negative anti-MCV test. In contrast, a patient with a positive anti-CCP antibody test, the standard of care test, was 5.7 times more likely to present with progressive bone damage than a patient with a negative anti-CCP antibody test.

Additionally, not all RA patients test positive for autoantibodies commonly ordered to assist in diagnosing RA, such as RF and CCP. RF may be found in as few as 30% of patients with early RA, while 30-40% of RA patients have no detectable anti-CCP. Such patients are referred to as sero-negative patients and represent a group of patients that can be missed for RA diagnosis. We believe that our solution containing anti-MCV will assist the physician in the diagnosis of these sero-negative patients. We intend to launch Avise RA in 2016.

Sales and Marketing

We target the approximately 3,500 community rheumatologists in the United States. We launched Avise SLE in January 2012 with a nine-person sales force. In the fourth quarter of 2013, we began the expansion of our sales team to approximately 30 sales professionals. This expansion was mostly completed by the end of the first quarter of 2014. These sales professionals generally have experience in healthcare sales with backgrounds in rheumatology, therapeutics, and/or laboratory services. Our sales professionals are divided into three regions and are led by three dedicated regional directors.

Our sales force has a focused approach that emphasizes execution in three core areas:

- *Targeting*. We utilize market analytics, demographic data and pharmaceutical and historical diagnostic test usage to create the most effective territories for us to target community rheumatologists.
- *Messaging.* We emphasize increased accuracy over current standard of care methodologies, which is achieved through the proprietary components of our Avise products. In addition, we offer timely results along with the convenience of one blood draw and a transportation kit that we provide to customers.
- *Frequency.* We execute a high-frequency calling strategy for key physician targets and their office personnel. We believe that repetition builds knowledge, understanding and retention of the benefits of our Avise product suite.

We employ multi-faceted marketing programs to educate and inform physicians, patients and other key stakeholders of the value of our solutions in order to facilitate adoption. We primarily achieve this through advertising, promotion, social media, working with key opinion leaders at national and regional clinical conventions focused on ARDs and continuing medical education programs. In these settings, academic and community physicians can educate their peers on the benefits of Avise products and provide personal testimony of the value they have received from using our Avise products. We participate with patient advocacy organizations, such as the Lupus Foundation of America, and medical societies, such as the ACR, directly through support of their meetings, medical conferences, and direct educational efforts. Finally, our website provides educational material for healthcare professionals, payers and patients. We intend to expand the scale and scope of our marketing programs to target internet marketing, patient awareness and educational programs.

In addition, we have a centralized, dedicated client services department that augments our sales force and marketing activity by providing personalized customer support.

Our sales strategy is focused on achieving sustainable long-term growth of our market share for products addressing ARDs. Specifically, we intend to grow our market share by:

- increasing the number of physicians that order our tests;
- increasing the number of tests ordered by each physician; and
- increasing the number of products offered to each physician.

Reimbursement

Reimbursement for our testing services comes from several sources, including commercial third-party payers, government payers and patients. We bill for testing procedures using common Current Procedural Terminology, or CPT, codes that describe the procedures performed in the lab for our Avise SLE diagnostic products, Avise SLE Prognostic, and Avise MTX. We have received a positive Local Coverage Determination for Avise MTX from Palmetto GBA, the then-Medicare contractor for California, which became effective in April 2012. In 2014, we have received payments from major payer organizations such as Aetna, Anthem Blue Cross/Blue Shield, Blue Shield, Cigna, Managed Medicaid, Medicare, Medicare Advantage and United Healthcare, along with additional commercial carriers and patients.

The Protecting Access to Medicare Act of 2014, or PAMA, which was signed into law on April 1, 2014, significantly alters the current payment methodology under the Medicare Clinical Laboratory Fee Schedule, or CLFS. Under PAMA, beginning January 1, 2016, clinical laboratories must report laboratory test payment data for each Medicare-covered clinical diagnostic lab test that it furnishes during a time period to be defined by future regulations. The reported data must include the payment rate (reflecting all discounts, rebates, coupons and other price concessions) and the volume of each test that was paid by each private payer (including health insurance issuers, group health plans, Medicare Advantage plans and Medicaid managed care organizations). Beginning in 2017, the Medicare payment rate for each clinical diagnostic lab test will be equal to the weighted median amount for the test from the most recent data collection period. Although it is too early to predict the impact on reimbursement for our Avise products, we expect reimbursement rates to be relatively stable through January 1, 2017 when implementation of the market-based payment system and separate recognition of advanced diagnostic tests goes into effect. We anticipate that the implementation of the advanced diagnostic laboratory test category under PAMA may allow for our primary product, Avise SLE, to realize additional reimbursement based on the proprietary nature of the test’s unique CBCAPs markers and testing algorithm.

We employ a multi-pronged strategy designed to achieve broad coverage and reimbursement for our Avise brands. The key elements of our strategy for Avise SLE, which we also intend to pursue for our other products, include:

- *Demonstrated Product Demand.* We intend to facilitate interactions between the expanding base of providers using the test and the payer community to raise payer awareness of the clinical benefits of Avise SLE. Orders of Avise SLE increased by 378% from 2012 to 2013. In addition, the number of new ordering providers increased by 244% from 2012 to 2013. These trends, along with the high retention rate of frequent users, demonstrate substantial momentum in the growing demand for this test.
- *Demonstrated Product Performance.* We have conducted clinical studies to help demonstrate the ability of Avise SLE to meet or exceed performance of established testing in the area of ARD diagnosis, which we believe is important to establishing positive coverage decisions. For example, we conducted a multi-center study which enrolled 794 subjects with a primary endpoint that consisted of performance characteristics, specifically sensitivity and specificity, of Avise SLE compared to common autoantibodies used to diagnose SLE and other ARDs, such as ANA and anti-dsDNA. The

results of this study showed that Avise SLE demonstrated 86% specificity and 80% sensitivity in distinguishing SLE from other ARDs, was 33% more specific than ANA and was 48% more sensitive than anti-dsDNA.

- *Expanding our Clinical Data Package.* Clinical validation of Avise SLE was demonstrated through a collaborative effort with multiple centers of excellence specializing in ARDs. We believe that our continued collaborative efforts with key opinion leaders and ARD centers of excellence to further expand our clinical utility data which we intend to publish in peer-reviewed medical journals to support potential inclusion in clinical guidelines and help drive payer coverage and reimbursement. We believe that inclusion of Avise SLE into clinical guidelines will help to establish us as a standard of care for the diagnosis of patients with ARDs.
- *Execution of an Internal Managed Care Policy and Claims Adjudication Function.* We believe that obtaining adequate and widespread coverage and reimbursement is a critical factor to our success. We employ a team of revenue assurance professionals that collaborate with our contracted billing provider to work with payers to maximize reimbursement. In parallel, a managed care director collaborates with our reimbursement specialists to ensure our payer outreach strategy reacts to and anticipates the changing needs of our customer base. Our customer service team is an integral part of our reimbursement strategy, working with patients and physician practices to effectively navigate the claims process.

Our Technology

Our proprietary technology platform determines the blood levels of complement pathway components stably deposited on cells known as Cell Bound Complement Activation Products, or CBCAPs.

The complement pathway is an important part of the immune system and refers to a complex network of over 30 soluble and membrane bound proteins that interact in a highly regulated manner to provide many of the effector functions of immunity and inflammation. The integrity of the complement system is critically important for preventing infections and the development of autoimmune diseases, including SLE. Once activated, the proteins within the complement system perform various functions, including the eradication of pathogens, such as bacteria and fungi, and also the effective removal of cellular debris and immune complexes from the blood. Additionally, the activation of the complement system releases proteins that mediate inflammation, which is observed in a variety of diseases beyond ARDs, including Alzheimer’s disease, asthma, Crohn’s disease and macular degeneration.

The determination of complement proteins in a patient’s blood is a mainstay in clinical laboratory science, and state-of-the-art methods traditionally rely on measurement of serum or plasma levels of soluble complements. C3 and C4 are the most commonly determined complement proteins in the blood and the precursors to activation of complement proteins into biologically active breakdown products. However, there are limitations with measuring C3 and/or C4 blood levels as indicators of complement activation. For example, increased synthesis of C3 and C4 by the liver can offset increased C3 and C4 breakdown during activation of the complement cascade, resulting in no change in serum levels. Conversely, genetic alteration in C4 genes can result in abnormally low serum/plasma levels of C4 due to lack of synthetic capacity that can be misinterpreted as being due to increased C4 consumption during complement activation.

The limitations and drawbacks of measuring standard components of the complement system, such as C3 and C4, are well recognized by the medical community. We believe the availability of novel complement biomarkers supporting or replacing standard C3 and C4 measures will be of great value for the clinicians and ultimately their patients. Our CBCAPs technology, which we exclusively license from the University of Pittsburgh, is the result of a decade of extensive research and development conducted in academia and has the potential to fulfill the unmet need for better biomarkers assessing complement system’s function and role in health and disease. The technology directly measures protein products of complement activation, such as C3d, the product of C3 activation, and C4d, the product of C4 activation. These complement activation products

become stably attached to surfaces of circulating blood cells to become CBCAPs. For example, the deposition of the C4d fragment to erythrocytes forms erythrocyte C4d, or EC4d. Similarly, the deposition of C4d fragment on B lymphocytes forms BC4d. As such, the determination of CBCAPs in the blood provides the following benefits when compared to the traditional complement measurement:

- accurate and unequivocal information of complement activation that has occurred in a given patient;
- stable biomarkers of complement activation enabling accurate and consistent measurement after collection and transportation; and
- better ability to assess and monitor changes in biological activity related to activation of the complement system.

CBCAPs are determined using blood collected from the patient by standard venipuncture in collection tubes and shipped overnight to our central laboratory for processing. Because of their stability, we were able to demonstrate that this transportation process does not impair our ability to accurately measure CBCAPs levels. The process in our clinical laboratory consists of the isolation of the cells (e.g. erythrocytes and B-lymphocytes) using techniques such as centrifugation or lysis, followed by their incubation and processing with a combination of antibodies that specifically label the CBCAPs with a light emitting compound detectable by fluorescence assisted cell sorting, or FACS. The instrument used to detect these labeled CBCAPs is a flow cytometer, which readily measures the fluorescence signal (expressed as mean fluorescence intensity, or MFI) and thus, the level of CBCAPs.

We believe our differentiated CBCAPs technology can be used to more effectively diagnose, prognose and monitor patients with certain inflammatory diseases, including autoimmune, hematologic, vascular, or infectious diseases. For example, CBCAPs such as EC4d and BC4d are significantly higher in patients with SLE compared to patients with other ARDs and, as such, forms the basis of the diagnostic value of our Avise SLE diagnostic products. The table below highlights several published clinical studies demonstrating the higher CBCAPs level in patients with SLE compared to other ARDs. For example, in the Kalunian study, BC4d levels were 3.1 times higher (110.4 versus 34.9 units) in SLE than in patients with other ARDs and 4.7 fold higher than normal subjects (110.4 vs 23.5 units).

Author/Publication	CBCAP	Number of Patients (SLE/non SLE)	SLE*	Other ARDs*	Normals*
Manzi et al. Arthritis Rheum 2004	EC4d	100/217	24.6	9.3	6.7
Liu et al., Clin Trans Sci 2009	BC4d	224/293	49.0	14.7	8.1
Liu et al, Arthritis Rheum 2005	EC4d	156/299	9.6	4.9	3.4
Yang et al. Rheumatology 2009	EC4d	63/69	6.1	0.5	0.5
Kao et al. Arthritis Rheum 2010	EC4d	157/546	12.9	7.0	4.9
Kalunian et al. Arthritis Rheum 2012	EC4d	210/383	17.6	6.3	5.3
Kalunian et al. Arthritis Rheum 2012	BC4d	210/383	110.4	34.9	23.5

* Results are expressed as average or median MFI for each group

While we are currently focusing our CBCAPs technology on differentially diagnosing SLE (as part of our Avise SLE diagnostic products), this technology has potential applications in many of the disease states in which the complement system plays a role. In addition to expanding application in ARDs, such as monitoring for disease activity in SLE, we believe that CBCAPs has the potential to be relevant in broader indications, such as monitoring complications in organ transplantation, pregnancy and vascular disease.

Research and Development

Our research and development efforts are focused on developing novel solutions for rheumatologists and enhancing our current product offering. Additionally, we believe there is significant potential to capitalize on our CBCAPs and iLite technology platforms and integrate them with commercially available markers to create high-value tests with superior clinical utility. We intend to continue to establish the value of our Avise products, as well as introduce new and improved versions of these tests. For example, in February 2014 we added extractable nuclear antigens to our Avise SLE test to improve the ability of the test to distinguish SLE from other ARDs, such as Sjögren's, scleroderma and polymyositis/dermatomyositis. Furthermore, we believe our bio-repository of well-characterized specimens, collected in collaboration with leading academic institutions, will help us to further validate our Avise products.

We have an extensive track record of accomplishments in all phases of research and development, including:

- *Expertise in Assay Development, Validation, and Technology Transfer*. Our team of scientists has extensive experience and demonstrated ability with the development of analytical techniques in the areas of drug monitoring, cellular immunology, immunoassays and molecular diagnostics. We also have expertise with the validation of analytical assays and the establishment of performance characteristics satisfying the standard requirement from regulatory bodies including CAP. Our analytical techniques have been subjected to rigorous review from the New York State Department of Health, or NYDOH, and are marketed as laboratory developed tests, or LDTs. We are also continuously improving the performance characteristics of our assays, enhancing throughput and robustness.
- *Expertise with the Clinical Development and Validation of Multivariate Index Assays/Algorithms.* Our clinical development and validation team has extensive knowledge and a track record in the clinical development of a wide range of complex tests, including large, well-designed clinical trial in collaboration with leading academic institutions. We have also been successful in publishing the results of our clinical validation studies in peer-reviewed medical journals.

Laboratory Operations

We perform all of our Avise tests in our 8,500 square foot CLIA-certified, CAP accredited laboratory located in Vista, California. Our laboratory is certified for performance of high-complexity testing by the Centers for Medicare and Medicaid Services, or CMS, in accordance with CLIA.

When a physician orders an Avise test, the physician or physician's staff completes a test requisition. A blood draw is performed on the patient, and the specimens is placed in a temperature-controlled transportation kit provided by us. The specimens is sent to our laboratory via commercial overnight shipment. Upon receipt, we examine each specimens for integrity. We label each specimens with a unique identifier and pertinent information is entered into our laboratory information system, or LIS. The labeled specimens is then delivered to the flow cytometry and special chemistry laboratory for processing. The results are entered into the LIS and reviewed by a technical supervisor who ensures they conform to specifications. Following this, the LIS generates a test report, which is reviewed and approved by the laboratory director and is then delivered to the physician. Reports for our Avise tests are typically delivered to the physician in less than five business days following the receipt of the sample. Despite significant increases in the volume of tests we have performed in recent quarters, we have maintained our ability to provide timely results to our physician customers.

We intend to continue to increase automation, enhance our information systems and optimize our workflows to enhance and improve the efficiency of our processes.

Quality Assurance

Our quality assurance function oversees the quality of our laboratory as well as research and development, client services, billing, sales and marketing operations. We have established oversight for systems

implementation and maintenance procedures, document control processes, supplier qualification, preventive or corrective actions, and employee training processes that we believe achieves excellence in operations. We continuously monitor and improve our processes and procedures and believe this high quality service leads to customer satisfaction and retention.

Competition

We believe the principal competitive factors in our target market include:

- quality and strength of clinical and analytical validation data;
- confidence in diagnostic results;
- sales and marketing capabilities;
- the extent of reimbursement;
- inclusion in practice guidelines;
- cost-effectiveness; and
- ease of use.

We believe we compete favorably on the factors described above.

Our principal competition for our Avise products comes from traditional methods used by physicians to test patients with rheumatic disease-like symptoms. Such traditional methods include testing for a broad range of diagnostic, immunology and chemistry markers, such as ANA and anti-dsDNA, and serum complement, such as C3 and C4. We also face competition from commercial laboratories, such as Laboratory Corporation of America Holdings, Quest Diagnostics Incorporated, ARUP Laboratories, Inc. and Mayo Clinic, all of which have strong infrastructures to support the commercialization of diagnostic services. Large, multispecialty group medical clinics, health systems and academic medical university-based clinics may provide in-house clinical laboratories offering autoimmune rheumatic testing services. Additionally, we compete against regional clinical laboratories providing testing in the autoimmune rheumatic field, including Rheumatology Diagnostics Laboratories, Inc. Other potential competitors include companies that might develop diagnostic or disease or drug monitoring products, such as Myriad Genetics, Inc. In the future, we may also face competition from companies developing new products or technologies.

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

Intellectual Property Overview

We strive to protect and enhance the proprietary technologies that we believe are important to our business and seek to obtain and maintain patents for any patentable aspects of our diagnostic products and services and any other inventions that are important to the development of our business. Our success will depend on our ability to obtain and maintain patent and other proprietary protection for commercially important technology, inventions and know-how related to our business, to defend and enforce our patents, to maintain our licenses to use intellectual property owned by third parties, to preserve the confidentiality of our trade secrets and to operate without infringing the valid and enforceable patents and other proprietary rights of third parties. We also rely on

continuing technological innovation and in-licensing opportunities to develop, strengthen, and maintain our proprietary position in the fields targeted by our diagnostic products and services.

We are the owner or licensee of a portfolio of patents and patent applications and possess substantial know-how and trade secrets which protect various aspects of our business. The patent families comprising our patent portfolio are primarily focused on our Avise products for the diagnosis and use in treatment of ARDs, and are generally directed to CBCAPs, red blood cell MTXPG exposure assessments, and anti-MCV antibodies. We intend to leverage the intellectual property surrounding our Avise products as an important component of our business strategy.

Patent Term

The term of individual patents and patent applications listed below will depend upon the legal term of the patents in the countries in which they are obtained. In most countries, the patent term is 20 years from the date of filing of the patent application (or parent application, if applicable). For example, if an international Patent Cooperation Treaty, or PCT, application is filed, any patent issuing from the PCT application in a specific country will expire 20 years from the filing date of the PCT application. In the United States, however, if a patent was in force on June 8, 1995, or issued on an application that was filed before June 8, 1995, that patent will have a term that is the greater of 20 years from the filing date, or 17 years from the date of issue.

Patent Protection for our Avise Products

Our portfolio of patents and patent applications related to our Avise products generally relates to three aspects: CBCAPs, red blood cell MTXPG exposure assessments, and anti-MCV antibodies. The patent families which we believe are important for the protection of Avise are summarized below in the section entitled "—License Agreements."

- *Cell Bound Complement Activation Products and Services (CBCAPs)*. We are the exclusive licensee of five patent families related to CBCAPs technology from the University of Pittsburgh. We expect that these patent families (U.S. Patent Nos. 7,361,517; 7,390,631; 7,585,640; 7,588,905; 8,080,382; and 8,126,654) will expire in 2024 or 2025. A foreign patent corresponding to U.S. Patent No. 7,361,517 has issued in Europe (EP 1,756,571). Foreign patents corresponding to U.S. Patent No. 7,390,631 have issued in Japan (JP 4570872 and JP 4906898). Foreign patents corresponding to U.S. Patent No. 7,585,640 have issued in Australia (AU 2005242719) and Canada (CA 2,564,492). A foreign patent corresponding to U.S. Patent Nos. 7,588,905 and 8,126,654 has issued in Japan (JP 45500051). We also own two pending patent application families that relate to our Avise SLE diagnostic products. In order to manage our foreign filing costs and focus on the U.S. market, we made the decision to cease the prosecution and maintenance of several of our foreign patents and patent applications related to our CBCAPs technology, including EP 1,432,731; EP 1,618,379; EP 1,635,692; EP 1,745,287; EP 2,214,014; EP 2,216,650, and certain of their corresponding family members**.**
- *Methotrexate (MTX) Exposure Assessment Products and Services*. We are the exclusive licensee of four patents and one pending patent application that relate to our Avise MTX product line and methods for monitoring MTX therapy using red blood cell MTXPG exposure assessments. These patents and patent application are owned by Prometheus Laboratories and are exclusively licensed to us for all uses except for use in gastrointestinal diseases. These patents include U.S. Patent Nos. 6,921,667; 7,563,590; 7,582,282 and 7,695,908, which are expected to expire between 2023 and 2027. We also own two pending U.S. patent applications and are the exclusive licensee of two pending patent applications that relate to our Avise MTX product.
- *Anti-mutated Citrullinated Vimentin (anti-MCV) Antibodies and Related Services.* We are the exclusive licensee of a patent family related to anti-MCV, an autoantibody having diagnostic and prognostic value in RA. This family, owned by Orgentec Diagnostika, includes a pending U.S. patent application.

Proprietary Rights and Processes

We may rely, in some circumstances, on proprietary technology and processes (including trade secrets) to protect our technology. However, these can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with those who have access to our confidential information, including our employees, consultants, scientific advisors and contractors. We also seek to preserve the integrity and confidentiality of our proprietary technology and processes by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached, and we may not have adequate remedies for any such breach. In addition, our proprietary technology and processes may otherwise become known or be independently discovered by competitors. To the extent that our employees, consultants, scientific advisors, contractors, or any future collaborators use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. For this and more comprehensive risks related to our proprietary technology and processes, please see “Risk Factors—Risks Related to our Intellectual Property.”

Trademarks

We own the registered trademarks “Avise,” “Avise PG,” “Avise MCV” and “Avise SLE,” in the United States for use in connection with our diagnostic products, namely, our Avise SLE diagnostic products, Avise SLE Prognostic, and Avise MTX. We intend to pursue additional registrations in markets outside the United States where we plan to sell our Avise products.

License Agreements

Amended and Restated Exclusive License Agreement with the University of Pittsburgh

In August 2011, we entered into an amended and restated exclusive license agreement with the University of Pittsburgh, or UPitt, to amend and restate the exclusive license agreement we obtained by our purchase of the medical diagnostics division of Cypress Bioscience, Inc., or Cypress, in 2010, or the Cypress Purchase, and to obtain an exclusive license to UPitt’s patent rights in certain inventions, or the UPitt Patent Rights, related to the use of CBCAPs technology in the diagnosis, prognosis and monitoring of diseases, including certain patents related to our Avise SLE diagnostic products. The agreement was amended twice, once in May 2012 to, among other things, limit the territory of the license to the United States and exclude certain foreign patents and applications from the agreement, and once in September 2013 to add (1) an additional U.S. patent to the UPitt Patent Rights licensed under the agreement and (2) the field of monitoring of organ transplantation and organ rejection to the scope of the license.

Under the agreement, we are permitted to make, use and sell products and services utilizing the UPitt Patent Rights in the field of SLE and the field of monitoring of organ transplantation and organ rejection, and to sublicense such rights. UPitt retained the right to practice under the UPitt Patent Rights and to use such rights for non-commercial education and research purposes. In addition, this agreement is subject to the rights of the United States government, if any, as set forth in 35 U.S.C. §200, et seq. Pursuant to this law, the U.S. government may have acquired a nonexclusive, nontransferable, paid up license to practice or have practiced for or on behalf of the U.S. government the inventions described in the UPitt Patent Rights throughout the world.

In consideration for the rights granted to us under the agreement, we made certain upfront payments to UPitt on the first and second anniversaries of the agreement, which payments increased and will continue on the third and subsequent anniversaries of the agreement until the first sale of products or services utilizing the UPitt Patent Rights. We are required to pay UPitt a low single-digit royalty on net sales of products or services utilizing the UPitt Patent Rights sold by us or our affiliates, subject to minimum annual royalty payments and other adjustment in certain circumstances. We are also required to make a certain sales milestone payment to UPitt

each calendar year, depending on net sales. Our royalty obligations continue for each licensed product or service on a country-by-country basis until the expiration of the last licensed patent covering the applicable licensed product or service in such country.

In the event we sublicense any of the UPitt Patent Rights, we are obligated to pay UPitt a low single-digit percentage sublicense royalty on net sales of products or services sold by our sublicensees that utilize the sublicensed UPitt Patent Rights and a low double-digit percentage of all non-royalty sublicensing income received by us.

The agreement requires that we diligently develop and commercialize products that are covered by the UPitt Patent Rights, and we have agreed to meet certain development and commercial milestones. UPitt may terminate the agreement if we fail to meet such milestones. In addition, if we fail to meet a milestone relating to development of the UPitt Patent Rights in the monitoring of organ transplantation and organ rejection field, UPitt may remove that field from our licensed rights. We are currently in compliance with these milestone requirements.

We may terminate the agreement upon six months' written notice to UPitt. UPitt may terminate the agreement in the event of our nonperformance of any of our obligations under the agreement if such nonperformance remains uncured for a certain period of time following our receipt of written notice of such nonperformance or in the event of our insolvency. Absent early termination, the agreement will continue until the expiration date of the longest-lived patent right included in the UPitt Patent Rights.

Exclusive License Agreement with the University of Pittsburgh

We made an economic decision to cease the maintenance and licensing of certain of the UPitt Patent Rights, which led to such rights returning to UPitt. We subsequently made the determination to re-license these patents from UPitt, but at the time of re-licensing these patents, a number of the patents had lapsed. Accordingly, in September 2013, we entered into an exclusive license agreement with UPitt to obtain an exclusive license to UPitt's ex-U.S. patent rights in certain inventions, or the ex-U.S. UPitt Patent Rights, related to the use of CBCAPs technology in the diagnosis, prognosis and monitoring of diseases, including certain patents related to our Avise SLE diagnostic products.

Under the agreement, we are permitted to make, use and sell products and services utilizing the ex-U.S. UPitt Patent Rights in the field of SLE and the field of monitoring of organ transplantation and organ rejection outside of the United States, and to sublicense such rights. UPitt retained the right to practice under the ex-U.S. UPitt Patent Rights and to use such rights for non-commercial education and research purposes. In addition, this agreement is subject to the rights of the U.S. government, if any, as set forth in 35 U.S.C. §200, et seq. Pursuant to this law, the U.S. government may have acquired a nonexclusive, nontransferable, paid up license to practice or have practiced for or on behalf of the U.S. government the inventions described in the ex-U.S. UPitt Patent Rights throughout the world.

In consideration for the rights granted to us under the agreement, we paid an initial license fee to UPitt. We are also required to pay UPitt a low single-digit royalty on net sales of products or services utilizing the ex-U.S. UPitt Patent Rights sold by us or our affiliates, subject to adjustment in certain circumstances. Our royalty obligations continue for each licensed product or service on a country-by-country basis until the expiration of the last licensed patent covering the applicable licensed product or service in such country.

In the event we sublicense any of the ex-U.S. UPitt Patent Rights, we are obligated to pay UPitt a low single-digit percentage sublicense royalty on net sales of products or services sold by our sublicensees that utilize the sublicensed ex-U.S. UPitt Patent Rights and a low double-digit percentage of all non-royalty sublicensing income received by us.

The agreement requires that we diligently develop and commercialize products that are covered by the ex-U.S. UPitt Patent Rights, and we have agreed to meet certain commercial milestones. UPitt may terminate the agreement if we fail to meet such milestones. We are currently in compliance with these milestone requirements.

We may terminate the agreement upon six months' written notice to UPitt. UPitt may terminate the agreement in the event of our nonperformance of any of our obligations under the agreement if such nonperformance remains uncured for a certain period of time following our receipt of written notice of such nonperformance or in the event of our insolvency. Absent early termination, the agreement will continue until the expiration date of the longest-lived patent right included in the UPitt Patent Rights.

License Agreement with Prometheus Laboratories, Inc.

In connection with the Cypress Purchase, we acquired a license agreement, dated September 2007, between Prometheus Laboratories, Inc., or Prometheus, and Proprius Pharmaceuticals, Inc., or Proprius, a company which had been previously acquired by Cypress. Pursuant to this agreement, we obtained an exclusive, worldwide license to Prometheus's patent rights in certain inventions, or the Prometheus Patent Rights, related to the diagnosis, prognosis and monitoring of diseases, including certain patents related to our Avise products and services. This agreement was subsequently amended in October 2013.

Under the agreement, we are permitted to research, develop, manufacture and commercialize products utilizing the Prometheus Patent Rights and to sublicense such rights; provided, however, that any such sublicenses may only be granted with Prometheus's consent. We are not permitted to develop or commercialize products utilizing the Prometheus Patent Rights for use in diagnosing or treating any gastrointestinal diseases or to promote any such products to gastroenterologists.

We are required to make a milestone payment of $2.0 million upon the achievement of certain net sales. In addition, we are required to pay Prometheus tiered royalties in the mid-single-digit range on sales of any products utilizing the Prometheus Patent Rights by us, our affiliates or our sublicensees. Our royalty obligations continue on a licensed product-by-licensed product and country-by-country basis until the expiration, lapse or invalidation of the last valid claim in a licensed patent covering the applicable licensed product in such country.

In the event we sublicense any of the Prometheus Patent Rights, we are obligated to pay to Prometheus a fee based on a percentage of sublicense fees received by us, which percentage is in the mid-twenties. In addition, we are also required to pay to Prometheus a percentage of the royalty payments we receive from our sublicensees, which may not be less than a certain low single-digit percentage of net sales of products or services sold by our sublicensees that utilize the sublicensed Prometheus Patent Rights, nor more than a certain mid-single digit percentage of such net sales.

We may unilaterally terminate the agreement for any reason upon 60 days' written notice to Prometheus. Either party may terminate this agreement in the event of the other party's material breach of the agreement if such breach remains uncured for a certain period of time following receipt of written notice of such breach or in the event of the other party's insolvency. Absent early termination, the agreement will continue until the expiration date of the longest-lived patent right included in the Prometheus Patent Rights.

License Agreement with Orgentec Diagnostika GmbH

In connection with the Cypress Purchase, we acquired a license agreement, dated February 2008, between Proprius and Orgentec Diagnostika GmbH, or Orgentec. Pursuant to this agreement, we obtained an exclusive license to Orgentec's patent rights and know-how in certain inventions, or the Orgentec Patent Rights, related to anti-MCV, an autoantibody, including certain patent applications related to our Avise products and services.

Under the agreement, we are permitted to research, develop, manufacture and commercialize products utilizing the Orgentec Patent Rights for diagnosis, prognosis and monitoring applications, including diagnosis, prognosis and monitoring of RA, in the United States and Mexico, and to sublicense such rights. We are not

permitted to use the Orgentec Patent Rights for therapeutic applications. We have a right of first negotiation to license additional products from Orgentec for use in the diagnostic, prognostic and monitoring field in the United States or Mexico.

We are required to pay Orgentec a low single-digit royalty on any products utilizing the Orgentec Patent Rights, subject to adjustment in certain circumstances. We are also obligated to pay Orgentec a percentage in the mid-twenties of sublicense revenues received by us for products or services sold by our sublicensees that utilize the sublicensed Orgentec Patent Rights. Our royalty obligations continue on a licensed product-by-licensed product and country-by-country basis until the expiration of the last licensed patent covering the applicable licensed product in such country.

We may unilaterally terminate the agreement for any reason upon 90 days' written notice to Orgentec. Either party may terminate this agreement in the event of the other party's material breach of the agreement if such breach remains uncured for a certain period of time following receipt of written notice of such breach. Absent early termination, the agreement will continue until the expiration date of the longest-lived patent right included in the Orgentec Patent Rights.

Asset Purchase Agreement with Cypress and Proprius

In October 2010, we completed the Cypress Purchase pursuant an asset purchase agreement with Cypress and its wholly-owned subsidiary, Proprius, under which we obtained certain assets related to our Avise products and services. The agreement was amended three times, once in March 2011 to change certain obligations relating to certain accounts receivable we acquired from Cypress, once in August 2012 to convert a one-time payment obligation to a payment plan over four years with interest, and once in February 2013 to convert a one-time contingent milestone payment obligation concerning a CBCAPs monitoring assay to a payment plan over two years with interest.

In consideration for the acquisition, we made certain initial cash payments to Cypress and to Proprius and we are currently making payments to Cypress pursuant to the August 2012 amendment, which payments are subject to acceleration in certain circumstances. In addition, we are required to make certain one-time contingent milestone payments for two third-party commercial programs, for the launch of a CBCAPs monitoring assay, and for the achievement of an annual, worldwide net sales level for CBCAPs products, which milestone payments are estimated at an aggregate of $3.5 million. The agreement requires the we use commercially reasonable efforts to cause each of the milestones to be achieved. We are required to pay Cypress a low double-digit royalty on the world wide net sales of CBCAPs products for a period of several years, and we are required to pay Proprius a low double-digit royalty on the net sales of any new product for a period of several years.

Asset Purchase Agreement With Cellatope

In connection with the Cypress Purchase, we acquired an asset purchase agreement, dated February 2009 and amended December 2012, between Cypress and Cellatope Corporation, or Cellatope. Pursuant to this agreement, we obtained assets related to our Avise products. In the event we develop a lupus monitoring product and we or a licensee sells such lupus monitoring product, we are required to issue Cellatope a promissory note in a specified amount, subject to reduction in certain circumstances, bearing a single-digit annual interest rate. On the first anniversary of such note, accrued interest for the previous 12 months shall be added to the principal amount, and following such first anniversary, the adjusted amount shall accrue interest at the same rate, and we must pay off the note plus accrued interest in 48 equal monthly payments.

Dr. Thierry Dervieux and De Novo Diagnostics, Inc.

In September 2011, we entered into a license agreement with Dr. Thierry Dervieux, our Chief Scientific Officer, and his company De Novo Diagnostics, Inc., under which we obtained an exclusive, worldwide (except for Australia and New Zealand) license to Dr. Dervieux's patent rights and know-how in certain inventions, or

the Dervieux Patent Rights, related to the diagnosis, prognosis and monitoring of diseases, including certain patents related to our Avise products and services.

Under the agreement, we are permitted to develop, manufacture and commercialize products utilizing the Dervieux Patent Rights in the human healthcare market, and to sublicense such rights.

In considerations for the rights granted to us under the agreement, we are required to make milestone payments, up to an aggregate of $600,000, upon achievement of certain sales milestones. In addition, we are required to pay Dr. Dervieux a mid-single-digit royalty on net sales by us or our affiliates of any products utilizing the Dervieux Patent Rights, subject to adjustment in certain circumstances. We are also obligated to pay Dr. Dervieux a percentage in the mid-twenties of sublicense fees and royalties received by us.

The agreement requires that we diligently develop and commercialize products that are covered by the Dervieux Patent Rights, and we have agreed to use commercially reasonable efforts to bring technology covered by the Dervieux Patent Rights to market as soon as practicable.

We may unilaterally terminate the agreement upon 12 months' written notice to Dr. Dervieux. Either party may terminate this agreement in the event of the other party's nonperformance of any of its obligations under the agreement if such nonperformance remains uncured for a specified period of time following receipt of written notice of such nonperformance or in the event of the other party's insolvency. Absent early termination, the agreement will continue until the expiration date of the longest-lived patent right included in the Dervieux Patent Rights.

Regulations

Clinical Laboratory Improvement Amendments of 1988

As a clinical reference laboratory, we are required to hold certain federal, state and local licenses, certifications and permits to conduct our business. Under CLIA, we are required to hold a certificate applicable to the type of laboratory tests we perform and to comply with standards applicable to our operations, including test processes, personnel, facilities administration, equipment maintenance, recordkeeping, quality systems and proficiency testing. We must maintain CLIA compliance and certification to be eligible to bill for diagnostic services provided to Medicare beneficiaries.

We have current certification under CLIA to perform testing at our Vista facility. To renew our CLIA certificate, we are subject to survey and inspection every two years to assess compliance with program standards. The regulatory and compliance standards applicable to the testing we perform may change over time, and any such changes could have a material effect on our business.

If our clinical laboratory were to be found to be out of compliance with CLIA requirements, we may be subject to sanctions, such as suspension, limitation or revocation of our CLIA certificate, as well as directed plan of correction, state on-site monitoring, civil money penalties, civil injunctive suit or criminal penalties, any of which could adversely affect our business.

California Laboratory Licensing

In addition to federal certification requirements of laboratories under CLIA, licensure is required and maintained for our Vista clinical reference laboratory under California law. Such laws establish standards for the day-to-day operation of a clinical reference laboratory, including the training and skills required of personnel and quality control. In addition, California laws mandate proficiency testing, which involves testing of specimens that have been specifically prepared for the laboratory.

If our clinical reference laboratory were to be found out of compliance with California standards, the California Department of Health Services, or DHS, may suspend, restrict or revoke our license to operate our clinical reference

laboratory, assess substantial civil money penalties, or impose specific corrective action plans, any of which could materially affect our business. We maintain a current license in good standing with DHS. However, we cannot provide assurance that DHS will at all times in the future find us to be in compliance with all such laws.

New York Laboratory Licensing

Because we receive specimens from New York, our clinical reference laboratory is required to be licensed by New York, under New York laws and regulations, which establish standards for:

- day-to-day operation of a clinical laboratory, including training and skill levels required of laboratory personnel;
- physical requirements of a facility;
- equipment; and
- validation and quality control

New York law also mandates proficiency testing for laboratories licensed under New York state law, regardless of whether such laboratories are located in New York. If a laboratory is out of compliance with New York statutory or regulatory standards, the NYDOH may suspend, limit, revoke or annul the laboratory's New York license, censure the holder of the license or assess civil money penalties. Statutory or regulatory noncompliance may result in a laboratory's operator being found guilty of a misdemeanor under New York law. NYDOH also must approve the LDT before the test is offered in New York. We have received written approval from NYDOH to offer our products in New York. If we were to be found out of compliance with New York laboratory requirements, we could be subject to such sanctions, which could harm our business. We maintain a current license in good standing with NYDOH for our laboratory.

Other States' Laboratory Licensing

In addition to New York and California, other states, including Florida, Maryland, Pennsylvania and Rhode Island, require licensing of out-of-state laboratories under certain circumstances. We have obtained licenses from states where we believe we are required to be licensed, and believe we are in compliance with applicable licensing laws.

From time to time, we may become aware of other states that require out-of-state laboratories to obtain licensure in order to accept specimens from the state, and it is possible that other states currently have such requirements or will have such requirements in the future. If we identify any other state with such requirements or if we are contacted by any other state advising us of such requirements, we intend to comply with such requirements. Collecting specimens from a state that requires us to obtain and maintain an out-of-state laboratory license, without receiving such license, may result in sanctions, any of which could harm our business.

Federal Oversight of Laboratory Developed Tests

The laws and regulations governing the marketing of diagnostic products are evolving, extremely complex, and in many instances there are no significant regulatory or judicial interpretations of these laws and regulations. Clinical laboratory tests like Avise SLE+CT, Avise SLE Prognostic and Avise MTX are regulated under CLIA, as administered by CMS, as well as by applicable state laws. In addition, the Federal Food, Drug and Cosmetic Act, or FDCA, defines a medical device to include any instrument, apparatus, implement, machine, contrivance, implant, in vitro reagent, or other similar or related article, including a component part, or accessory, intended for use in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment, or prevention of disease, in man or other animals. Our in vitro diagnostic products are considered by the FDA to be subject to regulation as medical devices. Among other things, pursuant to the FDCA and its implementing regulations, the FDA regulates the research, testing, manufacturing, safety, labeling, storage, recordkeeping, pre-market clearance or approval, marketing and promotion, and sales and distribution of medical devices in the United States to ensure that

medical products distributed domestically are safe and effective for their intended uses. In addition, the FDA regulates the export of medical devices manufactured in the United States to international markets.

Although the FDA has statutory authority to assure that medical devices are safe and effective for their intended uses, the FDA has generally exercised its enforcement discretion and not enforced applicable regulations with respect to in vitro diagnostics that are developed, validated, and offered within a single laboratory for use only in that laboratory. We believe that the Avise SLE+CT and Avise MTX are LDTs, as are our near term pipeline candidate tests. As a result, we believe our diagnostic services should not be subject to regulation under established FDA policies. However, one of the devices we market under license is subject to a 510(k) clearance held by Orgentec Diagnostika GmbH and is subject to the FDA's regulations applicable to 510(k)-cleared devices. In addition, reagents, instruments, software or components provided by third parties and used to perform LDTs may be subject to regulation.

Pursuant to the Food and Drug Administration Safety and Innovation Act, the FDA notified Congress on July 31, 2014 that FDA intends to issue, on or after September 30, 2014, a draft guidance entitled "Framework for Regulatory Oversight of Laboratory Developed Tests (LDTs)," or the Framework Guidance. The anticipated details of the Framework Guidance state that FDA intends to modify its policy of enforcement discretion with respect to LDTs in a risk-based manner consistent with the classification of medical devices generally in Classes I through III. The FDA states its intention in the Framework Guidance to publish general LDT classification guidance within 18 months of date on which the Framework Guidance is finalized.

If the FDA begins to actively regulate LDTs, we may be required to obtain premarket clearance under Section 510(k) of the FDCA or a premarket approval, or PMA. The process for submitting a 510(k) premarket notification and receiving FDA clearance usually takes from three to twelve months, but it can take significantly longer and clearance is never guaranteed. The process for submitting and obtaining FDA approval of a PMA is much more costly, lengthy and uncertain. It generally takes from one to three years or even longer and approval is not guaranteed. PMA approval typically requires extensive clinical data and can be significantly longer, more expensive and more uncertain than the 510(k) clearance process. If premarket review is required for some or all of our products, the FDA could require that we stop selling our products pending clearance or approval and conduct clinical testing prior to making submissions to FDA to obtain premarket clearance or approval. If our diagnostic services are allowed to remain on the market but there is uncertainty about the legal status of our services, if we are required by the FDA to label them as investigational, or if labeling claims the FDA allows us to make are limited, order levels may decline and reimbursement may be adversely affected.

Despite the FDA's notification to Congress on July 31, 2014 of its intent to publish the draft Framework Guidance in 60 days or more, we cannot predict the ultimate form of any LDT guidance or other agency action with respect to LDTs and the potential effect on our solutions or materials used to perform our diagnostic services. While we qualify all materials used in our diagnostic services according to CLIA regulations, we cannot be certain that the FDA might not ultimately promulgate rules or issue guidance documents that could affect our ability to purchase materials necessary for the performance of our diagnostic services. Should any of the reagents obtained by us from vendors and used in conducting our diagnostic services be affected by future regulatory actions, our business could be adversely affected by those actions, including increasing the cost of service or delaying, limiting or prohibiting the purchase of reagents necessary to perform the service.

Legislative proposals addressing oversight of LDTs have been introduced in recent years and we expect that new legislative proposals will be introduced in the future. It is possible that legislation could be enacted into law or regulations or guidance could be issued by the FDA which may result in new or increased regulatory requirements for us to continue to offer our diagnostic services or to develop and introduce new services.

Health Insurance Portability and Accountability Act

Under the Federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, and the Health Information Technology for Economic and Clinical Health Act, or HITECH Act, the U.S. Department of Health

and Human Services, or HHS, has issued regulations to protect the privacy and security of protected health information used or disclosed by certain entities including health care providers, such as us. HIPAA also regulates standardization of data content, codes and formats used in certain health care transactions and standardization of identifiers for health plans and providers. Penalties for violations of HIPAA and HITECH laws and regulations include civil and criminal penalties.

Three standards have been promulgated under HIPAA's and HITECH's regulations: the Standards for Privacy of Individually Identifiable Health Information, which restrict the use and disclosure of certain individually identifiable health information, the Standards for Electronic Transactions, which establish standards for common healthcare transactions, such as claims information, plan eligibility, payment information and the use of electronic signatures, and the Security Standards for the Protection of Electronic Protected Health Information, which require covered entities and business associates to implement and maintain certain security measures to safeguard certain electronic health information, including the adoption of administrative, physical and technical safeguards to protect such information.

In 2009, Congress passed the American Recovery and Reinvestment Act of 2009, or ARRA, which included sweeping changes to HIPAA, including an expansion of HIPAA's privacy and security standards. ARRA includes the HITECH Act, which, among other things, made HIPAA's security standards directly applicable to business associates of covered entities effective February 17, 2010. A business associate is a person or entity that performs certain functions or activities on behalf of a covered entity that involve the use or disclosure of protected health information for or on behalf of the covered entity. As a result, business associates are now subject to significant civil and criminal penalties for failure to comply with applicable standards. Moreover, HITECH creates a new requirement to report certain breaches of unsecured, individually identifiable health information and imposes penalties on entities that fail to do so. This requirement was modified and expanded by the final HIPAA Omnibus Rule of 2013. HITECH also increased the civil and criminal penalties that may be imposed against covered entities and business associates and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney fees and costs associated with pursuing federal civil actions.

HIPAA also governs patient access to laboratory test reports. Effective October 6, 2014, individuals (or their personal representatives, as applicable) have the right to access test reports directly from laboratories and to direct that copies of those reports be transmitted to persons or entities designated by the individual.

We have developed and implemented policies and procedures designed to comply with these regulations. The requirements under these regulations may change periodically and could have an effect on our business operations if compliance becomes substantially more costly than under current requirements.

In addition to federal privacy regulations, there are a number of state laws governing confidentiality of health information that are applicable to our business, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

New laws governing privacy and security may be adopted in the future as well. We have taken steps to comply with federal and state health information privacy and security requirements to which we are aware that we are subject. However, we can provide no assurance that we are or will remain in compliance with diverse privacy and security requirements in all of the jurisdictions in which we do business. Failure to comply with privacy and security requirements could result in civil or criminal penalties, which could have a materially adverse effect on our business.

Federal and State Physician Self-Referral Prohibitions

We are subject to the federal physician self-referral prohibitions, commonly known as the Stark Law, and to similar state law restrictions, such as California's Physician Ownership and Referral Act, or PORA, and other

comparable state laws. Together these restrictions generally prohibit us from billing a patient or any governmental or private payer for certain designated health services, including clinical laboratory services, when the physician ordering the service, or any member of such physician's immediate family, has a financial interest, such as an ownership or investment interest in or compensation arrangement with us, unless the arrangement meets an exception to the prohibition.

Both the Stark Law and PORA, as well as many other state law equivalents, contain an exception for compensation paid to a physician for personal services rendered by the physician provided that the arrangement meets certain regulatory requirements. We have compensation arrangements with a number of physicians for personal services, such as speaking engagements and consulting activities.

However, we cannot be certain that regulators would find these arrangements to be in compliance with Stark, PORA or similar state laws. We would be required to refund any payments we receive pursuant to a referral prohibited by these laws to the patient, the payer or the Medicare program, as applicable.

Sanctions for a Stark Law violation include the following:

- denial of payment for the services provided in violation of the prohibition;
- refunds of amounts collected by an entity in violation of the Stark Law;
- a civil penalty of up to $15,000 for each bill or claim for a service arising out of the prohibited referral;
- the imposition of up to three times the amounts for each item or service wrongfully claimed;
- possible exclusion from federal healthcare programs, including Medicare and Medicaid; and
- a civil penalty of up to $100,000 for each arrangement or scheme that the parties know (or should know) has the principal purpose of circumventing the Stark Law's prohibition.

These prohibitions apply regardless of any intent by the parties to induce or reward referrals or the reasons for the financial relationship and the referral. In addition, knowing violations of the Stark Law may also serve as the basis for liability under the Federal False Claims Act, which can result in additional civil and criminal penalties.

Further, a violation of PORA is a misdemeanor and could result in civil penalties and criminal fines. Other states also have self-referral restrictions with which we have to comply, some of which differ from those imposed by the Stark Law or California law. It is possible that some of our financial arrangements with physicians could be subject to regulatory scrutiny at some point in the future, and we cannot provide assurance that we will be found to be in compliance with these laws following any such regulatory review.

Federal and State Fraud and Abuse Laws

The Federal Anti-kickback Statute makes it a felony for a person or entity, including a clinical laboratory, to knowingly and willfully offer, pay, solicit or receive any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in order to induce business that is reimbursable under any federal health care program. A violation of the Anti-kickback Statute may result in imprisonment for up to five years and fines of up to $25,000 for each violation and administrative civil money penalties of $50,000 plus up to three times the amount of the remuneration paid. Convictions under the Anti-kickback Statute result in mandatory exclusion from federal health care programs for a minimum of five years. In addition, The U.S. Department of Health and Human Services, or HHS, has the authority to impose civil assessments and fines and to exclude health care providers and others engaged in prohibited activities from Medicare, Medicaid and other federal health care programs. In addition, the government may now assert that a claim that includes items or services resulting from a violation of the Anti-kickback Statute constitutes a false or fraudulent claim under the Federal False Claims Act, which is discussed in greater detail below. Additionally, the intent standard under the Anti-Kickback Statute was amended by the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, collectively the ACA, to a stricter standard such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Although the Anti-kickback Statute applies only to items and services reimbursable under any federal health care program, a number of states, including California, have passed statutes substantially similar to the Anti-kickback Statute that apply to all third-party payers, including commercial insurers. The California Attorney General and courts have interpreted the California anti-kickback and fee-splitting laws in substantially the same way as HHS and the courts have interpreted the Anti-kickback Statute. Penalties of such state laws include imprisonment and significant monetary fines.

Federal and state law enforcement authorities scrutinize arrangements between health care providers and potential referral sources to ensure that the arrangements are not designed as a mechanism to induce patient care referrals or induce the purchase or prescribing of particular products or services. The law enforcement authorities, the courts and Congress have also demonstrated a willingness to look behind the formalities of a transaction to determine the underlying purpose of payments between health care providers and actual or potential referral sources. Generally, courts have taken a broad interpretation of the scope of the Anti-kickback Statute, holding that the statute may be violated if merely one purpose of a payment arrangement is to induce referrals or purchases.

In addition to statutory exceptions to the Anti-kickback Statute, regulations provide for a number of safe harbors. If an arrangement meets the provisions of a safe harbor, it is deemed not to violate the Anti-kickback Statute. An arrangement must fully comply with each element of an applicable safe harbor in order to qualify for protection. There are no regulatory safe harbors under California laws.

Among the safe harbors that may be relevant to us is the discount safe harbor. The discount safe harbor potentially protects certain discounts provided by providers and suppliers, including laboratories, to physicians or institutions. If the terms of the discount safe harbor are met, the discounts will not be considered prohibited remuneration under the Anti-kickback Statute. Although California does not have a discount safe harbor, the California statute has generally been interpreted consistent with the Anti-kickback Statute.

The personal services safe harbor to the Anti-kickback Statute protects certain remuneration paid to a referral source for personal services, provided all of the elements of that safe harbor are met. One element is that if the agreement is intended to provide for the services of the physician on a periodic, sporadic or part-time basis, rather than on a full-time basis for the term of the agreement, the agreement specifies exactly the schedule of such intervals, their precise length, and the exact charge for such intervals. Our personal services arrangements with some physicians may not meet the specific requirement of this safe harbor that the agreement specify exactly the schedule of the intervals of time to be spent on the services because the nature of the services, such as speaking engagements and blood-draw fee agreements, does not lend itself to exact scheduling. Failure to meet the requirements of the safe harbor, however, does not render an arrangement illegal. Rather, the government may evaluate such arrangements on a case-by-case basis, taking into account all facts and circumstances.

There can be no assurance that our relationships with physicians, academic institutions and other customers will not be subject to investigation or challenge under such laws. If imposed for any reason, sanctions under these laws could have a negative effect on our business.

Other Federal and State Health Care Laws

In addition to the requirements discussed above, several other health care fraud and abuse laws could have an effect on our business. For example, provisions of the Social Security Act permit Medicare and Medicaid to exclude an entity that charges the federal health care programs substantially in excess of its usual charges for its services. The terms “usual charge” and “substantially in excess” are subject to varying interpretations.

Further, the Federal civil False Claims Act prohibits, among other things, a person from knowingly presenting, or causing to be presented, a false or fraudulent claim for payment or approval and from, making, using, or causing to be made or used, a false record or statement material to a false or fraudulent claim in order to

secure payment or retaining an overpayment by the federal government. In addition to actions initiated by the government itself, the statute authorizes actions to be brought on behalf of the federal government by a private party having knowledge of the alleged fraud. Because the complaint is initially filed under seal, the action may be pending for some time before the defendant is even aware of the action. If the government intervenes and is ultimately successful in obtaining redress in the matter or if the plaintiff succeeds in obtaining redress without the government's involvement, then the plaintiff will receive a percentage of the recovery. Finally, the Social Security Act includes its own provisions that prohibit the filing of false claims or submitting false statements in order to obtain payment. Violation of these provisions may result in fines, imprisonment or both, and possible exclusion from Medicare or Medicaid programs. Several states, including California, have enacted comparable false claims laws that apply to all payers.

Additionally, the civil monetary penalties statute imposes penalties against any person or entity that, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent. A person who offers or provides to a Medicare or Medicaid beneficiary any remuneration, including waivers of co-payments and deductible amounts (or any part thereof), that the person knows or should know is likely to influence the beneficiary's selection of a particular provider, practitioner or supplier of Medicare or Medicaid payable items or services may be liable for civil monetary penalties of up to $10,000 for each wrongful act and up to three times the amount improperly claimed. Moreover, in certain cases, providers who routinely waive copayments and deductibles for Medicare and Medicaid beneficiaries can also be held liable under the Anti-Kickback Statute and False Claims Act. One of the statutory exceptions to the prohibition is non-routine, unadvertised waivers of copayments or deductible amounts based on individualized determinations of financial need or exhaustion of reasonable collection efforts. The Office of Inspector General of the Department of Health and Human Services, or OIG, emphasizes, however, that this exception should only be used occasionally to address special financial needs of a particular patient. Although this prohibition applies only to federal healthcare program beneficiaries, applicable state laws related to, among other things, unlawful schemes to defraud, excessive fees for services, tortious interference with patient contracts and statutory or common law fraud, may also be implicated for similar practices offered to patients covered by commercial payers. It is possible that some of our business practices, including the waiver and/or reduction of co-payments and deductible amounts, could be subject to regulatory scrutiny at some point in the future, and we cannot provide assurance that we will be found to be in compliance with these laws following any such regulatory review.

Additionally, HIPAA created new federal criminal statutes that prohibit, among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payers, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Like the Federal Anti-kickback Statute, the ACA amended the intent standard for certain healthcare fraud under HIPAA such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Also, many states have similar fraud and abuse laws that may be broader in scope and may apply regardless of payer.

If our operations are found to be in violation of any of the fraud and abuse laws described above or any other laws that apply to us, we may be subject to penalties, including potentially significant criminal and civil and/or administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from participation in government healthcare programs, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

The ACA, among other things, also imposed new reporting requirements on manufacturers of certain devices, drugs and biologics for certain payments and transfers of value by them and in some cases their

distributors to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Any failure to comply with these reporting requirements could result in significant fines and penalties. Because we manufacture our own LDTs solely for use by or within our own laboratory, we believe that we are exempt from these reporting requirements. We cannot assure you, however, that the government will agree with our determination, and a determination that we have violated these laws and regulations, or a public announcement that we are being investigated for possible violations, could adversely affect our business, prospects, results of operations or financial condition

Employees

As of March 31, 2014, we had 59 employees, all but one of whom are full-time, 11 of whom work in laboratory operations, four in research and development, 37 in sales and marketing and seven in general and administrative. None of our employees is represented by a labor union or covered by a collective bargaining agreement. We consider our relationship with our employees to be good.

Suppliers

We rely on sole suppliers for critical supply of reagents, equipment and other materials that we use to perform the tests that comprise our Avise products. We also purchase components used in our Avise product transportation kits from sole-source suppliers. Some of these items are unique to these suppliers and vendors.

Facilities

We lease approximately 14,000 square feet of office and laboratory space in Vista, California, under a lease that expires in 2017, with options to extend the lease for two additional 36-month periods. We also lease approximately 3,200 square feet of office space in Albuquerque, New Mexico, under a lease that expires in 2014. We believe that our existing facilities are adequate to meet our business needs for at least the next 12 months and that additional space will be available on commercially reasonable terms, if required.

Environmental Matters

Our operations require the use of hazardous materials (including biological and chemical materials) which subject us to a variety of federal, state and local environmental and safety laws and regulations. We could be held liable for damages and fines as a result of our business operations. We cannot predict how changes in laws or regulations will affect our business, operations or the cost of compliance. We mitigate this risk by being in compliance with these laws and the CAP checklists. We have established Universal Precautions, as mandated by the Occupational Safety & Health Administration, to be practiced to prevent employee exposure to blood and other potentially infectious materials. Engineering and work practice controls are used to eliminate or minimize employee exposure. Personal protective equipment is used when occupational exposure may occur even though the engineering and work practice controls are in place. This Injury and Illness Prevention Program, or IIPP, is designed to furnish employees with a safe and healthy place of employment. This IIPP describes specific requirements for program responsibility, compliance, communication, hazard assessment, accident/exposure investigations, hazard correction, training and recordkeeping. In addition, appropriate biohazardous, chemical and sharps waste disposal are in place.

Legal Proceedings

We are not currently a party to any material legal proceedings, and we are not aware of any pending or threatened legal proceeding against us that we believe are likely to have a material adverse effect on our business, operating results or financial condition.

MANAGEMENT

Executive Officers and Directors

The following table sets forth the name, age and position of each of our executive officers, key employees and directors as of July 15, 2014.

Name	Age	Position
Executive Officers		
Fortunato Ron Rocca	52	President, Chief Executive Officer and Director
Wendy Swedick	49	Chief Financial Officer
Thierry Dervieux, Ph.D.	46	Chief Scientific Officer
Key Employees		
Claudia Ibarra	52	Vice President, Laboratory Operations
John Wegener	45	Vice President, Sales and Managed Markets
Dennis Takasugi	57	Vice President, Business Development and Marketing
Brian Littlefield	53	Vice President, Information Services
Non-Employee Directors		
Curt LaBelle, M.D.	43	Chairman of the Board of Directors
Ebetuel Pallares, Ph.D.	40	Director
Brian Birk	54	Director
Samuel D. Riccitelli	55	Director
Michael J. Walsh	54	Director
Arthur Weinstein, M.D.	70	Director

(1) Member of the compensation committee
(2) Member of the audit committee
(3) Member of the nominating and corporate governance committee

Executive Officers

Fortunato Ron Rocca has served as our President and Chief Executive Officer since October 2011 and as a member of our board of directors since November 2011. From 2005 to October 2011, Mr. Rocca served as Vice President, Sales and Marketing, and as General Manager, at Prometheus Laboratories Inc., a specialty pharmaceutical and diagnostic company which was acquired by Nestlé SA in 2011, where he was responsible for leading the commercial organization, strategic planning and implementing projects designed to maximize brand sales. Prior to Prometheus, Mr. Rocca was the General Manager of Alpharma Inc., a specialty pharmaceutical company. Earlier in his career, Mr. Rocca served in senior sales and marketing management positions for Elan Pharmaceuticals, Inc., a neuroscience-focused biotechnology company. Mr. Rocca received a B.A. in Marketing and Personnel Management from Towson State University. Mr. Rocca's extensive knowledge of our business, as well as his over 25 years of experience in the diagnostic and pharmaceutical industries, contributed to our board of directors' conclusion that he should serve as a director of our company.

Wendy Swedick has served as our Chief Financial Officer since June 2010. Prior to joining Exagen, Ms. Swedick founded Vector B Consulting, a business consulting practice, in 2003 and she served as its President until August 2010. Ms. Swedick previously served as the Director of Product Development for Qynergy Corporation, a company which designs and develops energy and power solutions, and Chief Financial Officer of Zia Laser, Inc., a semiconductor laser manufacturing company. Prior to that, Ms. Swedick served as Vice President and Controller at the cable division of Media One Group, Inc., a telecommunications company which was acquired by AT&T Corp. in 2000. Ms. Swedick is currently a senior mentor for the New Directions Institute and graduated with honors with a B.A. in Business Administration & Accounting from the University of New Mexico.

Thierry Dervieux, Ph.D. has served as our Chief Scientific Officer and Medical Laboratory Director since October 2010. Dr. Dervieux has nearly 20 years of experience with the development of drug monitoring and molecular diagnostic assays in partnership with academia and diagnostic industry. Prior to joining Exagen, Dr. Dervieux was Vice President of Research and Development with Cypress Biosciences, Inc., a pharmaceutical company with a focus on drugs to treat central nervous system disorders, where he developed our current portfolio in the rheumatology space from 2008 to October 2010. He previously served as Senior Director Research and Development with Proprius Pharmaceuticals, Inc., a specialty pharmaceutical and personalized medicine company focused in rheumatology and pain management, until its acquisition by Cypress Bioscience. Prior to that, he served as Principal Scientist and Director of Research and Development at Prometheus Laboratories. Dr. Dervieux is board certified by the American Board of Clinical Chemistry and holds certificates of qualification as medical laboratory director in the categories of cellular immunology, clinical chemistry, drug monitoring, genetic testing and diagnostic immunology. Dr. Dervieux holds Pharm.D. and Ph.D. degrees from Claude Bernard University in Lyon, France, an inter-university diploma in biostatistics from the University of Pierre et Marie Curie in Paris, France, and trained at St. Jude Children's Research Hospital in Memphis, Tennessee.

Key Employees

Claudia Ibarra has served as our Vice President, Laboratory Operations since January 2014, after joining Exagen in February 2012 as our Senior Director, Laboratory Operations. Ms. Ibarra previously served in numerous positions at Genoptix, Inc., a diagnostic services company focused on the needs of community hematologists and oncologists, from 2006 to January 2012, including as the Director, Molecular Laboratory and as the Molecular Genetic Training Program Coordinator. Prior to Genoptix, Ms. Ibarra worked in a variety of clinical laboratories in the fields of clinical chemistry, endocrinology and immunology. Ms. Ibarra holds a degree in Biochemistry with specialization in clinical laboratory science from the University of Buenos Aires, Argentina.

John Wegener has served as our Vice President, Sales and Managed Markets since November 2013. Prior to joining Exagen, Mr. Wegener served in various capacities with Prometheus Laboratories from 1999 to October 2013, including as the National Director, Managed Care and a Regional Sales Director. During his time at Prometheus, Mr. Wegener launched five new diagnostic tests and managed diagnostic channels with national general reference laboratories. Prior to Prometheus, Mr. Wegener worked in sales for Novartis. Mr. Wegener holds a B.S. in Business from the University of Arizona.

Dennis Takasugi has served as our Vice President, Business Development and Marketing since April 2011. Prior to joining Exagen, from 2005 to April 2011, Mr. Takasugi served as the Head of Strategic Business Development, Gastroenterology, at Prometheus Laboratories. Prior to Prometheus, Mr. Takasugi served as the Senior Director of Marketing for Santarus, Inc., a gastroenterology-focused specialty pharmaceutical company, from 2002 to 2005. Prior to that, Mr. Takasugi worked in business development and marketing for Maxim Pharmaceuticals, Inc., a biopharmaceutical company developing cancer therapeutics, from 2000 to 2002, and for Ligand Pharmaceuticals, Inc., a pharmaceutical company, from 1998 to 2000. Mr. Takasugi began his career by spending 15 years at Eli Lilly and Company. Mr. Takasugi holds a B.S. in Pharmacy from Idaho State University, where he graduated with honors.

Brian Littlefield has served as our Vice President, Information Services since April 2014. Prior to joining Exagen, Mr. Littlefield served as the Senior Director, Information Services at Prometheus Laboratories from 1998 to March 2014. At Prometheus, Mr. Littlefield was involved with the creation and execution of controls necessary for regulatory compliance. Prior to Prometheus, Mr. Littlefield worked as a consultant with Deloitte and as the Director of Support Services at Quidel Corporation, a diagnostics company. Mr. Littlefield holds a B.S. in Biochemistry from Purdue University and an M.B.A. from Pepperdine University.

Non-Employee Directors

Curt LaBelle, M.D. has served as a member of our board of directors since April 2011 and as chairman of the board since December 2011. Dr. LaBelle has served as the Managing Director of Tullis Health Investors, a venture capital firm, since 2008. Since October 2011, Dr. LaBelle has served as chairman of the board of SafeOp Surgical, Inc., a medical device and technology company. He previously served on the board of Impulse Monitoring, Inc., a neuromonitoring company, from June 2008 until the company was sold to NuVasive, Inc. in October 2011. Dr. LaBelle has also previously served as a member of the board of directors of Sirion Therapeutics, Inc., a company specializing in ophthalmology drugs which was sold to Bausch & Lomb, Inc. and Alcon, Inc. in a two-part transaction in 2010, KAI Pharmaceuticals, a pharmaceutical company developing drugs for patients with chronic kidney disease which was sold to Amgen Inc. in 2012, and TransMolecular, Inc., a neuroscience biotechnology company developing products to treat central nervous system disorders which was sold to Morphotek, Inc. in 2011. He has also served in other advisory capacities with Coherex Medical, Inc. and Endoscopic Technologies, Inc. d/b/a Estech. Dr. LaBelle holds an M.D. and M.B.A. from Columbia University and a B.S. from Brigham Young University. Dr. LaBelle's extensive experience serving as a venture capitalist and board member to numerous companies in the healthcare industry contributed to our board of directors' conclusion that Dr. LaBelle should serve as a director of our company.

Ebetuel Pallares, Ph.D. has served as a member of our board of directors since November 2012. Dr. Pallares founded Joseph Advisory Services, LLC, a strategic consulting firm, in 2006, and has served as its manager since that time. In June 2009, he co-founded Cottonwood Capital Partners, the general partner of Cottonwood Technology Fund, a seed and early-stage venture fund with headquarters in El Paso, Texas, and he has served as its managing partner since that time. Dr. Pallares also serves on several corporate and non-profit boards, as an advisor to the UT Horizon Fund, the venture capital investment fund of the University of Texas system, as an Investor in Residence for New Mexico State University's Arrowhead Center and on the limited partnership advisory committee for several venture funds. He received a B.A. in economics from Brandeis University, an M.B.A. from The University of Texas at El Paso, or UTEP, and a Ph.D. in International Business from UTEP. Dr. Pallares's extensive venture capital experience and his service as a director for numerous companies contributed to our board of directors' conclusion that he should serve as a director of our company.

Brian Birk has served as a member of our board of directors since June 2008. In 2006, Mr. Birk co-founded Sun Mountain Capital, a boutique private equity firm focused on the Southwest and Rocky Mountain regions which currently manages direct investment funds and funds of funds vehicles. Prior to forming Sun Mountain Capital, Mr. Birk was a Vice President and Director of Private Equity at Fort Washington Capital Partners, a professional investment management services company. Mr. Birk was also a senior executive at MetaWeb Technologies, Inc., a technology and web development company acquired by Google Inc. in 2010, the vice president of technology commercialization at Applied Minds, LLC, a technology consulting company, and the president of a division at BiosGroup Inc., a company which commercialized complex science software. In addition, Mr. Birk held a senior manager position at the Boston Consulting Group, Inc., a global management consulting firm, and finance manager positions at General Electric Company and GE Capital Corporation. Mr. Birk is a currently a member of the board of directors of several private companies, including Aspen Avionics, Inc., an aircraft avionics manufacturer, and American Clay Enterprises, LLC, a plaster manufacturing and sales company. Mr. Birk received a B.S. in Economics from Carleton College and an M.B.A. from Northwestern University's Kellogg School of Management. Mr. Birk's experience as a venture capitalist and prior executive experience contributed to our board of directors' conclusion that he should serve as a director of our company.

Samuel D. Riccitelli has served as a member of our board of directors since November 2011. Since October 2012, Mr. Riccitelli has served as President and CEO of Signal Genetics, Inc., a molecular diagnostic company focused on the disease area of multiple myeloma. From July 2011 to October 2012, Mr. Riccitelli was an independent consultant, including for us. From October 2001 to June 2011, Mr. Riccitelli served as the Executive Vice President and Chief Operating Officer of Genoptix, Inc., a diagnostic services company focused on the

needs of community hematologists and oncologists. From 1995 to 2001, Mr. Riccitelli served in a number of positions for Becton, Dickinson and Company, including most recently as a vice president and general manager and as a board member for BD Ventures, L.L.C., a venture capital fund. From 1989 to 1994, he served in a number of positions at Puritan-Bennett Corporation, including most recently as general manager. Mr. Riccitelli received a B.A. in Biology from Washington and Jefferson College and an M.S. Eng. in mechanical & biomedical engineering from The University of Texas. Mr. Riccitelli's extensive experience within and knowledge of the medical diagnostic industry contributed to our board of directors' conclusion that he should serve as a director of our company.

Michael J. Walsh has served as a member of our board of directors since September 2010. From March 2008 to March 2010, Mr. Walsh served as the Executive Vice President and Chief Commercial Officer at Cypress Biosciences. Prior to Cypress, in May 2005, Mr. Walsh founded Proprius Pharmaceuticals, Inc., a specialty pharmaceutical and personalized medicine company focused in rheumatology and pain management. Mr. Walsh served as the President and CEO of Proprius from its founding until it was acquired by Cypress in March 2008. Before his time with Proprius, Mr. Walsh was the Executive Chairman at Prometheus Laboratories, where he also held the positions of President, Chief Operating Officer, and Chief Executive Officer from the founding of the company in 1995 through late 2004. Mr. Walsh received a B.S. in Biology from the University of Notre Dame and an M.B.A. from Pepperdine University. Mr. Walsh's significant experience managing other companies in the biotechnology industry contributed to our board of directors' conclusion that he should serve as a director of our company.

Arthur Weinstein, M.D. has served as a member of our board of directors since December 2013. Dr. Weinstein has served as a Professor of Medicine at Georgetown University since 2002, and as the Chief of Rheumatology and Associate Chair of Medicine at the Washington Hospital Center since 2001. He has served as the co-chair of the board of directors for the Lupus Foundation of America's regional chapter for Washington, D.C., Maryland and Virginia since September 2013, and prior to that, served as its vice chair from September 2012 to September 2013, and has served as a member of the board since 2002. He also served as the chair of that board's medical scientific advisory committee from 2005 to September 2012. Dr. Weinstein was a Fellow at the Royal College of Physicians (UK) in 2011 and was recognized as a Master by the American College of Rheumatology in 2009. Dr. Weinstein received an M.D. from the University of Toronto, and completed his residency and fellowship training in Internal Medicine and Rheumatology at the University of Toronto and University of London (UK). Dr. Weinstein's academic and professional work, specifically in the areas of rheumatology and lupus, contributed to our board of directors' conclusion that he should serve as a director.

Board Composition and Election of Directors

Director Independence

Our board of directors currently consists of seven members. Our board of directors has determined that all of our directors, other than Mr. Rocca, are independent directors in accordance with the listing requirements of The NASDAQ Global Market. The NASDAQ independence definition includes a series of objective tests, including that the director is not, and has not been for at least three years, one of our employees and that neither the director nor any of his family members has engaged in various types of business dealings with us. In addition, as required by NASDAQ rules, our board of directors has made a subjective determination as to each independent director that no relationships exist, which, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, our board of directors reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities and relationships as they may relate to us and our management. There are no family relationships among any of our directors or executive officers.

Classified Board of Directors

In accordance with the terms of our amended and restated certificate of incorporation that will go into effect immediately prior to the completion of this offering, our board of directors will be divided into three classes with

staggered, three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Effective upon the completion of this offering, our directors will be divided among the three classes as follows:

- the Class I directors will be and , and their terms will expire at our first annual meeting of stockholders following this offering;
- the Class II directors will be and , and their terms will expire at our second annual meeting of stockholders following this offering; and
- the Class III directors will be , and , and their terms will expire at our third annual meeting of stockholders following this offering.

Our amended and restated certificate of incorporation that will go into effect immediately prior to the completion of this offering will provide that the authorized number of directors may be changed only by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control of our company. Our directors may be removed only for cause by the affirmative vote of the holders of at least two thirds of our outstanding voting stock then entitled to vote in the election of directors.

Board Leadership Structure

Our board of directors is currently led by its chairman, Curt LaBelle, M.D. Our board of directors recognizes that it is important to determine an optimal board leadership structure to ensure the independent oversight of management as the company continues to grow. We separate the roles of chief executive officer and chairman of the board in recognition of the differences between the two roles. The chief executive officer is responsible for setting the strategic direction for the company and the day-to-day leadership and performance of the company, while the chairman of the board of directors provides guidance to the chief executive officer and presides over meetings of the full board of directors. We believe that this separation of responsibilities provides a balanced approach to managing the board of directors and overseeing the company.

Our board of directors has concluded that our current leadership structure is appropriate at this time. However, our board of directors will continue to periodically review our leadership structure and may make such changes in the future as it deems appropriate.

Role of Board in Risk Oversight Process

Our board of directors has responsibility for the oversight of the company's risk management processes and, either as a whole or through its committees, regularly discusses with management our major risk exposures, their potential impact on our business and the steps we take to manage them. The risk oversight process includes receiving regular reports from board committees and members of senior management to enable our board to understand the company's risk identification, risk management and risk mitigation strategies with respect to areas of potential material risk, including operations, finance, legal, regulatory, strategic and reputational risk.

The audit committee reviews information regarding liquidity and operations, and oversees our management of financial risks. Periodically, the audit committee reviews our policies with respect to risk assessment, risk management, loss prevention and regulatory compliance. Oversight by the audit committee includes direct communication with our external auditors, and discussions with management regarding significant risk exposures and the actions management has taken to limit, monitor or control such exposures. The compensation committee is responsible for assessing whether any of our compensation policies or programs has the potential to encourage excessive risk-taking. The nominating/corporate governance committee manages risks associated with the

independence of the board, corporate disclosure practices, and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire board is regularly informed through committee reports about such risks. Matters of significant strategic risk are considered by our board as a whole.

Board Committees and Independence

Our board has established three standing committees—audit, compensation and nominating and corporate governance—each of which operates under a charter that has been approved by our board.

Our board has determined that all of the members of each of the board's three standing committees are independent as defined under the rules of The NASDAQ Global Market. In addition, all members of the audit committee meet the independence requirements contemplated by Rule 10A-3 under the Exchange Act.

Audit Committee

The audit committee's main function is to oversee our accounting and financial reporting processes and the audits of our financial statements. This committee's responsibilities include, among other things:

- appointing our independent registered public accounting firm;
- evaluating the qualifications, independence and performance of our independent registered public accounting firm;
- approving the audit and non-audit services to be performed by our independent registered public accounting firm;
- reviewing the design, implementation, adequacy and effectiveness of our internal accounting controls and our critical accounting policies;
- discussing with management and the independent registered public accounting firm the results of our annual audit and the review of our quarterly unaudited financial statements;
- reviewing, overseeing and monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- reviewing on a periodic basis, or as appropriate, any investment policy and recommending to our board any changes to such investment policy;
- reviewing with management and our auditors any earnings announcements and other public announcements regarding our results of operations;
- preparing the report that the SEC requires in our annual proxy statement;
- reviewing and approving any related party transactions and reviewing and monitoring compliance with our code of conduct and ethics; and
- reviewing and evaluating, at least annually, the performance of the audit committee and its members including compliance of the audit committee with its charter.

The members of our audit committee are , and . serves as the chairperson of the committee. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and The NASDAQ Global Market. Our board of directors has determined that is an "audit committee financial expert" as defined by applicable SEC rules and has the requisite financial sophistication as defined under the applicable NASDAQ rules and regulations. Our board of directors has determined each of , and is independent under the applicable rules of the SEC and The NASDAQ Global Market. Upon the listing of our common stock on The NASDAQ Global Market, the audit committee will operate under a written charter that satisfies the applicable standards of the SEC and The NASDAQ Global Market.

Compensation Committee

Our compensation committee approves policies relating to compensation and benefits of our officers and employees. The compensation committee approves corporate goals and objectives relevant to the compensation of our chief executive officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives and approves the compensation of these officers based on such evaluations. The compensation committee also approves the issuance of stock options and other awards under our equity plan. The compensation committee will review and evaluate, at least annually, the performance of the compensation committee and its members, including compliance by the compensation committee with its charter.

The members of our compensation committee are , and . serves as the chairperson of the committee. Our Board has determined that each of , and is independent under the applicable rules and regulations of The NASDAQ Global Market, is a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act and is an "outside director" as that term is defined in Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended, or Section 162(m). Upon the listing of our common stock on The NASDAQ Global Market, the compensation committee will operate under a written charter, which the compensation committee will review and evaluate at least annually.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee is responsible for assisting our board of directors in discharging the board's responsibilities regarding the identification of qualified candidates to become board members, the selection of nominees for election as directors at our annual meetings of stockholders (or special meetings of stockholders at which directors are to be elected), and the selection of candidates to fill any vacancies on our board of directors and any committees thereof. In addition, the nominating and corporate governance committee is responsible for overseeing our corporate governance policies, reporting and making recommendations to our board of directors concerning governance matters and oversight of the evaluation of our board of directors. The members of our nominating and corporate governance committee are , and . serves as the chairman of the committee. Our board has determined that each of , and is independent under the applicable rules and regulations of The NASDAQ Global Market relating to nominating and corporate governance committee independence. Upon the listing of our common stock on The NASDAQ Global Market, the nominating and corporate governance committee will operate under a written charter, which the nominating and corporate governance committee will review and evaluate at least annually.

Compensation Committee Interlocks and Insider Participation

During 2013, the members of our compensation committee were Dr. LaBelle and Mr. Birk, each of whom is affiliated with certain of our principal stockholders, and Mr. Walsh. See "Certain Relationships and Related Person Transactions" for additional information on the securities acquired by such principal stockholders and related agreements such stockholders are party to with us.

None of the members of our compensation committee has ever been one of our officers or employees. None of our executive officers currently serves, or has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Board Diversity

Upon the completion of this offering, our nominating and corporate governance committee will be responsible for reviewing with the board of directors, on an annual basis, the appropriate characteristics, skills and experience required for the board of directors as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current members), the nominating and corporate

governance committee, in recommending candidates for election, and the board of directors, in approving (and, in the case of vacancies, appointing) such candidates, will take into account many factors, including the following:

- personal and professional integrity, ethics and values;
- experience in corporate management, such as serving as an officer or former officer of a publicly-held company;
- experience as a board member or executive officer of another publicly-held company;
- strong finance experience;
- diversity of expertise and experience in substantive matters pertaining to our business relative to other board members;
- diversity of background and perspective, including, but not limited to, with respect to age, gender, race, place of residence and specialized experience;
- experience relevant to our business industry and with relevant social policy concerns; and
- relevant academic expertise or other proficiency in an area of our business operations.

Currently, our board of directors evaluates, and following the completion of this offering will evaluate, each individual in the context of the board of directors as a whole, with the objective of assembling a group that can best maximize the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Upon the completion of this offering, our code of business conduct and ethics will be available under the Corporate Governance section of our website at www.exagen.com. In addition, we intend to post on our website all disclosures that are required by law or the listing standards of The NASDAQ Global Market concerning any amendments to, or waivers from, any provision of the code. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website, and you should not consider it to be a part of this prospectus.

EXECUTIVE AND DIRECTOR COMPENSATION

This section discusses the material components of the executive compensation program for our executive officers who are named in the "2013 Summary Compensation Table" below. In 2013, our chief executive officer and our two other highest-paid executive officers, or our named executive officers, were as follows:

- Fortunato Ron Rocca, President and Chief Executive Officer;
- Wendy Swedick, Chief Financial Officer; and
- Thierry Dervieux, Ph.D., Chief Scientific Officer.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs summarized in this discussion.

2013 Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers during the fiscal year ended December 31, 2013:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(1)	Total ($)
Fortunato Ron Rocca *President and Chief Executive Officer*	2013	300,000	—	—	—	135,000	5,919	440,919
Wendy Swedick *Chief Financial Officer*	2013	205,746	—	—	—	46,350	6,175	258,271
Thierry Dervieux, Ph.D. *Chief Scientific Officer*	2013	240,000	—	—	—	54,000	5,291	299,291

(1) Represents employer contributions under our 401(k) plan on behalf of each executive.

Narrative Disclosure to Compensation Tables

Employment Agreements

Offer Letter with Thierry Dervieux. Ph.D.

In October 2010, we entered into an offer letter with Dr. Dervieux, which was amended in September 2011.

Pursuant to the offer letter, Dr. Dervieux receives an annual base salary of $240,000. Dr. Dervieux is eligible to participate in our management bonus plan, with the goals and payments under the management bonus plan to be defined and approved by our board of directors. Pursuant to the offer letter, Dr. Dervieux received options to purchase 100,000 shares of our common stock in connection with the commencement of his employment. Such options vest as to 25% of the total number of option shares on the first anniversary of the date of grant and in equal monthly installments over the ensuing 36 months, and will become fully vested (1) upon the acquisition of our company and (2) the termination of Dr. Dervieux's employment by us without cause.

Pursuant to Dr. Dervieux's offer letter, if we terminate Dr. Dervieux's employment without cause or Dr. Dervieux resigns for good reason (as defined below), Dr. Dervieux will be entitled to the following payments and benefits: (1) his fully earned but unpaid base salary through the date of termination at the rate then in effect, plus all other amounts under any compensation plan or practice to which he is entitled, and (2) a lump sum cash

payment in an amount equal to his monthly base salary as in effect immediately prior to the date of termination for the 12-month period following the date of termination.

For purposes of Dr. Dervieux's offer letter, "good reason" generally means: (1) a material reduction in Dr. Dervieux's duties or responsibilities; (2) the relocation of our company's principal business location to a point more than 250 miles east of its previous Albuquerque location or more than 1,000 miles from Dr. Dervieux's principal residence; or (3) a material reduction by us of Dr. Dervieux's base salary as the result of a company-wide compensation reduction or in connection with similar decreases for the management team of our company.

Base Salaries

In general, base salaries for our named executive officers are initially established through arm's length negotiation at the time the executive officer is hired, taking into account such executive officer's qualifications, experience and prior salary. Base salaries of our named executive officers are generally reviewed annually and are based on the scope of an executive officer's responsibilities, individual contribution, prior experience and sustained performance.

The 2013 base salaries for our named executive officers is set forth above under "2013 Summary Compensation Table." In 2014, the base salaries of our named executive officers were increased to $312,000, $235,000 and $244,800, respectively.

2013 Exagen Management Bonus Program

Our named executive officers were eligible to participate in the 2013 Exagen Management Bonus Program, or the Bonus Program. The Bonus Program was administered by our board of directors, and our board of directors was responsible for the approval of participation, award targets, performance measures and earned awards under the Bonus Program.

Pursuant to the Bonus Program, our board of directors made awards based on annual corporate objectives determined for the performance measurement period. The relative weight between the corporate performance factors for 2013 was as follows:

Corporate Performance Factors	Percentage
Net Revenue Objective	80%
Material Transaction Objective	20%

The Bonus Program allowed for annual cash incentive awards, which are determined by (1) applying a target bonus multiplier, as set forth below, to each covered employee's base salary; (2) allocating such amount between the corporate performance factors, as set forth above; and (3) with respect to the portion of the bonus tied to the Net Revenue Objective, multiplying each such allocated amount by an award multiplier ranging from 0% to 150% (with 0% credit awarded for performance below 85% of the targeted level and 150% credit awarded for performance at or above 150% of the targeted level), as determined by our board of directors based on corporate achievement for the applicable year. The board of directors, however, retained the discretion to increase or reduce the final bonus payments, regardless of actual company performance.

The target bonuses for our named executive officers for 2013 were as follows (and remain unchanged for 2014):

	Target Bonus as a Percentage of Base Salary
Fortunato Ron Rocca	50%
Wendy Swedick	25%
Thierry Dervieux, Ph.D.	25%

Corporate objectives for the Bonus Program for 2013 were established in February 2013. The Net Revenue Objective for the year ending December 31, 2013 was $3.4 million. The Material Transaction Objective generally related to the company's successful completion of significant, material strategic transactions that either realize of have the potential to realize more than $2.0 million of value to the company (i.e., co-promotion agreements, corporate financing transactions, successful negotiation of licensing or royalty arrangements).

Our net revenues for 2013 were 90% of our goal, and thus our board of directors awarded an achievement level of 90% relative to the Net Revenue Objective for 2013 bonus purposes. Based on our strategic transactions during 2013, including the closing of our term loan agreement and obtaining NYDOH approval for the new release of our Avise SLE+CT test, our board of directors awarded 100% relative to the Material Transaction Objective for 2013 bonus purposes. With the specified weighting of each of these components, the board awarded an overall achievement level of 90% for the 2013 bonus program.

As a result, the bonuses paid to our named executive officers under the Bonus Program for 2013 were as follows:

	2013 Bonus ($)
Fortunato Ron Rocca	135,000
Wendy Swedick	46,350
Thierry Dervieux, Ph.D.	54,000

Equity Compensation

We offer stock options to our employees, including our named executive officers, as the long-term incentive component of our compensation program. We typically grant equity awards to new hires upon their commencing employment with us. Our stock options allow employees to purchase shares of our common stock at a price per share equal to the fair market value of our common stock on the date of grant and may or may not be intended to qualify as "incentive stock options" for U.S. federal income tax purposes. In the past, our board of directors has determined the fair market value of our common stock based upon inputs including valuation reports prepared by third-party valuation firms from time to time. Generally, the stock options we grant vest as to 25% of the total number of option shares on the first anniversary of the date of grant and in equal monthly installments over the ensuing 36 months, subject to the employee's continued employment with us on the vesting date.

Stock options granted to our named executive officers may be subject to accelerated vesting in certain circumstances. For additional discussion, please see "—Employment Agreements" above and "—Other Elements of Compensation—Change in Control Benefits" below.

In July 2014, each of Mr. Rocca, Ms. Swedick and Mr. Dervieux was granted an option to purchase 3,015,000, 600,000 and 475,000 shares of our common stock, respectively, with an exercise price of $0.18 per share. The stock options vest as to 25% of the total number of option shares on the first anniversary of the date of grant and in equal monthly installments over the ensuing 36 months, subject to the employee's continued employment with us on the vesting date.

Prior to the effectiveness of this offering, we intend to adopt a 2014 Incentive Award Plan, referred to below as the 2014 Plan, in order to facilitate the grant of cash and equity incentives to directors, employees (including our named executive officers) and consultants of our company and certain of our affiliates and to enable our company and certain of our affiliates to obtain and retain services of these individuals, which is essential to our long-term success. For additional information about the 2014 Plan, please see the section titled "Equity Incentive Award Plans" below.

Other Elements of Compensation

Retirement Plans

We currently maintain a 401(k) retirement savings plan that allows eligible employees to defer a portion of their compensation, within limits prescribed by the Internal Revenue Code, on a pre-tax basis through

contributions to the plan. Our named executive officers are eligible to participate in the 401(k) plan on the same terms as other full-time employees generally. Currently, we make employer contributions under the 401(k) plan up to a specified percentage, and these employer contributions are fully vested as of the date on which the contribution is made. We believe that providing a vehicle for tax-deferred retirement savings though our 401(k) plan, and making employer contributions, adds to the overall desirability of our executive compensation package and further incentivizes our employees, including our named executive officers, in accordance with our compensation policies.

Employee Benefits and Perquisites

Our named executive officers are eligible to participate in our health and welfare plans to the same extent as all full-time employees generally. We do not provide our named executive officers with any other perquisites or other personal benefits.

No Tax Gross-Ups

To date, we have not made gross-up payments to cover our named executive officers' personal income taxes that may pertain to any of the compensation paid or provided by our company.

Change in Control Benefits

Our named executive officers may become entitled to certain benefits or enhanced benefits in connection with a change in control of our company. Dr. Dervieux's offer letter entitles him to accelerated vesting of those stock options granted to him in connection with his commencement of employment in the event of an acquisition of our company. In addition, stock options granted to our employees, including our named executive officers, may be subject to acceleration in connection with a change in control under our equity plans, as described below under "—Equity Incentive Award Plans."

Outstanding Equity Awards at 2013 Fiscal Year-End

The following table presents the outstanding equity incentive plan awards held by each named executive officer as of December 31, 2013.

		Option Awards				
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Fortunato Ron Rocca	2/9/2012	1,541,999	1,822,363	—	0.11	2/9/2022
Thierry Dervieux, Ph.D.	12/1/2010	75,000	25,000	—	0.24	12/1/2020
	2/1/2011	35,417	14,583	—	0.29	2/1/2021
	2/9/2012	301,330	356,117	—	0.11	2/9/2022
Wendy Swedick	5/18/2010	89,583	10,417	—	0.24	5/18/2020
	2/1/2011	35,417	14,583	—	0.29	2/1/2021
	2/9/2012	301,330	356,117	—	0.11	2/9/2022

(1) The options vest at the rate of 25% of the total number of shares subject to the option on the first anniversary of the grant date, and 1/48th of the total number of shares subject to the option monthly thereafter.

Director Compensation

2013 Director Compensation Table

The following table sets forth information for the year ended December 31, 2013 regarding the compensation awarded to, earned by or paid to our non-employee directors who served on our board of directors during 2013. Employees of our company who also serve as directors do not receive additional compensation for their performance of services as directors.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Curt LaBelle, M.D.	—	—	—	—	—	—
Ebetuel Pallares, Ph.D.	—	—	—	—	—	—
Brian Birk	—	—	—	—	—	—
Samuel D. Riccitelli	24,000	—	—	—	—	24,000
Michael J. Walsh	24,000	—	—	—	—	24,000
Arthur Weinstein, M.D.	1,500	—	—	—	—	1,500

The table below shows the aggregate numbers of option awards held as of December 31, 2013 by each non-employee director who was serving as of December 31, 2013.

Name	Options Outstanding at Fiscal Year End
Curt LaBelle, M.D.	—
Ebetuel Pallares, Ph.D.	—
Brian Birk	—
Samuel D. Riccitelli	605,585
Michael J. Walsh	672,872
Arthur Weinstein, M.D.	—

In October 2011, we entered into a director and consulting services agreement with Mr. Riccitelli, which was amended in December 2011. Pursuant to this agreement, Mr. Riccitelli receives $24,000 per year, payable monthly, for his service as a member of our board of directors. In addition, Mr. Riccitelli may provide consulting services to us from time to time, for which he will be compensated at the rate of $300 per hour or $2,400 per full day worked. Mr. Riccitelli did not provide any consulting services to us pursuant to this agreement during 2013 and has not done so to date during 2014. The director and consulting services agreement with Mr. Riccitelli will be terminated effective upon consummation of this offering and will be superseded by our new non-employee director compensation program, as described below.

In September 2010, we entered into a director and consulting services agreement with Mr. Walsh, which was amended in July 2011 and March 2012. Pursuant to this agreement, Mr. Walsh receives $24,000 per year, payable monthly, for his service as a member of our board of directors. In addition, Mr. Walsh may provide consulting services to us from time to time, for which he will be compensated at the rate of $300 per hour or $2,400 per full day worked. Mr. Walsh did not provide any consulting services to us pursuant to this agreement during 2013 and has not done so to date during 2014. The director and consulting services agreement with Mr. Walsh will be terminated effective upon consummation of this offering and will be superseded by our new non-employee director compensation program, as described below.

In November 2013, we entered into a director and consulting services agreement with Dr. Weinstein, pursuant to which he receives $18,000 per year, payable monthly, for his service as a member of our board of directors. In addition, Dr. Weinstein has provided and may continue to provide consulting services to us from

time to time, for which he is compensated at the rate of $300 per hour or $2,400 per full day worked. In 2013 and the first quarter of 2014, Dr. Weinstein was paid de minimis amounts for his consulting services to us. The director and consulting services agreement with Dr. Weinstein will be terminated effective upon consummation of this offering and will be superseded by our new non-employee director compensation program, as described below.

Following the effectiveness of this offering, we intend to approve and implement a compensation program for our non-employee directors that will consist of annual retainer fees and long-term equity awards. We expect each non-employee director will receive an annual cash retainer for his or her services in an amount equal to $ and additional amounts that have not yet been determined for service on board committees. We further expect that non-employee directors will also receive initial grants of options to purchase shares of our common stock, vesting over years, upon election to the board of directors, and thereafter annual grants of options to purchase shares of our common stock on the date of each annual meeting of stockholders, vesting over years.

Equity Incentive Award Plans

2014 Incentive Award Plan

Concurrently with this offering, we intend to establish the Exagen Diagnostics, Inc. 2014 Incentive Award Plan, or the 2014 Plan. We expect our board of directors to adopt, and our stockholders to approve, the 2014 Plan prior to the completion of this offering. The 2014 Plan will become effective on the day prior to the public trading date of our common stock. The material terms of the 2014 Plan, as it is currently contemplated, are summarized below. Our board of directors is still in the process of developing, approving and implementing the 2014 Plan and, accordingly, this summary is subject to change.

Authorized Shares. A total of shares of our common stock will initially be reserved for issuance under the 2014 Plan. In addition, the number of shares initially reserved under the 2014 Plan will be increased by (1) the number of shares that as of the completion of this offering, have been reserved but not issued pursuant to any awards granted under our 2013 Plan (as defined below) and are not subject to any awards granted thereunder, and (2) the number of shares subject to stock options or similar awards granted under our 2013 Plan that expire or otherwise terminate without having been exercised in full and unvested shares issued pursuant to awards granted under the 2013 Plan that are forfeited to or repurchased by us, with the maximum number of shares to be added to the 2014 Plan pursuant to clauses (1) and (2) above equal to shares. In addition, the number of shares available for issuance under the 2014 Plan will be annually increased on the first day of each of our fiscal years during the term of the 2014 Plan, beginning with the 2015 fiscal year, by an amount equal to the least of:

- shares;
- % of the outstanding shares of our common stock as of the last day of our immediately preceding fiscal year; or
- such other amount as our board of directors may determine.

The 2014 Plan will also provide for an aggregate limit of shares of common stock that may be issued under the 2014 Plan over the course of its ten-year term.

Shares issued pursuant to awards under the 2014 Plan that we repurchase or that are forfeited, as well as shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award, will become available for future grant under the 2014 Plan. In addition, to the extent that an award is paid out in cash rather than shares, such cash payment will not reduce the number of shares available for issuance under the 2014 Plan.

Plan Administration. The compensation committee of our board of directors will administer the 2014 Plan (except with respect to any award granted to "independent directors" (as defined in the 2014 Plan), which must be administered by our full board of directors). Following the completion of this offering, to administer the 2014

Plan, our compensation committee must consist solely of at least two members of our board of directors, each of whom is a "non-employee director" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and, with respect to awards that are intended to constitute performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, an "outside director" for purposes of Section 162(m). Subject to the terms and conditions of the 2014 Plan, our compensation committee has the authority to select the persons to whom awards are to be made, to determine the type or types of awards to be granted to each person, the number of awards to grant, the number of shares to be subject to such awards, and the terms and conditions of such awards, and to make all other determinations and decisions and to take all other actions necessary or advisable for the administration of the 2014 Plan. Our compensation committee is also authorized to establish, adopt, amend or revise rules relating to administration of the 2014 Plan. Our board of directors may at any time revest in itself the authority to administer the 2014 Plan.

Eligibility. Options, stock appreciation rights, or SARs, restricted stock and other awards under the 2014 Plan may be granted to individuals who are then our officers or employees or are the officers or employees of any of our subsidiaries. Such awards may also be granted to our non-employee directors and consultants but only employees may be granted incentive stock options, or ISOs. As of December 31, 2013, there were six non-employee directors and 53 employees who would have been eligible for awards under the 2014 Plan had it been in effect on such date. At such time after the completion of this offering when we are subject to the requirements of Section 162(m) of the Code, the maximum number of shares that may be subject to awards granted under the 2014 Plan to any individual other than a non-employee director in any calendar year cannot exceed and the maximum amount that may be paid to a participant in cash during any calendar year with respect to one or more cash based awards under the 2014 Plan is $. In addition, the maximum number of shares of our common stock that may be subject to one or more awards granted to any non-employee director pursuant to the 2014 Plan during any calendar year cannot exceed shares.

Awards. The 2014 Plan provides that our compensation committee (or the board of directors, in the case of awards to non-employee directors) may grant or issue stock options, SARs, restricted stock, restricted stock units, dividend equivalents, stock payments and performance awards, or any combination thereof. Our compensation committee (or the board of directors, in the case of awards to non-employee directors) will consider each award grant subjectively, considering factors such as the individual performance of the recipient and the anticipated contribution of the recipient to the attainment of our long-term goals. Each award will be set forth in a separate agreement with the person receiving the award and will indicate the type, terms and conditions of the award.

- Nonqualified stock options, or NQSOs, will provide for the right to purchase shares of our common stock at a specified price which may not be less than the fair market value of a share of common stock on the date of grant, and usually will become exercisable (at the discretion of our compensation committee or our board of directors, in the case of awards to non-employee directors) in one or more installments after the grant date, subject to the participant's continued employment or service with us and/or subject to the satisfaction of performance targets established by our compensation committee (or our board of directors, in the case of awards to non-employee directors). NQSOs may be granted for any term specified by our compensation committee (or our board of directors, in the case of awards to non-employee directors).
- ISOs will be designed to comply with the provisions of the Code and will be subject to specified restrictions contained in the Code. Among such restrictions, ISOs must have an exercise price of not less than the fair market value of a share of common stock on the date of grant, may only be granted to employees, must expire within a specified period of time following the optionee's termination of employment, and must be exercised within ten years after the date of grant. In the case of an ISO granted to an individual who owns (or is deemed to own) more than 10% of the total combined voting power of all classes of our capital stock, the 2014 Plan provides that the exercise price must be at least 110% of the fair market value of a share of common stock on the date of grant and the ISO must expire upon the fifth anniversary of the date of grant.

- Restricted stock may be granted to participants and made subject to such restrictions as may be determined by our compensation committee (or our board of directors, in the case of awards to non-employee directors). Typically, restricted stock may be forfeited for no consideration if the conditions or restrictions are not met, and it may not be sold or otherwise transferred to third parties until the restrictions are removed or expire. Recipients of restricted stock, unlike recipients of options, may have voting rights and may receive dividends, if any, prior to the time when the restrictions lapse.
- Restricted stock units may be awarded to participants, typically without payment of consideration or for a nominal purchase price, but subject to vesting conditions including continued employment or performance criteria established by our compensation committee (or our board of directors, in the case of awards to non-employee directors). Like restricted stock, restricted stock units may not be sold or otherwise transferred or hypothecated until vesting conditions are removed or expire. Unlike restricted stock, stock underlying restricted stock units will not be issued until the restricted stock units have vested, and recipients of restricted stock units generally will have no voting or dividend rights prior to the time when vesting conditions are satisfied.
- SARs granted under the 2014 Plan typically will provide for payments to the holder based upon increases in the price of our common stock over the exercise price of the SAR. Except as required by Section 162(m) of the Code with respect to SARs intended to qualify as performance-based compensation as described in Section 162(m) of the Code, there are no restrictions specified in the 2014 Plan on the exercise of SARs or the amount of gain realizable therefrom. Our compensation committee (or the board of directors, in the case of awards to non-employee directors) may elect to pay SARs in cash or in common stock or in a combination of both.
- Dividend equivalents represent the value of the dividends, if any, per share paid by us, calculated with reference to the number of shares covered by the stock options, SARs or other awards held by the participant.
- Performance awards may be granted by our compensation committee on an individual or group basis. Generally, these awards will be based upon the attainment of specific performance goals that are established by our compensation committee and relate to one or more performance criteria on a specified date or dates determined by our compensation committee. Any such cash bonus paid to a “covered employee” within the meaning of Section 162(m) of the Code may be, but need not be, qualified performance-based compensation as described below and will be paid in cash.
- Stock payments may be authorized by our compensation committee (or our board of directors, in the case of awards to non-employee directors) in the form of common stock or an option or other right to purchase common stock as part of a deferred compensation arrangement, made in lieu of all or any part of compensation, including bonuses, that would otherwise be payable to employees, consultants or members of our board of directors.

Transferability of Awards. Unless the administrator provides otherwise, our 2014 Plan generally does not allow for the transfer of awards and only the recipient of an option or SAR may exercise such an award during his or her lifetime.

Qualified Performance-Based Compensation. The compensation committee may designate employees as “covered employees” whose compensation for a given fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code. The compensation committee may grant to such covered employees restricted stock, dividend equivalents, stock payments, restricted stock units, cash bonuses and other stock-based awards that are paid, vest or become exercisable upon the attainment of company performance criteria which are related to one or more of the following performance criteria as applicable to our performance or the performance of a division, business unit or an individual: operating or other costs and expenses, improvements in expense levels, cash flow (including, but not limited to, operating cash flow and free cash flow), return on assets, return on capital, stockholders’ equity, return on stockholders’ equity, total stockholder return, return on sales, gross or net profit or operating margin, working capital, net earnings (either before or after

interest, taxes, depreciation and amortization), gross or net sales or revenue, net income (either before or after taxes), adjusted net income, operating earnings, earnings per share of stock, adjusted earnings per share of stock, price per share of stock, regulatory body approval for commercialization of a product, capital raised in financing transactions or other financing milestones, market recognition (including but not limited to awards and analyst ratings), financial ratios, implementation or completion of critical projects, market share, economic value, comparisons with various stock market indices, and implementation, completion or attainment of objectively determinable objectives relating to research, development, regulatory, commercial or strategic milestones or development. These performance criteria may be measured in absolute terms or as compared to performance in an earlier period or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices.

The compensation committee may provide that one or more objectively determinable adjustments will be made to one or more of the performance goals established for any performance period. Such adjustments may include one or more of the following: items related to a change in accounting principle, items relating to financing activities, expenses for restructuring or productivity initiatives, other non-operating items, items related to acquisitions, items attributable to the business operations of any entity acquired by us during the performance period, items related to the disposal of a business or segment of a business, items related to discontinued operations that do not qualify as a segment of a business under applicable accounting standards, items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the performance period, any other items of significant income or expense which are determined to be appropriate adjustments, items relating to unusual or extraordinary corporate transactions, events or developments, items related to amortization of acquired intangible assets, items that are outside the scope of our core, on-going business activities, items related to acquired in-process research and development, items relating to changes in tax laws, items relating to major licensing or partnership arrangements, items relating to asset impairment charges, items relating to gains and losses for litigation, arbitration or contractual settlements, or items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions.

Forfeiture, Recoupment and Clawback Provisions. Pursuant to its general authority to determine the terms and conditions applicable to awards under the 2014 Plan, the compensation committee has the right to provide, in an award agreement or otherwise, that an award shall be subject to the provisions of any recoupment or clawback policies implemented by us, including, without limitation, any recoupment or clawback policies adopted to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder.

Adjustments. If there is any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of our assets to stockholders, or any other change affecting the shares of our common stock or the share price of our common stock other than an equity restructuring (as defined in the 2014 Plan), the plan administrator may make such equitable adjustments, if any, as the plan administrator in its discretion may deem appropriate to reflect such change with respect to (1) the aggregate number and type of shares that may be issued under the 2014 Plan (including, but not limited to, adjustments of the number of shares available under the 2014 Plan and the maximum number of shares which may be subject to one or more awards to a participant pursuant to the 2014 Plan during any calendar year), (2) the number and kind of shares, or other securities or property, subject to outstanding awards, (3) the number and kind of shares, or other securities or property, for which automatic grants are to be subsequently made to new and continuing non-employee directors, (4) the terms and conditions of any outstanding awards (including, without limitation, any applicable performance targets or criteria with respect thereto), and (5) the grant or exercise price per share for any outstanding awards under the 2014 Plan. If there is any equity restructuring, (1) the number and type of securities subject to each outstanding award and the grant or exercise price per share for each outstanding award, if applicable, will be proportionately adjusted, and (2) the plan administrator will make proportionate adjustments to reflect such equity restructuring with respect to the aggregate number and type of shares that may be issued under the 2014 Plan (including, but not limited to, adjustments of the number of shares available under the 2014 Plan and the maximum number of shares which may be subject to one or more

awards to a participant pursuant to the 2014 Plan during any calendar year). Adjustments in the event of an equity restructuring will not be discretionary. Any adjustment affecting an award intended as "qualified performance-based compensation" will be made consistent with the requirements of Section 162(m) of the Code. The plan administrator also has the authority under the 2014 Plan to take certain other actions with respect to outstanding awards in the event of a corporate transaction, including provision for the cash-out, termination, assumption or substitution of such awards.

Corporate Transactions. In the event of a change in control where the acquirer does not assume awards granted under the 2014 Plan, awards issued under the 2014 Plan will be subject to accelerated vesting such that 100% of the awards will become vested and exercisable or payable, as applicable. Under the 2014 Plan, a change in control is generally defined as:

- a transaction or series of related transactions (other than an offering of our stock to the general public through a registration statement filed with the Securities and Exchange Commission, or SEC) whereby any person or entity or related group of persons or entities (other than us, our subsidiaries, an employee benefit plan maintained by us or any of our subsidiaries or a person or entity that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, us) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of more than 50% of the total combined voting power of our securities outstanding immediately after such acquisition;
- during any two-year period, individuals who, at the beginning of such period, constitute our board of directors together with any new director(s) whose election by our board of directors or nomination for election by our stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of our board of directors;
- our consummation (whether we are directly or indirectly involved through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) the sale or other disposition of all or substantially all of our assets in any single transaction or series of transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:
    - which results in our voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into our voting securities or the voting securities of the person that, as a result of the transaction, controls us, directly or indirectly, or owns, directly or indirectly, all or substantially all of our assets or otherwise succeeds to our business (we or such person being referred to as a successor entity)) directly or indirectly, at least a majority of the combined voting power of the successor entity's outstanding voting securities immediately after the transaction; and
    - after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the successor entity; provided, however, that no person or group is treated as beneficially owning 50% or more of combined voting power of the successor entity solely as a result of the voting power held in us prior to the consummation of the transaction; or
    - our stockholders approve a liquidation or dissolution of the company.

Amendment, Termination. Our board of directors has the authority to amend, suspend or terminate the 2014 Plan at any time. However, stockholder approval of any amendment to the 2014 Plan will be obtained to the extent necessary to comply with any applicable law, regulation or stock exchange rule. Additionally, stockholder approval is required within 12 months of an increase in the maximum number of shares issuable under the 2014 Plan or that may be issued to an individual in any calendar year. Except as necessary to comply with Section 409A of the Code, no amendment, suspension or termination of the 2014 Plan will impair the rights or obligations of a holder under an award theretofore granted, unless such award expressly so provides or such

holder consents. If not terminated earlier by our board of directors, the 2014 Plan will terminate on the tenth anniversary of the date it becomes effective.

Repricing Permitted. Our compensation committee (or the board of directors, in the case of awards to non-employee directors) shall have the authority, without the approval of our stockholders, to authorize the amendment of any outstanding award to reduce its price per share and to provide that an award will be canceled and replaced with the grant of an award having a lesser price per share.

Securities Laws and Federal Income Taxes. The 2014 Plan is designed to comply with various securities and federal tax laws as follows:

Securities Laws. The 2014 Plan is intended to conform to all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the SEC thereunder, including, without limitation, Rule 16b-3. The 2014 Plan will be administered, and awards will be granted and may be exercised, only in such a manner as to conform to such laws, rules and regulations.

Federal Income Tax Consequences. The material federal income tax consequences of the 2014 Plan under current federal income tax law are summarized in the following discussion, which deals with the general tax principles applicable to the 2014 Plan. The following discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. Foreign, state and local tax laws, and employment, estate and gift tax considerations are not discussed due to the fact that they may vary depending on individual circumstances and from locality to locality.

- *Stock Options and Stock Appreciation Rights.* A 2014 Plan participant generally will not recognize taxable income and we generally will not be entitled to a tax deduction upon the grant of a stock option or stock appreciation right. The tax consequences of exercising a stock option and the subsequent disposition of the shares received upon exercise will depend upon whether the option qualifies as an ISO as defined in Section 422 of the Code. The 2014 Plan permits the grant of options that are intended to qualify as ISOs as well as options that are not intended to so qualify; however, ISOs generally may be granted only to our employees and employees of our parent or subsidiary corporations, if any. Upon exercising an option that does not qualify as an ISO when the fair market value of our stock is higher than the exercise price of the option, a 2014 Plan participant generally will recognize taxable income at ordinary income tax rates equal to the excess of the fair market value of the stock on the date of exercise over the purchase price, and we (or our subsidiaries, if any) generally will be entitled to a corresponding tax deduction for compensation expense, in the amount equal to the amount by which the fair market value of the shares purchased exceeds the purchase price for the shares. Upon a subsequent sale or other disposition of the option shares, the participant will recognize a short-term or long-term capital gain or loss in the amount of the difference between the sales price of the shares and the participant’s tax basis in the shares.

  Upon exercising an ISO, a 2014 Plan participant generally will not recognize taxable income, and we will not be entitled to a tax deduction for compensation expense. However, upon exercise, the amount by which the fair market value of the shares purchased exceeds the purchase price will be an item of adjustment for alternative minimum tax purposes. The participant will recognize taxable income upon a sale or other taxable disposition of the option shares. For federal income tax purposes, dispositions are divided into two categories: qualifying and disqualifying. A qualifying disposition generally occurs if the sale or other disposition is made more than two years after the date the option was granted and more than one year after the date the shares are transferred upon exercise. If the sale or disposition occurs before these two periods are satisfied, then a disqualifying disposition generally will result.

  Upon a qualifying disposition of ISO shares, the participant will recognize long-term capital gain in an amount equal to the excess of the amount realized upon the sale or other disposition of the shares over their purchase price. If there is a disqualifying disposition of the shares, then the excess of the fair market value of the shares on the exercise date (or, if less, the price at which the shares are sold) over

their purchase price will be taxable as ordinary income to the participant. If there is a disqualifying disposition in the same year of exercise, it eliminates the item of adjustment for alternative minimum tax purposes. Any additional gain or loss recognized upon the disposition will be recognized as a capital gain or loss by the participant.

We will not be entitled to any tax deduction if the participant makes a qualifying disposition of ISO shares. If the participant makes a disqualifying disposition of the shares, we should be entitled to a tax deduction for compensation expense in the amount of the ordinary income recognized by the participant.

Upon exercising or settling an SAR, a 2014 Plan participant will recognize taxable income at ordinary income tax rates, and we should be entitled to a corresponding tax deduction for compensation expense, in the amount paid or value of the shares issued upon exercise or settlement. Payments in shares will be valued at the fair market value of the shares at the time of the payment, and upon the subsequent disposition of the shares the participant will recognize a short-term or long-term capital gain or loss in the amount of the difference between the sales price of the shares and the participant's tax basis in the shares.

- *Restricted Stock and Restricted Stock Units*. A 2014 Plan participant generally will not recognize taxable income at ordinary income tax rates and we generally will not be entitled to a tax deduction upon the grant of restricted stock or restricted stock units. Upon the termination of restrictions on restricted stock or the payment of restricted stock units, the participant will recognize taxable income at ordinary income tax rates, and we should be entitled to a corresponding tax deduction for compensation expense, in the amount paid to the participant or the amount by which the then fair market value of the shares received by the participant exceeds the amount, if any, paid for them. Upon the subsequent disposition of any shares, the participant will recognize a short-term or long-term capital gain or loss in the amount of the difference between the sales price of the shares and the participant's tax basis in the shares. However, a 2014 Plan participant granted restricted stock that is subject to forfeiture or repurchase through a vesting schedule such that it is subject to a "risk of forfeiture" (as defined in Section 83 of the Code) may make an election under Section 83(b) of the Code to recognize taxable income at ordinary income tax rates, at the time of the grant, in an amount equal to the fair market value of the shares of common stock on the date of grant, less the amount paid, if any, for such shares. We will be entitled to a corresponding tax deduction for compensation, in the amount recognized as taxable income by the participant. If a timely Section 83(b) election is made, the participant will not recognize any additional ordinary income on the termination of restrictions on restricted stock, and we will not be entitled to any additional tax deduction.
- *Dividend Equivalents, Stock Payment Awards and Cash-Based Awards*. A 2014 Plan participant will not recognize taxable income and we will not be entitled to a tax deduction upon the grant of dividend equivalents, stock payment awards or cash-based awards until cash or shares are paid or distributed to the participant. At that time, any cash payments or the fair market value of shares that the participant receives will be taxable to the participant at ordinary income tax rates and we should be entitled to a corresponding tax deduction for compensation expense. Payments in shares will be valued at the fair market value of the shares at the time of the payment, and upon the subsequent disposition of the shares, the participant will recognize a short-term or long-term capital gain or loss in the amount of the difference between the sales price of the shares and the participant's tax basis in the shares.
- *Section 409A of the Code.* Certain types of awards under the 2014 Plan may constitute, or provide for, a deferral of compensation under Section 409A. Unless certain requirements set forth in Section 409A are complied with, holders of such awards may be taxed earlier than would otherwise be the case (e.g., at the time of vesting instead of the time of payment) and may be subject to an additional 20% federal income tax (and, potentially, certain interest penalties). To the extent applicable, the 2014 Plan and awards granted under the 2014 Plan will be structured and interpreted to comply with Section 409A and the Department of Treasury regulations and other interpretive guidance that may be issued pursuant to Section 409A.

- *Section 162(m) Limitation.* In general, under Section 162(m) of the Code, income tax deductions of publicly held corporations may be limited to the extent total compensation (including base salary, annual bonus, stock option exercises and non-qualified benefits paid) for certain executive officers exceeds $1.0 million (less the amount of any "excess parachute payments" as defined in Section 280G of the Code) in any one year. However, under Section 162(m), the deduction limit does not apply to certain "performance-based compensation" if an independent compensation committee determines performance goals and if the material terms of the performance-based compensation are disclosed to and approved by our stockholders. In particular, stock options and SARs will satisfy the "performance-based compensation" exception if the awards are made by a qualifying compensation committee, the plan sets the maximum number of shares that can be granted to any person within a specified period and the compensation is based solely on an increase in the stock price after the grant date. Specifically, the option exercise price must be equal to or greater than the fair market value of the stock subject to the award on the grant date. Under a Section 162(m) transition rule for compensation plans of corporations which are privately held and which become publicly held in an initial public offering, certain awards under the 2014 Plan will not be subject to Section 162(m) until a specified transition date, which is the earlier of (1) the material modification of the 2014 Plan, (2) the issuance of all employer stock and other compensation that has been allocated under the 2014 Plan, or (3) the first annual meeting of stockholders at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which the initial public offering occurs. After the transition date, rights or awards granted under the 2014 Plan, other than options and SARs, will not qualify as "performance-based compensation" for purposes of Section 162(m) unless such rights or awards are granted or vest upon pre-established objective performance goals, the material terms of which are disclosed to and approved by our stockholders.

  We have attempted to structure the 2014 Plan in such a manner that, after the transition date, the compensation attributable to stock options and SARs which meet the other requirements of Section 162(m) will not be subject to the $1.0 million limitation. We have not, however, requested a ruling from the Internal Revenue Service or an opinion of counsel regarding this issue.

2013 Stock Option Plan

Our board of directors and certain of our stockholders approved the Exagen Diagnostics, Inc. 2013 Stock Option Plan, or the 2013 Plan, which became effective in December 2012.

As of March 31, 2014, a total of 1,708,000 shares of our common stock were reserved for issuance under the 2013 Plan. As of March 31, 2014, 348,000 shares of our common stock were subject to outstanding option awards and 1,360,000 shares of our common stock remained available for future issuance. The 2013 Plan will expire in December 2022 unless earlier terminated by our board of directors. Following the effectiveness of the 2014 Plan, no additional awards will be granted under the 2013 Plan.

Administration. The board of directors administers the 2013 Plan. Subject to the terms and conditions of the 2013 Plan, the administrator has the authority to select the persons to whom awards are to be made, to determine the type or types of awards to be granted to each person, determine the number of awards to grant, determine the number of shares to be subject to such awards, and the terms and conditions of such awards, and make all other determinations and decisions and to take all other actions necessary or advisable for the administration of the 2013 Plan. The plan administrator is also authorized to establish, adopt, amend or revise rules relating to administration of the 2013 Plan, subject to certain restrictions.

Eligibility. Options may be granted to individuals who are then our employees, consultants and members of our board of directors. Only employees may be granted ISOs.

Awards. The 2013 Plan permits the award of stock options. Only stock options have been granted under the 2013 Plan to date. Each award is set forth in a separate agreement with the person receiving the award and indicates the type, terms and conditions of the award.

- NQSOs provide for the right to purchase shares of our common stock at a specified price which may not be less than the fair market value of a share of stock on the date of grant, and usually will become exercisable (at the discretion of our board of directors) in one or more installments after the grant date, subject to the participant's continued employment or service with us and/or subject to the satisfaction of performance targets established by our compensation committee (or the board of directors, in the case of awards to non-employee directors). NQSOs may be granted for any term specified by our compensation committee (or the board of directors, in the case of awards to non-employee directors), but the term may not exceed ten years.
- ISOs are designed to comply with the provisions of the Internal Revenue Code and are subject to specified restrictions contained in the Internal Revenue Code applicable to ISOs. Among such restrictions, ISOs must have an exercise price of not less than the fair market value of a share of common stock on the date of grant, may only be granted to employees, must expire within a specified period of time following the optionee's termination of employment, and must be exercised within the ten years after the date of grant. In the case of an ISO granted to an individual who owns (or is deemed to own) more than 10% of the total combined voting power of all classes of our capital stock on the date of grant, the 2013 Plan provides that the exercise price must be at least 110% of the fair market value of a share of common stock on the date of grant and the ISO must expire on the fifth anniversary of the date of its grant.

Corporate Transactions. In the event of a change of control, all outstanding stock options will become fully vested and exercisable for the 30-day period immediately preceding the closing of such transaction (provided that the exercise of any stock option that would have been unvested but for the consummation of the change in control will be subject to the closing of the transaction). In addition, in the event of a change in control, the board of directors may provide for the cash-out of outstanding stock options for an amount equal to the fair market value of the shares of our common stock subject to the stock option less the exercise price of such option. Any options that are outstanding as of the consummation of a change in control will terminate unless the acquirer assumes such awards. Under the 2013 Plan, a change of control is generally defined as:

- a merger or consolidation in which securities possessing more than 50% of the total combined voting power of our outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction; or
- the sale, transfer or other disposition of all or substantially all of our assets in complete liquidation or dissolution of our company.

Amendment or Termination of the 2013 Plan. Our board of directors may terminate, amend or modify the 2013 Plan, provided that any termination of the plan must be upon 30 days' written notice to participants. However, stockholder approval of any amendment to the 2013 Plan must be obtained to reduce the option price per share after the option has been granted or the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule.

Securities Laws and Federal Income Taxes. The 2013 Plan is designed to comply with applicable securities laws in the same manner as described above in the description of the 2014 Plan under the heading "—2014 Incentive Award Plan—Securities Laws and Federal Income Taxes—Securities Laws." The general federal tax consequences of awards under the 2013 Plan are the same as those described above in the description of the 2014 Plan under the heading "—2014 Incentive Award Plan—Securities Laws and Federal Income Taxes—Federal Income Taxes."

2002 Stock Option Plan

On January 29, 2002, our board of directors and our stockholders approved the Exagen Corporation Stock Option Plan, as amended, or the 2002 Plan.

As of March 31, 2014, 8,462,016 shares of our common stock were subject to outstanding option awards under the 2002 Plan. The 2002 Plan expired in accordance with its terms in December 2012 and no additional awards will be granted under the 2002 Plan.

Administration. The board of directors administers the 2002 Plan. Subject to the terms and conditions of the 2002 Plan, the administrator has the authority to select the persons to whom awards are to be made, to determine the type or types of awards to be granted to each person, determine the number of awards to grant, determine the number of shares to be subject to such awards, and the terms and conditions of such awards, and make all other determinations and decisions and to take all other actions necessary or advisable for the administration of the 2002 Plan. The plan administrator is also authorized to establish, adopt, amend or revise rules relating to administration of the 2002 Plan, subject to certain restrictions.

Eligibility. Options were able to be granted to individuals who are then our employees, consultants and members of our board of directors. Only employees may be granted ISOs.

Awards. The 2002 Plan permitted the award of stock options. Only stock options were granted under the 2002 Plan. Each award is set forth in a separate agreement with the person receiving the award and indicates the type, terms and conditions of the award.

- NQSOs provide for the right to purchase shares of our common stock at a specified price which may not be less than the fair market value of a share of stock on the date of grant, and usually will become exercisable (at the discretion of our board of directors) in one or more installments after the grant date, subject to the participant's continued employment or service with us and/or subject to the satisfaction of performance targets established by our compensation committee (or the board of directors, in the case of awards to non-employee directors). NQSOs may be granted for any term specified by our compensation committee (or the board of directors, in the case of awards to non-employee directors), but the term may not exceed ten years.
- ISOs are designed to comply with the provisions of the Internal Revenue Code and are subject to specified restrictions contained in the Internal Revenue Code applicable to ISOs. Among such restrictions, ISOs must have an exercise price of not less than the fair market value of a share of common stock on the date of grant, may only be granted to employees, must expire within a specified period of time following the optionee's termination of employment, and must be exercised within the ten years after the date of grant. In the case of an ISO granted to an individual who owns (or is deemed to own) more than 10% of the total combined voting power of all classes of our capital stock on the date of grant, the 2002 Plan provides that the exercise price must be at least 110% of the fair market value of a share of common stock on the date of grant and the ISO must expire on the fifth anniversary of the date of its grant.

Corporate Transactions. In the event of a change of control where the acquirer does not assume awards granted under the 2002 Plan, awards issued under the 2002 Plan will terminate as of a date to be fixed by our board of directors. Under the 2002 Plan, a change of control is generally defined as a statutory merger, statutory consolidation, sale of all or substantially all of our assets or sale of securities pursuant to which we become a wholly-owned subsidiary of another corporation, or a dissolution or liquidation.

Amendment of the 2002 Plan. Our board of directors may amend or modify the 2002 Plan. However, stockholder approval of any amendment to the 2002 Plan must be obtained to reduce the option price per share

after the option has been granted or the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule.

Securities Laws and Federal Income Taxes. The 2002 Plan is designed to comply with applicable securities laws in the same manner as described above in the description of the 2014 Plan under the heading "—2014 Incentive Award Plan—Securities Laws and Federal Income Taxes—Securities Laws." The general federal tax consequences of awards under the 2002 Plan are the same as those described above in the description of the 201 Plan under the heading "—2014 Incentive Award Plan—Securities Laws and Federal Income Taxes—Federal Income Taxes."

2014 Employee Stock Purchase Plan

Concurrently with this offering, we intend to establish the Exagen Diagnostics, Inc. 2014 Employee Stock Purchase Plan, or the ESPP. We expect our board of directors to adopt, and our stockholders to approve, the ESPP prior to the completion of this offering. The ESPP will become effective on the business day prior to the public trading date of our common stock. Our executive officers and all of our other employees will be allowed to participate in our ESPP, subject to the eligibility requirements described below. The material terms of the ESPP, as it is currently contemplated, are summarized below. Our board of directors is still in the process of developing, approving and implementing the ESPP and, accordingly, this summary is subject to change.

A total of shares of our common stock will initially be reserved for issuance under our ESPP. In addition, the number of shares available for issuance under the ESPP will be annually increased on the first day of each fiscal year during the term of the ESPP, beginning with the 2015 fiscal year, by an amount equal to the lesser of:

- shares;
- % of the outstanding shares of our common stock as of the last day of our immediately preceding fiscal year; or
- such other amount as may be determined by our board of directors.

The ESPP will also provide for an aggregate limit of shares of common stock that may be issued under the ESPP during the term of the ESPP.

Our board of directors or its committee has full and exclusive authority to interpret the terms of the ESPP and determine eligibility. We expect that our compensation committee will be the initial administrator of the ESPP.

Our employees are eligible to participate in the ESPP if they are customarily employed by us or any participating subsidiary for at least 20 hours per week and more than five months in any calendar year. However, an employee may not be granted rights to purchase stock under our ESPP if such employee, immediately after the grant, would own (directly or through attribution) stock possessing 5% or more of the total combined voting power or value of all classes of our common or other class of stock.

Our ESPP is intended to qualify under Code Section 423 and stock will be offered under the ESPP during offering periods. The length of the offering periods under the ESPP will be determined by our compensation committee and may be up to 27 months long. Employee payroll deductions will be used to purchase shares on each purchase date during an offering period. The purchase dates will be determined by the compensation committee for each offering period, but will generally be the last day in each offering period. Offering periods under the ESPP will commence when determined by our compensation committee. The compensation committee may, in its discretion, modify the terms of future offering periods.

Our ESPP permits participants to purchase common stock through payroll deductions of up to % of their eligible compensation, which includes a participant's gross base compensation for services to the company, excluding overtime payments, sales commissions, incentive compensation, bonuses, expense reimbursements, fringe benefits and other special payments. A participant may purchase a maximum of shares of common stock during each offering period. In addition, no employee will be permitted to accrue the right to purchase stock under the ESPP at a rate in excess of $25,000 worth of shares during any calendar year during which such a purchase right is outstanding (based on the fair market value per share of our common stock as of the first day of the offering period).

On the first trading day of each offering period, each participant automatically is granted an option to purchase shares of our common stock. The option expires at the end of the offering period or upon termination of employment, whichever is earlier, but is exercised at the end of each purchase period to the extent of the payroll deductions accumulated during such purchase period. The purchase price of the shares will be 85% of the lower of the fair market value of our common stock on the first trading day of the offering period or on the applicable purchase date. Participants may end their participation at any time during an offering period, and will be paid their accrued payroll deductions that have not yet been used to purchase shares of common stock. Participation ends automatically upon termination of employment with us.

A participant may not transfer rights granted under the ESPP other than by will, the laws of descent and distribution or as otherwise provided under the ESPP.

In the event of certain significant transactions or a change in control (as defined in the ESPP), the compensation committee may provide for: (1) either the replacement or termination of outstanding rights in exchange for cash; (2) the assumption or substitution of outstanding rights by the successor or survivor corporation or parent or subsidiary thereof, if any; (3) the adjustment in the number and type of shares of stock subject to outstanding rights; (4) the use of participants' accumulated payroll deductions to purchase stock on a new purchase date prior to the next purchase date and termination of any rights under ongoing offering periods; or (5) the termination of all outstanding rights. Under the ESPP, a change in control has the same definition as given to such term in the 2014 Plan.

The compensation committee may amend, suspend or terminate the ESPP. However, stockholder approval of any amendment to the ESPP will be obtained for any amendment which changes the aggregate number or type of shares that may be sold pursuant to rights under the ESPP, changes the corporations or classes of corporations whose employees are eligible to participate in the ESPP or changes the ESPP in any manner that would cause the ESPP to no longer be an employee stock purchase plan within the meaning of Section 423(b) of the Code. The ESPP will terminate no later than the tenth anniversary of the ESPP's initial adoption by our board of directors.

Securities Laws. The ESPP has been designed to comply with various securities laws in the same manner as described above in the description of the 2014 Plan.

Federal Income Taxes. The material federal income tax consequences of the ESPP under current federal income tax law are summarized in the following discussion, which deals with the general tax principles applicable to the ESPP. The following discussion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. Foreign, state and local tax laws, and employment, estate and gift tax considerations are not discussed due to the fact that they may vary depending on individual circumstances and from locality to locality.

The ESPP, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Section 423 of the Code. Under the applicable Code provisions, no income will be taxable to a participant until the sale or other disposition of the shares purchased under the ESPP. This means that an eligible employee will not recognize taxable income on the date the employee is granted an option under the ESPP (i.e., the first day of the offering period). In addition, the employee will not recognize taxable income upon the purchase of

shares. Upon such sale or disposition, the participant will generally be subject to tax in an amount that depends upon the length of time such shares are held by the participant prior to disposing of them. If the shares are sold or disposed of more than two years from the first day of the offering period during which the shares were purchased and more than one year from the date of purchase, or if the participant dies while holding the shares, the participant (or his or her estate) will recognize ordinary income measured as the lesser of: (1) the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price; or (2) an amount equal to 15% of the fair market value of the shares as of the first day of the offering period. Any additional gain will be treated as long-term capital gain. If the shares are held for the holding periods described above but are sold for a price that is less than the purchase price, there is no ordinary income and the participating employee has a long-term capital loss for the difference between the sale price and the purchase price.

If the shares are sold or otherwise disposed of before the expiration of the holding periods described above, the participant will recognize ordinary income generally measured as the excess of the fair market value of the shares on the date the shares are purchased over the purchase price and we will be entitled to a tax deduction for compensation expense in the amount of ordinary income recognized by the employee. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on how long the shares were held following the date they were purchased by the participant prior to disposing of them. If the shares are sold or otherwise disposed of before the expiration of the holding periods described above but are sold for a price that is less than the purchase price, the participant will recognize ordinary income equal to the excess of the fair market value of the shares on the date of purchase over the purchase price (and we will be entitled to a corresponding deduction), but the participant generally will be able to report a capital loss equal to the difference between the sales price of the shares and the fair market value of the shares on the date of purchase.

Limitations of Liability and Indemnification Matters

Our amended and restated certificate of incorporation and our amended and restated bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law, which prohibits our amended and restated certificate of incorporation from limiting the liability of our directors for the following:

- any breach of the director’s duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation and our amended and restated bylaws also provide that if Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation and our amended and restated bylaws also provide that we shall have the power to indemnify our employees and agents to the fullest extent permitted by law. Our amended and restated bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in this capacity, regardless of whether our amended and restated bylaws would permit indemnification. We have obtained directors’ and officers’ liability insurance.

We have entered into separate indemnification agreements with our directors and executive officers, in addition to indemnification provided for in our amended and restated certificate of incorporation and amended and restated bylaws. These agreements, among other things, provide for indemnification of our directors and

executive officers for expenses, judgments, fines and settlement amounts incurred by this person in any action or proceeding arising out of this person's services as a director or executive officer or at our request. We believe that these provisions in our amended and restated certificate of incorporation and amended and restated bylaws and indemnification agreements are necessary to attract and retain qualified persons as directors and executive officers.

The above description of the indemnification provisions of our amended and restated certificate of incorporation, our amended and restated bylaws and our indemnification agreements is not complete and is qualified in its entirety by reference to these documents, each of which is filed as an exhibit to the registration statement of which this prospectus is a part.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

The following includes a summary of transactions since January 1, 2011 to which we have been a party in which the amount involved exceeded or will exceed $120,000, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements, which are described under “Executive and Director Compensation.” We also describe below certain other transactions with our directors, executive officers and stockholders.

Preferred Stock Financings and Convertible Notes and Warrant Financing

Series A-1, A-2 and A-3 Redeemable Convertible Preferred Stock Financings. In December 2011, in connection with our Series A-2 and Series B-2 redeemable convertible preferred stock financing, all 3,896,531 of our outstanding shares of Series A-1 redeemable convertible preferred stock and 273,182 outstanding warrants to purchase shares of Series A-1 redeemable convertible preferred stock were converted into 3,896,531 shares of our common stock and warrants to purchase an aggregate of 273,182 shares of our common stock, and we converted 1,598,226 shares of common stock into 1,598,226 of shares of our Series A-2 redeemable convertible preferred stock. In February and April 2012, we converted an additional 45,710 shares of common stock into Series A-2 redeemable convertible preferred stock. In September 2012, in connection with our Series C redeemable convertible preferred stock financing described below, all 1,643,396 of our Series A-2 redeemable convertible preferred stock were converted into 1,643,396 shares of common stock. In September 2012, in connection with our Series C redeemable convertible preferred stock financing described below, we converted 1,474,795 shares of common stock into 1,474,795 shares of Series A-3 redeemable convertible preferred stock.

Series B-1, B-2 and B-3 Redeemable Convertible Preferred Stock, Note and Warrant Financings. Between January 2011 and October 2011, we issued and sold 1,896,367 shares of our Series B-1 redeemable convertible preferred stock and 1,090,514 warrants to purchase shares of our Series B-1 redeemable convertible preferred stock. In December 2011, in connection with our Series A-2 and Series B-2 redeemable convertible preferred stock financing, all 1,896,367 shares of our Series B-1 redeemable convertible preferred stock were converted into 1,896,367 shares of common stock, and all of our outstanding Series B-1 warrants to purchase up to an aggregate of 1,812,288 shares of Series B-1 redeemable convertible preferred stock were converted into warrants to purchase an aggregate of up to 1,812,288 shares of our common stock. In December 2011, we issued 24,283,557 shares our Series B-2 redeemable convertible preferred stock at a purchase price of $0.25 per share, for aggregate consideration of approximately $6.0 million, and we also converted an aggregate principal amount of $5,810,422 of promissory notes plus interest of $105,418 into 23,663,361 shares of Series B-2 redeemable convertible preferred stock. In February 2012 and April 2012, we also issued 1,651,134 shares of our Series B-2 redeemable convertible preferred stock at a purchase price of $0.25 per share, for aggregate consideration of approximately $0.4 million. In September 2012, in connection with the sales of Series C redeemable convertible preferred stock, all 49,598,052 outstanding shares of our Series B-2 redeemable convertible preferred stock were converted into 49,598,052 shares of common stock. In September 2012, we converted 44,539,977 shares of common stock into 44,539,977 shares of our Series B-3 redeemable convertible preferred stock.

Series C Redeemable Convertible Preferred Stock Financing. From September 2012 to December 2012, we issued and sold to investors in private placements an aggregate of 23,750,389 shares of our Series C redeemable convertible preferred stock at a purchase price of $0.25 per share, for aggregate consideration of approximately $5.9 million. In connection with this financing, in September 2012 all 1,643,396 outstanding shares of our Series A-2 redeemable convertible preferred stock and 49,598,052 shares of our Series B-2 redeemable convertible preferred stock were converted into 1,643,396 and 49,598,052 shares of common stock, respectively.

Series D Redeemable Convertible Preferred Stock, Note and Warrant Financings. In May 2013, June 2013 and August 2013, we issued a total of $2,430,531 in unsecured convertible promissory notes, or the 2013 Notes, which accrued interest at 10%. In October 2013, the 2013 Notes and $66,653 in accrued interest were converted into

12,485,914 shares of Series D redeemable convertible preferred stock, at a 20% discount to the offering price of $0.25 per share. In October 2013, we also issued and sold to investors in private placements an aggregate of 10,079,172 shares of our Series D redeemable convertible preferred stock at a purchase price of $0.25 per share, for aggregate consideration of approximately $2.5 million. From October 2013 to November 2013, we also issued warrants to purchase up to an aggregate of 4,174,430 shares of our Series D redeemable convertible preferred stock at an exercise price of $0.25 per share and warrants to purchase up to 3,186,430 shares of our common stock at an exercise price of $0.01 per share. We expect the 2013 Warrants to be net exercised in connection with the completion of this offering, resulting in the issuance of an aggregate of shares of common stock, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus. If these 2013 Warrants are not exercised prior to the completion of this offering, they will terminate.

2014 Convertible Note Financing. In July 2014, we sold an aggregate of $4.0 million of convertible promissory notes to certain existing investors in a private placement with certain existing investors, or the 2014 Notes. The 2014 Notes accrue interest at a rate of 12% per annum and become due and payable nine months from the date of issuance. The principal amount of the 2014 Notes and accrued interest thereon will automatically convert into shares of our common stock upon completion of this offering at a conversion price equal to 80% of our initial public offering price. If a liquidation (as defined in our current amended and restated certificate of incorporation) occurs prior to the completion of this offering, the holders of the 2014 Notes may elect to (1) receive the repayment of the notes or (2) convert the notes into shares of Series D redeemable convertible preferred stock at a conversion price of $0.25 per share, subject to adjustment pursuant to the terms thereof. In connection with the completion of this offering, the 2014 Notes (including accrued interest thereon) will automatically convert into shares of common stock, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus and assuming the conversion occurs on , 2014 (the expected closing date of this offering).

The following table sets forth the aggregate number of these securities acquired by the listed directors, executive officers or holders of more than 5% of our capital stock, or their affiliates. Each share of, or warrants exercisable for shares of, redeemable convertible preferred stock identified in the following table will convert into one share of, or warrants exercisable for, one share of common stock, upon completion of this offering.

Participants	Series A-3 Redeemable Convertible Preferred Stock	Series B-3 Redeemable Convertible Preferred Stock	Series C Redeemable Convertible Preferred Stock	Series D Redeemable Convertible Preferred Stock	Series D Warrants	Common Stock	Common Stock Warrants	Principal Amount of 2014 Notes
5% or Greater Stockholders(1)								
Entities affiliated with NMSIC Co-Investment Fund, L.P.(2)	607,168	18,215,069	8,081,136	8,916,385	—	2,217,248	426,525	$ 1,900,000
Tullis-Dickerson Capital Focus III, L.P.	468,321	14,049,638	8,000,000	7,382,122	—	18,237	250,000	600,000
Hunt Holdings, L.P.(2)	219,548	6,586,444	4,922,084	3,969,068	—	131,581	263,347	1,000,000
Entities affiliated with Capital Royalty Partners(3)	—	—	—	—	3,186,430	—	3,186,430	—
Entities affiliated with vSpring Partners(4)	—	—	—	—	—	5,953,112	159,493	—
Directors								
Ebetuel Pallares, Ph.D.(5)	15,900	768,788	542,800	388,559	—	32,971	36,654	100,000
Samuel Riccitelli	—	4,200	20,000	63,753	—	—	—	8,301

(1) Additional details regarding these stockholders and their equity holdings are provided herein under “Principal Stockholders.”
(2) Represents securities held by NMSIC Co-Investment Fund, L.P. and NMSIC Focused LLC.
(3) Represents securities held by Capital Royalty Partners II L.P., Capital Royalty Partners II Parallel Fund “A” L.P. and Parallel Investment Opportunities Partners II L.P.
(4) Represents securities held by vSpring SBIC, L.P., vSpring L.P. and vSpring Partners, L.P.
(5) Represents securities held by CCP/Exagen, L.P.

Some of our directors are associated with our principal stockholders as indicated in the table below:

Director	Principal Stockholder
Brian Birk	NMSIC Co-Investment Fund, L.P.
Curt LaBelle, M.D.	Tullis-Dickerson Capital Focus III, L.P.

Investors’ Rights Agreement

We entered into a fourth amended and restated investors’ rights agreement in October 2013 with the holders of our redeemable convertible preferred stock, including entities with which certain of our directors are affiliated. This agreement provides for certain rights relating to the registration of their shares of common stock issuable upon conversion of their redeemable convertible preferred stock and certain additional covenants made by us. Except for the registration rights (including the related provisions pursuant to which we have agreed to indemnify the parties to the investors’ rights agreement), all rights under this agreement will terminate upon completion of this offering. The registration rights will continue following this offering and will terminate three years following the completion of this offering, or for any particular holder with registration rights, at such time following this offering when such holder holds less than one percent of our outstanding common stock and may immediately sell all of such shares pursuant to Rule 144 under the Securities Act in a 90-day period. See “Description of Capital Stock—Registration Rights” for additional information.

Stockholders’ Agreement

We entered into a fourth amended stockholders’ agreement in October 2013 by and among us and certain of our stockholders, pursuant to which the following directors were each elected to serve as members on our board of directors and, as of the date of this prospectus, continue to so serve: Brian Birk, Curt LaBelle, M.D., Ebetuel Pallares, Ph.D., Fortunato Ron Rocca, Michael J. Walsh and Samuel D. Riccitelli. Pursuant to the stockholders’ agreement, Mr. Rocca, as our Chief Executive Officer, was initially selected to serve on our board of directors as a representative of holders of our common stock, as designated by a majority of our common stockholders. Mr. Birk, Dr. LaBelle and Dr. Pallares were initially selected to serve on our board of directors as representatives of holders of our redeemable convertible preferred stock, as designated by NMSIC Co-Investment Fund, L.P., Tullis-Dickerson Capital Focus III, L.P. and CCP/Exagen, L.P. and Hunt Holdings, L.P., respectively. Mr. Walsh and Mr. Riccitelli were initially selected to serve on our board of directors as designated by a majority of our common and redeemable convertible preferred stock holders, voting together as a single class. The stockholders’ agreement also provides for certain other rights, including among others, a right of first refusal to purchase future securities.

The stockholders’ agreement, and all the rights granted pursuant to it, will terminate upon the completion of this offering, and members previously elected to our board of directors pursuant to this agreement will continue to serve as directors until they resign, are removed or their successors are duly elected by holders of our common stock. The composition of our board of directors after this offering is described in more detail under “Management—Board Composition and Election of Directors.”

Employment Agreements

We have entered into an offer letter with Dr. Dervieux. For more information regarding this agreements, see the section in this prospectus entitled "Executive and Director Compensation—Narrative Disclosure to Compensation Tables—Employment Agreements."

In September 2011, we entered into a license agreement with Dr. Dervieux, the Company's Chief Scientific Officer, and his company, DeNovo. The license agreement, covering novel methods for monitoring low-dose methotrexate therapy, relates to technology developed by Dr. Dervieux prior to joining the Company. The technology has yet to be used by us. Under the agreement, Dr. Dervieux would be eligible to receive up to $600,000 when and if we achieve certain sales milestones and a single-digit percentage royalty on sales on an ongoing basis.

Loan Arrangements

In 2010, we entered into a subordinated secured promissory note agreement with existing equity holders and a mezzanine lender, and $750,000 of the loan proceeds committed under such agreement were provided by NMSIC Co-Investment Fund L.P., or the NMSIC Note. The NMSIC Note was secured by substantially all of our assets, bore interest at 6.0% and matured in October 2012, at which time, it was repaid in full. In conjunction with the NMSIC Note, NMSIC received warrants to purchase up to 131,250 shares of our common stock at a price of $3.75 per share. These warrants contained the right to require us to purchase the warrants for a total of $150,000, which right NMSIC exercised in October 2013.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers prior to the completion of this offering. These agreements, among other things, require us or will require us to indemnify each director (and in certain cases their related venture capital funds) and executive officer to the fullest extent permitted by Delaware law, including indemnification of expenses such as attorneys' fees, judgments, fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of us, arising out of the person's services as a director or executive officer.

Our amended and restated certificate of incorporation and our amended and restated bylaws provide that we will indemnify each of our directors and officers to the fullest extent permitted by the Delaware General Corporation Law. Further, we have entered into indemnification agreements with each of our directors and officers, and we have purchased a policy of directors' and officers' liability insurance that insures our directors and officers against the cost of defense, settlement or payment of a judgment under certain circumstances. For further information, see "Executive and Director Compensation—Limitations of Liability and Indemnification Matters."

Stock Option Grants to Executive Officers and Directors

We have granted stock options to our executive officers and certain of our directors as more fully described in the section entitled "Executive and Director Compensation."

Policies and Procedures for Related Person Transactions

Our board of directors will adopt written related person transaction policy, to be effective upon the completion of this offering, setting forth the policies and procedures for the review and approval or ratification of related-person transactions. This policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant, where the amount involved exceeds $120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material

interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our audit committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction and the extent of the related person's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of July 15, 2014, and as adjusted to reflect the sale of shares of common stock in this offering, by:

- each of our named executive officers;
- each of our directors;
- all of our executive officers and directors as a group; and
- each person or group of affiliated persons known by us to beneficially own more than 5% of our common stock.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC. Under these rules, beneficial ownership includes any shares as to which a person has sole or shared voting power or investment power. Applicable percentage ownership is based on 102,307,211 shares of common stock outstanding on July 15, 2014, which gives effect to the automatic conversion of all outstanding shares of redeemable convertible preferred stock into shares of common stock. Our calculation of beneficial ownership after the offering gives additional effect to the issuance of shares of our common stock in connection with the completion of this offering as a result of the automatic conversion of the $4.0 million in aggregate principal amount of convertible promissory notes we issued in July 2014, or the 2014 Notes (including accrued interest thereon), assuming an initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus and assuming the conversion occurs on , 2014 (the expected closing date of this offering). In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options, warrants or other rights held by such person that are currently exercisable or will become exercisable within 60 days of July 15, 2014 are considered outstanding, although these shares are not considered outstanding for purposes of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed below is c/o Exagen Diagnostics, Inc., 1261 Liberty Way, Suite C, Vista, California 92081. We believe, based on information provided to us, that each of the stockholders listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise, subject to community property laws where applicable.

	Shares Beneficially Owned Prior to Offering		Shares Beneficially Owned After Offering	
Name of Beneficial Owner	Number	Percentage	Number	Percentage
5% or Greater Stockholders				
Entities affiliated with NMSIC Co-Investment Fund, L.P.(1) 301 Griffin Street Santa Fe, NM 87501	38,463,531	37.4%		%
Tullis-Dickerson Capital Focus III, L.P.(2) One Stamford Plaza 263 Tresser Boulevard Stamford, CT 06901	30,168,318	29.4%		%
Hunt Holdings, L.P.(3). c/o Joseph Advisory Services, LLC 3800 N. Mesa St., Suite A-2, #371 El Paso, TX 79902	16,092,072	15.7%		%

Name of Beneficial Owner	Shares Beneficially Owned Prior to Offering		Shares Beneficially Owned After Offering	
	Number	Percentage	Number	Percentage
Entities affiliated with vSpring Partners(4) c/o Signal Peak Ventures 2795 E. Cottonwood Parkway, Suite #360 Salt Lake City, UT 84121	6,112,605	6.0%		%
Entities affiliated with Capital Royalty Partners(5) 1000 Main Street, Suite 2500 Houston TX, 77002	6,372,860	5.9%		%
Named Executive Officers and Directors				
Fortunato Ron Rocca(6)	2,172,817	2.1%		%
Wendy Swedick(7)	569,392	*		%
Thierry Dervieux, Ph.D.(8)	563,142	*		%
Curt LaBelle, M.D.(2)	30,168,318	29.4%		%
Brian Birk(1)	38,463,531	37.4%		%
Ebetuel Pallares, Ph.D.(9)	1,785,672	1.7%		%
Samuel Riccitelli(10)	479,059	*		%
Michael J. Walsh(11)	600,250	*		%
Arthur Weinstein, M.D.	—	—		%
All executive officers and directors as a group (9 persons) (12)	74,802,181	69.7%		%

* Less than 1%.

(1) Consists of (a) 37,203,826 shares of common stock and 426,525 shares of common stock issuable upon the exercise of warrants to purchase common stock, which warrants will terminate if not exercised upon completion of this offering, held by NMSIC Co-Investment Fund, L.P., or NMSIC, and (b) 833,180 shares of common stock held by NMSIC Focused, LLC, or NMSIC Focused. In addition, beneficial ownership after the offering gives additional effect to the issuance of shares of common stock issuable upon the conversion of 2014 Notes held by NMSIC Focused, LLC, assuming an initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus, and assuming the conversion occurs on , 2014 (the expected closing date of this offering). The general partner of NMSIC is Sun Mountain Capital Partners LLC, or Sun Mountain. NMSIC is the sole member of NMSIC Focused. The members of Sun Mountain are Brian Birk, one of our directors, Sally Corning, Lee Rand and Leslie Shaw. As a result, each of Sun Mountain, Mr. Birk, Ms. Corning, Mr. Rand and Ms. Shaw may be deemed to possess voting and investment control over, and may be deemed to have indirect beneficial ownership with respect to, all shares held by NMSIC or NMSIC Focused. Neither Sun Mountain, Mr. Birk, Ms. Corning, Mr. Rand nor Ms. Shaw owns directly any of the shares. Each of Sun Mountain, Mr. Birk, Ms. Corning, Mr. Rand and Ms. Shaw disclaims beneficial ownership of the shares held by NMSIC or NMSIC Focused, except to the extent of their pecuniary interest therein.

(2) Consists of 29,918,318 shares of common stock and 250,000 shares of common stock issuable upon the exercise of warrants to purchase common stock, which warrants will terminate if not exercised upon completion of this offering. In addition, beneficial ownership after the offering gives additional effect to the issuance of shares of common stock issuable upon the conversion of 2014 Notes held by Tullis-Dickerson Capital Focus III, L.P., or Tullis, assuming an initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus, and assuming the conversion occurs on , 2014 (the expected closing date of this offering). Tullis-Dickerson Partners III, LLC is the sole general partner of Tullis. Curt LaBelle, M.D., one of our directors, is a Principal of Tullis-Dickerson Partners III, LLC. As a result, each of Tullis-Dickerson Partners III, LLC and Dr. LaBelle may be deemed to possess voting and investment control over, and may be deemed to have an indirect beneficial ownership with respect to, all shares held by Tullis.

(3) Consists of 15,828,725 shares of common stock and 263,347 shares of common stock issuable upon the exercise of warrants to purchase common stock, which warrants will terminate if not exercised upon completion of this offering, held by Hunt Holdings, L.P., or Hunt. In addition, beneficial ownership after the offering gives additional effect to the issuance of shares of common stock issuable upon the conversion of 2014 Notes held by Hunt, assuming an initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus, and assuming the conversion occurs on , 2014 (the expected closing date of this offering).

(4) Consists of (a) 5,079,948 shares of common stock and 139,727 shares of common stock issuable upon the exercise of warrants to purchase common stock, which warrants will terminate if not exercised upon completion of this offering, held by vSpring SBIC, L.P., or vSpring SBIC, (b) 773,714 shares of common stock and 17,515 shares of common stock issuable upon the exercise of warrants to purchase common stock, which warrants will terminate if not exercised upon completion of this offering, held by vSpring L.P., or vSpring, and (c) 99,450 shares of common stock and 2,251 shares of common stock issuable upon the exercise of warrants to purchase common stock, which warrants will terminate if not exercised upon completion of this offering, held by vSpring Partners, L.P., or vSpring Partners. The general partner of vSpring SBIC, L.P. is vSpring SBIC Management LLC. The general partner of vSpring and vSpring Partners is vSpring Management, LLC. The managing members of vSpring SBIC Management LLC and vSpring Management, LLC are Scott Petty and Dinesh Patel. As a result, each of vSpring SBIC Management LLC, vSpring Management, LLC, Mr. Petty and Mr. Patel may be deemed to possess voting and investment control over, and may be deemed to have indirect beneficial ownership with respect to, all shares held by vSpring, vSpring SBIC and vSpring Partners. Neither vSpring SBIC Management LLC, vSpring Management, LLC, Mr. Petty nor Mr. Patel owns directly any of the shares. Each of vSpring SBIC Management LLC, vSpring Management, LLC, Mr. Petty and Mr. Patel disclaims beneficial ownership of the shares held by vSpring, vSpring SBIC and vSpring Partners, except to the extent of their pecuniary interest therein.

(5) Includes (a) 1,614,300 shares of common stock issuable upon the exercise of the 2013 Warrants held by Capital Royalty Partners II L.P., which warrants will terminate if not exercised upon completion of this offering, (b) 2,702,302 shares of common stock issuable upon the exercise of the 2013 Warrants held by Capital Royalty Partners II Parallel Fund “A” L.P., which warrants will terminate if not exercised upon completion of this offering, and (c) 2,056,258 shares of common stock issuable upon the exercise of the 2013 Warrants to purchase common stock held by Parallel Investment Opportunities Partners II L.P., which warrants will terminate if not exercised upon completion of this offering. In addition, beneficial ownership after the offering gives additional effect to the issuance of , and shares of common stock to Capital Royalty Partners II L.P., Capital Royalty Partners II Parallel Fund “A” L.P. and Parallel Investment Opportunities Partners II L.P., respectively, as a result of the expected net exercise of the 2013 Warrants in connection with the completion of this offering. Capital Royalty Partners II L.P.’s general partner is Capital Royalty Partners II GP L.P., whose general partner is Capital Royalty Partners II GP LLC. Capital Royalty Partners II—Parallel Fund “A” L.P.’s general partner is Capital Royalty Partners II—Parallel Fund “A” GP L.P., whose general partner is Capital Royalty Partners II—Parallel Fund “A” GP LLC. Parallel Investment Opportunities Partners II L.P.’s general partner is Parallel Investment Opportunities Partners II GP L.P., whose general partner is Parallel Investment Opportunities Partners II LLC. Capital Royalty Partners II GP LLC, Capital Royalty Partners II—Parallel Fund “A” GP LLC and Parallel Investment Opportunities Partners II LLC are controlled by Charles Tate, as is Capital Royalty LP, the investment manager for all of the foregoing.

(6) Consists of 2,172,817 shares which Mr. Rocca has the right to acquire pursuant to outstanding options which are or will be immediately exercisable within 60 days of July 15, 2014.

(7) Consists of 569,392 shares which Ms. Swedick has the right to acquire pursuant to outstanding options which are or will be immediately exercisable within 60 days of July 15, 2014.

(8) Consists of 563,142 shares which Dr. Dervieux has the right to acquire pursuant to outstanding options which are or will be immediately exercisable within 60 days of July 15, 2014.

(9) Consists of 1,749,018 shares of common stock and 36,654 shares of common stock issuable upon the exercise of warrants to purchase common stock, which warrants will terminate if not exercised upon completion of this offering, held by CCP/Exagen, L.P., or CCP. In addition, beneficial ownership after the offering gives

additional effect to the issuance of shares of common stock issuable upon the conversion of 2014 Notes held CCP, assuming an initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus, and assuming the conversion occurs on , 2014 (the expected closing date of this offering). Dr. Pallares, one of our directors, is a co-manager of CCP. As a result, each of CCP and Dr. Pallares may be deemed to possess voting and investment control over, and may be deemed to have an indirect beneficial ownership with respect to, all shares held by CCP.

(10) Consists of 87,953 shares of common stock and 391,106 shares which Mr. Riccitelli has the right to acquire pursuant to outstanding options which are or will be immediately exercisable within 60 days of July 15, 2014. In addition, beneficial ownership after the offering gives additional effect to the issuance of shares of common stock issuable upon the conversion of 2014 Notes held by Mr. Riccitelli, assuming an initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus, and assuming the conversion occurs on , 2014 (the expected closing date of this offering).

(11) Consists of 600,250 shares which Mr. Walsh has the right to acquire pursuant to outstanding options which are or will be immediately exercisable within 60 days of July 15, 2014.

(12) Includes shares of common stock issuable upon the exercise of outstanding options, which are or will be immediately exercisable within 60 days of July 15, 2014, as set forth in the previous footnotes. In addition, beneficial ownership after this offering includes shares of common stock issuable upon the conversion of the 2014 Notes, as set forth in the previous footnotes.

DESCRIPTION OF CAPITAL STOCK

General

Following the completion of this offering, our authorized capital stock will consist of 200,000,000 shares of common stock, $0.001 par value per share, and 10,000,000 shares of preferred stock, $0.001 par value per share. The following description summarizes some of the terms of our fifteenth amended and restated certificate of incorporation and amended and restated bylaws, our outstanding warrants, the investors' rights agreement and of the Delaware General Corporation Law. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description you should refer to our amended and restated certificate of incorporation, amended and restated bylaws, warrants and investors' rights agreement, copies of which have been filed or incorporated by reference as exhibits to the registration statement of which the prospectus is a part, as well as the relevant provisions of the Delaware General Corporation Law.

Common Stock

As of March 31, 2014, there were 102,273,461 shares of our common stock outstanding and held of record by 47 stockholders, assuming (1) the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into shares of common stock, which will automatically occur immediately prior to the completion of this offering and (2) the issuance of shares of common stock as a result of the expected net exercise of outstanding warrants, or the 2013 Warrants, in connection with the completion of this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, which 2013 Warrants will terminate if not exercised prior to the completion of this offering. Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders, including the election of directors, and do not have cumulative voting rights. Accordingly, the holders of a majority of the outstanding shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they so choose, other than any directors that holders of any preferred stock we may issue may be entitled to elect. Subject to preferences that may be applicable to any then outstanding preferred stock, holders of common stock are entitled to receive ratably those dividends, if any, as may be declared by the board of directors out of legally available funds. In the event of our liquidation, dissolution or winding up, the holders of common stock will be entitled to share ratably in the assets legally available for distribution to stockholders after the payment of or provision for all of our debts and other liabilities, subject to the prior rights of any preferred stock then outstanding. Holders of common stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking funds provisions applicable to the common stock. All outstanding shares of common stock are, and the common stock to be outstanding upon the completion of this offering will be, duly authorized, validly issued, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

Upon completion of this offering, all of our previously outstanding shares of redeemable convertible preferred stock will have been converted into common stock, there will be no authorized shares of our previously redeemable convertible preferred stock and we will have no shares of preferred stock outstanding. Under the terms of our amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, our board of directors has the authority, without further action by our stockholders, to issue up to 10,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the dividend, voting and other rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of

preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. We have no current plans to issue any shares of preferred stock.

Options

As of March 31, 2014, options to purchase 8,810,016 shares of our common stock were outstanding under our 2013 stock option plan, of which 5,200,736 were vested and exercisable as of that date.

Warrants

As of March 31, 2014, 4,881,900 shares of our common stock were issuable upon exercise of outstanding warrants to purchase common stock with a weighted average exercise price of $1.31 per share. Of these warrants, we expect warrants to purchase shares of common stock to be net exercised in connection with the completion of this offering, resulting in the issuance of an aggregate of shares of common stock assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus. If the remaining warrants are not exercised prior to the completion of this offering, they will terminate.

As of March 31, 2014, 4,174,430 shares of our Series D redeemable convertible preferred stock were issuable upon exercise of outstanding warrants with a weighted average exercise price of $0.25 per share. We expect these warrants to be net exercised in connection with the completion of this offering, resulting in the issuance of an aggregate of shares of common stock assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus. If these warrants are not exercised prior to the completion of this offering, they will terminate.

Each of the above warrants has a net exercise provision under which the holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares of our common stock based on the fair market value of our common stock at the time of the net exercise of the warrant after deduction of the aggregate exercise price. These warrants also contain provisions for the adjustment of the exercise price and the aggregate number of shares issuable upon the exercise of the warrants in the event of stock dividends, stock splits, reorganizations and reclassifications and consolidations.

Convertible Promissory Notes

In July 2014, we sold an aggregate of $4.0 million of convertible promissory notes to certain existing investors in a private placement with certain existing investors. We refer to these notes as the 2014 Notes. The 2014 Notes accrue interest at a rate of 12% per annum and become due and payable nine months from the date of issuance. The principal amount of the 2014 Notes and accrued interest thereon will automatically convert into shares of our common stock upon completion of this offering at a conversion price equal to 80% of our initial public offering price. If a liquidation (as defined in our current amended and restated certificate of incorporation) occurs prior to the completion of this offering, the holders of the 2014 Notes may elect to (1) receive the repayment of the notes or (2) convert the notes into shares of Series D redeemable convertible preferred stock at a conversion price of $0.25 per share, subject to adjustment pursuant to the terms thereof. In connection with the completion of this offering, the 2014 Notes (including accrued interest thereon) will automatically convert into shares of common stock, assuming an initial public offering price of $ per share , which is the midpoint of the price range set forth on the cover page of this prospectus and assuming the conversion occurs on , 2014 (the expected closing date of this offering).

Registration Rights

As of March 31, 2014, holders of shares of our common stock, which includes all of the shares of common stock issuable upon the automatic conversion of our redeemable convertible preferred stock immediately

prior to the completion of this offering and shares of common stock issuable in connection with the completion of this offering as a result of the automatic conversion of the $4.0 million in aggregate principal amount of 2014 Notes (including accrued interest thereon), assuming an initial public offering price of $ per share, which is the midpoint of the price range listed on the cover page of this prospectus and assuming the conversion occurs on . , 2014(the expected closing date of this offering), will be entitled to the following rights with respect to the registration of such shares for public resale under the Securities Act, pursuant to an investor rights agreement by and among us and certain of our stockholders. The registration of shares of common stock as a result of the following rights being exercised would enable holders to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective.

Demand Registration Rights

Form S-1. If at any time for a period of three years following the completion of this offering, the holders of at least 50% of the registrable securities request in writing that we effect a registration with respect to their shares in an offering, we may be required to register their shares. We are obligated to effect at most two registrations for the holders of registrable securities in response to these demand registration rights, subject to certain exceptions.

Form S-3. If at any time beginning 180 days following the completion of this offering and we become entitled under the Securities Act to register our shares on Form S-3, a holder of registrable securities requests in writing that we register their shares for public resale on Form S-3 and the price to the public of the offering is $1.0 million or more, we will be required to provide notice to all holders of registrable securities and to use our best efforts to effect such registration; provided, however, that we will not be required to effect such a registration if, within the preceding 12 months, we have already effected two registrations on Form S-3 for the holders of registrable securities.

In each of the above registrations, if the holders requesting registration intend to distribute their shares by means of an underwriting, the managing underwriter of such offering will have the right to limit the numbers of shares to be underwritten for reasons related to the marketing of the shares.

Piggyback Registration Rights

If at any time for a period of three years following the completion of this offering we propose to register any shares of our common stock under the Securities Act, subject to certain exceptions, the holders of registrable securities will be entitled to notice of the registration and to include their shares of registrable securities in the registration. If our proposed registration involves an underwriting, the managing underwriter of such offering will have the right to limit the number of shares to be underwritten for reasons related to the marketing of the shares.

Expenses

Ordinarily, other than underwriting discounts and commissions, we will be required to pay all expenses incurred by us related to any registration effected pursuant to the exercise of these registration rights. These expenses may include all registration and filing fees, printing expenses, fees and disbursements of our counsel, reasonable fees and disbursements of a counsel for the selling securityholders, blue sky fees and expenses and the expenses of any special audits incident to the registration.

Termination of Registration Rights

The registration rights terminate upon the earlier of three years after the completion of this offering, or for any particular holder with registration rights, at such time following this offering when such holder holds less than one percent of our outstanding common stock and may immediately sell all of such shares pursuant to Rule 144 under the Securities Act in a 90-day period.

Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws

Some provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that could make the following transactions more difficult: an acquisition of us by means of a tender offer; an acquisition of us by means of a proxy contest or otherwise; or the removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions which provide for payment of a premium over the market price for our shares.

These provisions, summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of the increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

Undesignated Preferred Stock

The ability of our board of directors, without action by the stockholders, to issue up to 10,000,000 shares of undesignated preferred stock with voting or other rights or preferences as designated by our board of directors could impede the success of any attempt to change control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of our company.

Stockholder Meetings

Our amended and restated bylaws provide that a special meeting of stockholders may be called only by our chairman of the board, chief executive officer or president, or by a resolution adopted by a majority of our board of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals to be brought before a stockholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

Elimination of Stockholder Action by Written Consent

Our amended and restated certificate of incorporation and amended and restated bylaws eliminate the right of stockholders to act by written consent without a meeting.

Staggered Board

Our board of directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. For more information on the classified board, see “Management—Board Composition and Election of Directors.” This system of electing and removing directors may tend to discourage a third-party from making a tender offer or otherwise attempting to obtain control of us, because it generally makes it more difficult for stockholders to replace a majority of the directors.

Removal of Directors

Our amended and restated certificate of incorporation provides that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of not less than two thirds of the total voting power of all of our outstanding voting stock then entitled to vote in the election of directors.

Stockholders Not Entitled to Cumulative Voting

Our amended and restated certificate of incorporation does not permit stockholders to cumulate their votes in the election of directors. Accordingly, the holders of a majority of the outstanding shares of our common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they choose, other than any directors that holders of our preferred stock may be entitled to elect.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits persons deemed to be "interested stockholders" from engaging in a "business combination" with a publicly held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved in a prescribed manner or another prescribed exception applies. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors.

Choice of Forum

Our restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative form, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty or other wrongdoing by any of our directors, officers, employees or agents to us or our stockholders; (3) any action asserting a claim against us arising pursuant to any provision of the General Corporation Law of the State of Delaware or our certificate of incorporation or bylaws; (4) any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws; or (5) any action asserting a claim governed by the internal affairs doctrine. Our restated certificate of incorporation also provides that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to this choice of forum provision. It is possible that a court of law could rule that the choice of forum provision contained in our restated certificate of incorporation is inapplicable or unenforceable if it is challenged in a proceeding or otherwise.

Amendment of Charter Provisions

The amendment of any of the above provisions, except for the provision making it possible for our board of directors to issue preferred stock, would require approval by holders of at least two thirds of the total voting power of all of our outstanding voting stock.

The provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the composition of our board and management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be .

NASDAQ Global Market

We have applied to have our common stock listed on The NASDAQ Global Market under the symbol "EXDX."

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for our common stock. Future sales of substantial amounts of common stock in the public market, or the perception that such sales may occur, could adversely affect the market price of our common stock. Although we have applied to have our common stock listed on The NASDAQ Global Market, we cannot assure you that there will be an active public market for our common stock.

Based on the number of shares of our common stock outstanding as of March 31, 2014 and assuming (1) the issuance of shares in this offering, (2) the conversion of all outstanding shares of our redeemable convertible preferred stock into shares of our common stock, which will occur automatically occur immediately prior to the completion of the offering, (3) no exercise of the underwriters' over-allotment option to purchase additional shares of common stock, (4) the net exercise of the 2013 Warrants, and (5) no exercise of outstanding options or warrants (other than the 2013 Warrants), we will have outstanding an aggregate of approximately shares of common stock.

Of these shares, all shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. Shares purchased by our affiliates would be subject to the Rule 144 resale restrictions described below, other than the holding period requirement.

The remaining shares of common stock will be "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or 701 under the Securities Act, each of which is summarized below. We expect that substantially all of these shares will be subject to the 180-day lock-up period under the lock-up agreements described below.

In addition, of the 7,944,428 shares of our common stock that were subject to stock options outstanding as of March 31, 2014, options to purchase 4,332,336 of such shares of common stock were vested as of such date and, upon exercise, these shares will be eligible for sale subject to the lock–up agreements described below and Rules 144 and 701 under the Securities Act.

Lock-Up Agreements

We, along with our directors, executive officers and substantially all of our other stockholders, optionholders and warrantholders, have agreed with the underwriters that for a period of 180 days, after the date of this prospectus, subject to specified exceptions, we or they will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to sale of, or otherwise dispose of or transfer any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock, request or demand that we file a registration statement related to our common stock or enter into any swap or other agreement that transfers to another, in whole or in part, directly or indirectly, the economic consequence of ownership of the common stock. Upon expiration of the lock-up period, certain of our stockholders and warrantholders will have the right to require us to register their shares under the Securities Act. See "—Registration Rights" below and "Description of Capital Stock—Registration Rights."

Leerink Partners LLC and Robert W. Baird & Co. Incorporated may, in their sole discretion and at any time or from time to time before the termination of the lock-up period, without public notice, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our stockholders who will execute a lock-up agreement providing consent to the sale of shares prior to the expiration of the lock-up period.

Upon the expiration of the lock-up period, substantially all of the shares subject to such lock-up restrictions will become eligible for sale, subject to the limitations discussed above.

Rule 144

Affiliate Resales of Restricted Securities

In general, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is an affiliate of ours, or who was an affiliate at any time during the 90 days before a sale, who has beneficially owned shares of our common stock for at least six months would be entitled to sell in "broker's transactions" or certain "riskless principal transactions" or to market makers, a number of shares within any three-month period that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume in our common stock on The NASDAQ Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Affiliate resales under Rule 144 are also subject to the availability of current public information about us. In addition, if the number of shares being sold under Rule 144 by an affiliate during any three-month period exceeds 5,000 shares or has an aggregate sale price in excess of $50,000, the seller must file a notice on Form 144 with the Securities and Exchange Commission and The NASDAQ Global Market concurrently with either the placing of a sale order with the broker or the execution of a sale directly with a market maker.

Non-Affiliate Resales of Restricted Securities

In general, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person who is not an affiliate of ours at the time of sale, and has not been an affiliate at any time during the three months preceding a sale, and who has beneficially owned shares of our common stock for at least six months but less than a year, is entitled to sell such shares subject only to the availability of current public information about us. If such person has held our shares for at least one year, such person can resell under Rule 144(b)(1) without regard to any Rule 144 restrictions, including the 90-day public company requirement and the current public information requirement.

Non-affiliate resales are not subject to the manner of sale, volume limitation or notice filing provisions of Rule 144.

Rule 701

In general, under Rule 701, any of an issuer's employees, directors, officers, consultants or advisors who purchases shares from the issuer in connection with a compensatory stock or option plan or other written agreement before the effective date of a registration statement under the Securities Act is entitled to sell such shares 90 days after such effective date in reliance on Rule 144. An affiliate of the issuer can resell shares in reliance on Rule 144 without having to comply with the holding period requirement, and non-affiliates of the issuer can resell shares in reliance on Rule 144 without having to comply with the current public information and holding period requirements.

Equity Plans

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of common stock subject to outstanding stock options and common stock issued or issuable under the 2014 plan, 2013 plan, 2002 plan and ESPP. We expect to file the registration statement covering shares offered pursuant to these stock plans shortly after the date of this prospectus, permitting the resale of such shares by non-affiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market subject to compliance with the resale provisions of Rule 144.

Registration Rights

As of March 31, 2014, holders of shares of our common stock, which includes all of the shares of common stock issuable upon the automatic conversion of our redeemable convertible preferred stock immediately prior to the completion of this offering, or their transferees will be entitled to various rights with respect to the registration of these shares under the Securities Act upon the completion of this offering. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. See “Description of Capital Stock—Registration Rights” for additional information. Shares covered by a registration statement will be eligible for sale in the public market upon the expiration or release from the terms of the lock-up agreement.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service, or the IRS, in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation; and
- tax-qualified retirement plans.

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND

DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-U.S. Holder

For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of our common stock that is neither a "U.S. person" nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described in the section entitled "Dividend Policy," we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder's tax basis in its common stock, but not below zero. Any excess will be treated as capital gain from a sale or other taxable disposition and will be treated as described below under "—Sale or Other Taxable Disposition."

Subject to the discussion below on effectively connected income, dividends paid to a Non-U.S. Holder of our common stock will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). If a Non-U.S. Holder holds the stock through a financial institution or other agent acting on the Non-U.S. Holder's behalf, the Non-U.S. Holder will be required to provide appropriate documentation to the agent, who then will be required to provide certification to the applicable withholding agent, either directly or through other intermediaries. A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment in the United States maintained by the Non-U.S. Holder), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States.

Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation may also be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected

dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

A Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment in the United States maintained by the Non-U.S. Holder);
- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest, or USRPI, by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation may also be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the Non-U.S. Holder is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury regulations, on an established securities market, and such Non-U.S. Holder owned, actually or constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on our common stock will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the

certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or FATCA) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury regulations and IRS guidance, withholding under FATCA generally applies to payments of dividends on our common stock made on or after July 1, 2014 and will apply to payments of gross proceeds from the sale or other disposition of our common stock on or after January 1, 2017.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

UNDERWRITING

Leerink Partners LLC and Robert W. Baird & Co. Incorporated are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Leerink Partners LLC	
Robert W. Baird & Co. Incorporated	
William Blair & Company	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover of this prospectus and to dealers at that price less a concession not in excess of $ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares of our common stock.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately $. We also have agreed to reimburse the underwriters for up to $ for their FINRA counsel fee. In accordance with FINRA Rule 5110, this reimbursed fee is deemed underwriting compensation for this offering.

Option to Purchase Additional Shares

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to additional shares at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

No Sales of Similar Securities

We, our executive officers and directors and all of our other existing security holders have agreed not to sell or transfer any common stock or securities convertible into or exchangeable or exercisable for common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Leerink Partners LLC and Robert W. Baird & Co. Incorporated. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock;
- sell any option or contract to purchase any common stock;
- purchase any option or contract to sell any common stock;
- grant any option, right or warrant for the sale of any common stock;
- otherwise dispose of or transfer any common stock;
- request or demand that we file a registration statement related to the common stock; or
- enter into any swap or other agreement or any transaction that transfers, in whole or in part, the economic consequence of ownership of any common stock, whether any such swap, agreement or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

NASDAQ Global Market Listing

We have applied to list our common stock on the NASDAQ Global Market, subject to notice of issuance, under the symbol "EXDX."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us;
- our financial information;
- the history of, and the prospects for, our company and the industry in which we compete;
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option described above. The underwriters may close out any covered short position by either exercising their option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. “Naked” short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the NASDAQ Global Market, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

Other Relationships

Some of the underwriters and their affiliates may in the future engage in investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They may in the future receive customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers.

Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of shares may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the company nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Latham & Watkins LLP, San Diego, California. The underwriters are being represented by Cooley LLP, San Diego, California.

EXPERTS

The consolidated financial statements as of December 31, 2012 and 2013 and for each of the two years in the period ended December 31, 2013 included in this prospectus have been so included in reliance on the report (which contains an explanatory paragraph relating to the Company's ability to continue as a going concern as described in Note 2 to the consolidated financial statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

CHANGE IN INDEPENDENT ACCOUNTANT

On November 25, 2013 the Audit Committee of the board of directors determined to dismiss McGladrey LLP and retain PricewaterhouseCoopers LLP, or PwC, as our independent registered public accounting firm. Effective February 13, 2014, we retained PwC as our independent registered public accounting firm.

The reports of McGladrey LLP on our consolidated financial statements for each of the two fiscal years prior to its dismissal did not contain any adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles. However, the reports of McGladrey LLP included an emphasis of matter regarding the Company's ability to continue as a going concern. We had no disagreements with McGladrey LLP on any matter of accounting principles or practices, consolidated financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to its satisfaction, would have caused McGladrey LLP to make reference in connection with its opinion to the subject matter of the disagreement during its audits for each of the two fiscal years prior to its dismissal or the subsequent interim period through November 25, 2013. During the two most recent fiscal years preceding McGladrey LLP's dismissal, and the subsequent interim period through November 25, 2013, there were no ''reportable events'' as such term is defined in Item 304(a)(1)(v) of Regulation S-K.

During the two years ended December 31, 2012 and the subsequent interim period through February 13, 2014, neither we, nor anyone acting on our behalf, consulted with PwC on matters that involved the application of accounting principles to a specified transaction, either completed or proposed, the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report nor oral advice was provided to us by PwC that PwC concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue or any other matter that was the subject of a disagreement as that term is used in Item 304 (a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K or a reportable event as that term is used in Item 304(a)(1)(v) and the related instructions to Item 304 of Regulation S-K.

We have provided McGladrey LLP with a copy of the foregoing disclosure and have requested that McGladrey LLP furnish us with a letter addressed to the SEC stating whether or not McGladrey LLP agrees with the above statements and, if not, stating the respects in which it does not agree. A copy of the letter from McGladrey LLP is filed as an exhibit to the registration statement of which this prospectus is a part.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information about us and the common stock offered hereby, we refer you to the registration statement and the exhibits and schedules filed thereto. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. Upon the completion of this offering, we will be required to file periodic reports, proxy statements and other information with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934. You may read and copy this information at the Public Reference Room of the Securities and Exchange Commission, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference rooms by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains an Internet website that contains reports, proxy statements and other information about registrants, like us, that file electronically with the Securities and Exchange Commission. The address of that website is *www.sec.gov*.

Exagen Diagnostics, Inc.

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Exagen Diagnostics, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, consolidated statements of redeemable convertible preferred stock and stockholders' deficit, and consolidated statements of cash flow, present fairly, in all material respects, the financial position of Exagen Diagnostics, Inc. and its subsidiary at December 31, 2012 and 2013, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations since inception and has negative cash flows from operating activities that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP
Denver, Colorado
August 4, 2014

Exagen Diagnostics, Inc.

Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 31, 2012	December 31, 2013	March 31, 2014 (Unaudited)	March 31, 2014 Pro Forma Balance Sheet (Unaudited)
Assets				
Current assets:				
Cash and cash equivalents	$ 2,745	$ 7,743	$ 9,487	
Restricted cash	707	—	—	
Accounts receivable	—	54	3	
Prepaid expenses and other current assets	118	230	219	
Total current assets	3,570	8,027	9,709	
Property and equipment, net	888	1,228	1,201	
Intangible assets, net	1,239	1,025	971	
Goodwill	5,506	5,506	5,506	
Other assets	63	665	632	
Total assets	$ 11,266	$ 16,451	$ 18,019	
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Deficit				
Current liabilities:				
Accounts payable and accrued liabilities	$ 343	$ 726	$ 913	
Accrued payroll and related expenses	429	938	714	
Capital lease obligations, current portion	34	104	101	
Warrant liability	400	—	—	
Borrowings, current portion	1,186	8,811	13,964	
Total current liabilities	2,392	10,579	15,692	
Borrowings, non current portion	1,375	—	—	
Redeemable convertible preferred stock warrant liability	—	1,085	1,002	
Acquisition-related liabilities	2,392	3,657	3,746	
Other non current liabilities	285	679	671	
Total liabilities	6,444	16,000	21,111	
Commitments and Contingencies (Note 8)				
Redeemable convertible preferred stock, $0.001 par value — 94,000,000, 145,000,000 and 145,000,000 shares authorized at December 31, 2012 and 2013 and March 31, 2014 (unaudited), respectively; 69,765,161, 92,330,247 and 92,330,247 shares issued and outstanding at December 31, 2012 and 2013 and March 31, 2014 (unaudited), respectively; (Liquidation value of $34,704, $42,533 and $42,533 at December 31, 2012 and 2013 and March 31, 2014 (unaudited), respectively); shares issued and outstanding, pro forma (unaudited)	9,478	20,420	20,837	
Stockholders' deficit				
Common stock, $0.001 par value — 112,000,000, 163,000,000 and 163,000,000 shares authorized at December 31, 2012 and 2013 and March 31, 2014 (unaudited), respectively; 9,775,058, 9,943,214 and 9,943,214 shares issued and outstanding at December 31, 2012 and 2013 and March 31, 2014 (unaudited), respectively; shares issued and outstanding , pro forma (unaudited)	10	10	10	
Additional paid-in capital	56,126	54,309	53,918	
Accumulated deficit	(60,792)	(74,288)	(77,857)	
Total stockholders' deficit	(4,656)	(19,969)	(23,929)	
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 11,266	$ 16,451	$ 18,019	

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

Exagen Diagnostics, Inc.

Consolidated Statement of Operations and Comprehensive Loss
(in thousands, except share and per share data)

	Years Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
			(Unaudited)	
Revenue	$ 926	$ 3,055	$ 363	$ 1,396
Operating expenses:				
Cost of revenue (excluding amortization of purchased technology)	1,974	2,830	517	1,191
Selling, general and administrative expenses	5,149	6,993	1,470	3,018
Research and development expenses	1,055	897	231	241
Amortization of intangible assets	214	214	54	54
Change in fair value of acquisition-related liabilities	(640)	1,265	310	89
Total operating expenses	7,752	12,199	2,582	4,593
Loss from operations	(6,826)	(9,144)	(2,219)	(3,197)
Interest expense	(463)	(941)	(56)	(458)
Loss on extinguishment of 2013 Notes	—	(3,286)	—	—
Other income (expense), net	7	(83)	—	96
Loss before income taxes	(7,282)	(13,454)	(2,275)	(3,559)
Income tax expense	42	42	10	10
Net loss and comprehensive loss	$ (7,324)	$ (13,496)	$ (2,285)	$ (3,569)
Net income (loss) attributable to common stockholders — basic and diluted (Note 3)	$ 370	$ (15,807)	$ (2,853)	$ (3,986)
Net income (loss) per share attributable to common stockholders — basic and diluted (Note 3)	$ 0.06	$ (1.60)	$ (0.29)	$ (0.40)
Weighted average number of shares used to compute net income (loss) per share attributable to common stockholders — basic and diluted	6,501,734	9,856,777	9,775,058	9,943,214
Pro forma net loss per share attributable to common stockholders — basic and diluted (unaudited) (Note 3)				
Pro forma weighted average number of shares used to compute net loss per share attributable to common stockholders — basic and diluted (unaudited) (Note 3)				

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

Exagen Diagnostics, Inc.

Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit

(in thousands, except per share data)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balances at December 31, 2011	49,545	$ 16,455	4,702	$ 5	$ 42,753	$ (53,468)	$ (10,710)
Issuance of Series A-2 redeemable convertible preferred stock at a fair value of $3.23 per share and issuance of Series B-2 redeemable convertible preferred stock at $0.25 per share	1,696	545	(45)	—	(169)	—	(169)
Gain on recapitalization upon conversion of common stock into Series A-2 redeemable convertible preferred stock	—	—	—	—	24	—	24
Accretion of redeemable convertible preferred stock	—	643	—	—	(643)	—	(643)
Conversion of Series A-2 and B-2 redeemable convertible preferred stock into common stock as part of recapitalization	(51,241)	(17,090)	51,242	51	17,038	—	17,089
Conversion of common stock into Series A-3 redeemable convertible preferred stock as part of recapitalization	46,015	3,038	(46,015)	(46)	(15,298)	—	(15,344)
Gain on recapitalization upon conversion of common stock into Series A-3 and B-3 redeemable convertible preferred stock	—	—	—	—	12,305	—	12,305
Issuance of Series C redeemable convertible preferred stock at $0.25 per share, less issuance costs of $51	23,750	5,887	—	—	—	—	—
Repurchase of common stock	—	—	(109)	—	—	—	—
Stock-based compensation	—	—	—	—	116	—	116
Net loss and comprehensive loss	—	—				(7,324)	(7,324)
Balances at December 31, 2012	69,765	9,478	9,775	10	56,126	(60,792)	(4,656)
Issuance of Series D redeemable convertible preferred stock at $0.25 per share for cash, net of issuance costs of $8	10,079	2,511	—	—	—	—	—
Conversion of 2013 Notes into Series D redeemable convertible preferred stock at a fair value of $0.49 per share	12,486	6,120	—	—	—	—	—
Accretion of redeemable convertible preferred stock	—	2,311	—	—	(2,311)	—	(2,311)
Issuance of common stock warrants in connection with 2013 Loan at relative fair value, net of issuance costs	—	—	—	—	319	—	319
Issuance of common stock to consultants in exchange for services	—	—	82	—	2	—	2
Exercise of stock options	—	—	86	—	21	—	21
Stock-based compensation	—	—	—	—	152	—	152
Net loss and comprehensive loss	—	—				(13,496)	(13,496)
Balances at December 31, 2013	92,330	20,420	9,943	10	54,309	(74,288)	(19,969)
Accretion of redeemable convertible preferred stock	—	417	—	—	(417)	—	(417)
Stock-based compensation	—	—	—	—	26	—	26
Net loss and comprehensive loss	—	—				(3,569)	(3,569)
Balances at March 31, 2014 (Unaudited)	92,330	$ 20,837	9,943	$ 10	$ 53,918	$ (77,857)	$ (23,929)

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

Exagen Diagnostics, Inc.

Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
			(Unaudited)	
Cash flows from operating activities				
Net loss	$ (7,324)	$ (13,496)	$ (2,285)	$ (3,569)
Adjustments to reconcile net loss to net cash used in operating activities:				
Change in fair value of acquisition-related liabilities	(640)	1,265	310	89
Depreciation and amortization	398	455	104	126
Amortization of debt discount	312	425	—	52
Amortization of deferred financing costs	—	31	—	31
Noncash interest expense	32	138	6	101
Change in fair value of embedded derivatives and warrant liability	—	40	—	(83)
Loss on extinguishment of 2013 Notes	—	3,286	—	—
Deferred income taxes	42	42	10	10
Loss on disposal of assets	33	36	—	—
Issuance of common stock in exchange for services	—	2	—	—
Stock-based compensation	116	152	38	26
Changes in assets and liabilities				
Accounts receivable	—	(55)	(10)	51
Prepaid expenses and other current assets	(59)	(107)	16	4
Accounts payable and accrued liabilities	(531)	381	27	189
Accrued payroll and related expenses	144	510	6	(224)
Other assets	—	30	—	—
Net cash used in operating activities	(7,477)	(6,865)	(1,778)	(3,197)
Cash flows from investing activities				
Purchases of property and equipment	(440)	(172)	(26)	(45)
Proceeds from sale of property and equipment	14	14	—	—
Restricted cash	(707)	707	657	—
Net cash (used in) provided by investing activities	(1,133)	549	631	(45)
Cash flows from financing activities				
Proceeds from borrowings of long-term debt	—	10,000	—	5,000
Payments on borrowings of long-term debt	—	(1,875)	—	—
Payments for deferred financing costs and costs paid to lender	—	(647)	—	—
Proceeds from issuance of redeemable convertible preferred stock for cash, net of issuance costs	7,802	2,511	—	—
Proceeds from issuance of convertible promissory notes	—	2,430	—	—
Payments on promissory notes	(511)	—	(125)	—
Payments on warrant obligation	—	(400)	—	—
Payments on line of credit	(21)	(686)	(637)	—
Proceeds from issuance of common stock, net of repurchases	—	20	—	—
Payments on capital lease obligations	(18)	(39)	(8)	(14)
Net cash provided by (used in) financing activities	7,252	11,314	(770)	4,986
(Decrease) increase in cash and cash equivalents	(1,358)	4,998	(1,917)	1,744
Cash and cash equivalents at beginning of period	4,103	2,745	2,745	7,743
Cash and cash equivalents at end of period	$ 2,745	$ 7,743	$ 828	$ 9,487
Supplemental disclosure of cash flow information				
Cash paid for interest	$ 186	$ 339	$ 50	$ 256
Supplemental disclosure of noncash items				
Conversion of notes payable and accrued interest into redeemable convertible preferred stock	$ —	$ 2,497	$ —	$ —
Accretion to redemption value of redeemable convertible preferred stock	643	2,311	567	417
Issuance of Series A-2, B-2 and B-3 redeemable convertible preferred stock at fair value	3,038	—	—	—
Equipment purchased under capital lease obligations	196	458	—	—
Issuance of warrants to purchase redeemable convertible preferred stock and common stock in 2013	—	1,350	—	—

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

Exagen Diagnostics, Inc.
Notes to Consolidated Financial Statements

1. Organization and Business

Exagen Diagnostics, Inc. (the Company) was incorporated under the laws of the state of New Mexico in 2002, under the name Exagen Corporation. In 2003, Exagen Corporation changed its state of incorporation from New Mexico to Delaware by merging with and into Exagen Diagnostics, Inc., pursuant to which the Company changed its name to Exagen Diagnostics, Inc. The Company is a commercial-stage diagnostics company committed to addressing the significant unmet need for the accurate diagnosis and monitoring of patients affected by autoimmune rheumatic diseases (ARDs). These chronic diseases can cause lifelong inflammation in the joints, tissues and internal organs, resulting in serious complications, such as irreversible organ damage. The accurate, timely and differential diagnosis for patients suffering from the approximately 30 ARDs is critical as treatment for each disease varies, and inappropriate or delayed therapy may expose patients to unnecessary risks or the hazards of uncontrolled disease activity. Physicians face significant difficulties in making a definitive diagnosis of a specific ARD because patients with different diseases often present with a common set of symptoms. The Company currently markets three products under its Avise brand to provide an accurate, timely and differential diagnosis and to optimize the treatment of ARDs.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of the accompanying consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates.

The accompanying consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities in their normal course of business. The Company has suffered recurring losses from operations since inception and negative cash flows from operating activities during each of 2012, 2013 and the three months ended March 31, 2014. As of December 31, 2013 and March 31, 2014 (unaudited), the Company had working capital deficits of $(2.6) million and $(6.0) million, respectively, and an accumulated deficit of $74.3 million and $77.9 million, respectively. The Company anticipates that it will continue to incur net losses into the foreseeable future as it: (i) expands sales and marketing efforts to promote its Avise product line (ii) develops additional products and prepares to commercialize any new products, and (iii) expands its corporate infrastructure, including the costs associated with becoming a public company. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company needs to raise additional funds through equity or debt financing and, when and if necessary, to reduce discretionary spending. Although management has been successful in raising capital in the past, most recently in July 2014 (Note 16), there can be no assurance that they will be successful or that any needed financing will be available in the future at terms acceptable to the Company. Failure to achieve these plans may result in the Company not being able to achieve its business objectives. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company plans to fund its losses from operations and capital funding needs through current cash on hand and future debt and equity financings. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, and/or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations, and future prospects.

Exagen Diagnostics, Inc.
Notes to Consolidated Financial Statements

Unaudited Interim Financial Information

The accompanying interim consolidated balance sheet as of March 31, 2014, consolidated statements of operations and comprehensive loss and cash flows for the three months ended March 31, 2013 and 2014 and the consolidated statements of redeemable convertible preferred stock and stockholders' deficit for the three months ended March 31, 2014 are unaudited. The unaudited interim consolidated financial statements have been prepared on a basis consistent with the audited financial statements and, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) considered necessary to fairly present the Company's financial position as of March 31, 2014 and the Company's results of operations and cash flows for the three months ended March 31, 2013 and 2014. The results for the three months ended March 31, 2014 are not necessarily indicative of the results to be expected for the year ended December 31, 2014 or for any other period.

Unaudited Pro Forma Balance Sheet

The unaudited pro forma balance sheet information as of March 31, 2014 in the accompanying consolidated balance sheet gives effect to: (i) the automatic conversion of all outstanding shares of convertible preferred stock into shares of common stock and (ii) the net exercise of warrants to purchase shares of our common stock and Series D redeemable convertible preferred stock, and (iii) the resultant reclassification of the redeemable convertible preferred stock warrant liability to additional paid-in-capital, a component of stockholders' deficit, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus and assuming the conversion occurs on 2014 (the expected closing date of this offering). The unaudited pro forma balance sheet information excludes any shares of common stock issued in the proposed initial public offering and related proceeds therefrom.

Unaudited Pro Forma Net Loss per Share of Common Stock

The unaudited pro forma basic and diluted net loss per share reflects the automatic conversion of all outstanding shares of redeemable convertible preferred stock, net exercise of warrants and the reclassification of certain redeemable convertible preferred stock warrants to common stock warrants in additional paid-in capital, as if the conversions had occurred at the beginning of the period presented.

The unaudited pro forma basic and diluted net loss per share amounts do not give effect to the issuance of shares from the planned initial public offering nor do they give effect to potential dilutive securities where the impact would be anti-dilutive.

Consolidation

The consolidated financial statements include the accounts of the Company and its 60% owned subsidiary, Computational Engines Inc. Computational Engines, Inc. has been an inactive subsidiary since inception and was dissolved in May 2014 (Note 16). Intercompany balances and transactions have been eliminated in consolidation.

Segments

The Company operates in one segment. Management uses one measurement of profitability and does not segregate its business for internal reporting. All long-lived assets are maintained in the United States.

Exagen Diagnostics, Inc.
Notes to Consolidated Financial Statements

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

At December 31, 2012, a deposit of $707,425 was restricted from withdrawal and held by a bank as collateral in accordance with the terms of a line of credit agreement. In 2013, the restriction was released upon repayment of the line of credit.

Revenue Recognition

The Company derives its revenue from sales of its diagnostic, prognostic and monitoring products.
The Company primarily markets its testing services to rheumatologists and their physician assistants. The
healthcare professionals who order the Company's products and to whom test results are reported are generally not responsible for payment for these products. The parties that pay for these services (the Payers) consist of commercial third-party companies, Medicare and other government payers, and patients.

The Company recognizes revenue when the following criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or
determinable; and (4) collectability is reasonably assured.

The Company's service is completed upon the delivery of test results to the prescribing physician which triggers billing for the service. The Company recognizes revenue related to billings to Payers on an accrual basis, net of contractual adjustments, only when the Company has established pricing with its Payers as indicated by contractual pricing arrangements and predictable patterns of payments for its services.

In the absence of a predictable pattern of reimbursement or a contract with a Payer, revenue is recognized upon the earlier of payment notification, if applicable, or cash receipt. The Company currently recognizes revenue on a cash basis from sales of its products. The assessment of the fixed or determinable nature of the fees charged and the collectability of those fees requires significant judgment by management. Accordingly, the Company expects to recognize revenue on a cash basis until it has sufficient history to reliably estimate payment patterns.

As of December 31, 2012 and 2013 and March 31, 2013 (unaudited) and 2014 (unaudited), substantially all of the Company's revenue is recognized upon the earlier of payment notification, if applicable, or cash receipt.

Concentration of Credit Risk and Other Risk and Uncertainties

Financial instruments that potentially subject the Company to credit risk consist principally of cash, cash equivalents, and accounts receivable. Substantially all the Company's cash and cash equivalents are held at one financial institution that management believes is of high credit quality. Such deposits may, at times, exceed federally insured limits.

Approximately 9%, 25%, 37% and 41% of the Company's revenue is derived from sales billed to Medicare for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2013 (unaudited) and 2014 (unaudited), respectively.

Exagen Diagnostics, Inc.
Notes to Consolidated Financial Statements

The Company is dependent on key suppliers for certain laboratory materials. An interruption in the supply of these materials would temporarily impact the Company's ability to perform testing services.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally between three and ten years, or the lease term of the respective assets. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful life or the term of the lease. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the consolidated balance sheet and any resulting gain or loss is reflected in operations in the period realized.

Goodwill and Intangible Assets

The Company has recorded goodwill and intangible assets on the consolidated balance sheets. The Company classifies intangible assets into two categories: (1) goodwill; and (2) intangible assets with definite lives subject to amortization.

Goodwill is not amortized. The Company assesses goodwill for impairment on an annual basis in the fourth quarter of each year or more frequently if indicators of impairment exist.

The goodwill impairment assessment involves a two-step process. The Company first assesses the book value and market value of the Company to determine if an impairment of goodwill exists by reporting unit. A potential impairment exists if the fair value of the reporting unit is lower than its net book value. The second step of the process is only performed if a potential impairment exists, and it involves comparing the aggregate fair value of the reporting unit's net assets, other than goodwill, to the fair value of the reporting unit as a whole. Goodwill is considered impaired, and an impairment charge is recorded, if the excess of the fair value of the reporting unit over the fair value of the net assets is less than the carrying value of goodwill. This evaluation requires use of internal business plans that are based on the Company's judgments regarding future economic conditions, product demand and pricing, costs, inflation rates and discount rates, among other factors. These judgments and estimates involve inherent uncertainties, and the measurement of the fair value is dependent on the accuracy of the assumptions used in making the estimates and how those estimates compare to the Company's future operating performance. There was no impairment of goodwill identified through December 31, 2013 or March 31, 2014 (unaudited).

Impairment of Long-Lived Assets

Purchased intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets. The Company analyzed and determined that the use of straight-line amortization method was appropriate to reflect the pattern over which the economic benefits of the assets are realized. Long-lived assets, including intangible assets, with definite lives and property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such conditions may include an economic downturn or a change in the assessment of future operations. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset (or asset group) and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the amount that the carrying value of the asset (or asset group) exceeds its fair value. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the

carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported as a separate caption at the lower of the carrying amount or fair value less costs to sell. There were no impairment charges, or changes in estimated useful lives, recorded through December 31, 2013 or March 31, 2014 (unaudited).

Redeemable Convertible Preferred Stock

The Company has classified the redeemable convertible preferred stock as temporary equity in the consolidated balance sheets due to certain change in control events that are outside the Company's control, including liquidation, sale or transfer of the Company, as holders of the Series A-3 convertible preferred stock can cause redemption of the shares. Redeemable convertible preferred stock which is redeemable on or after a certain date upon the option of the holder is accreted to its redemption value from the date of issuance to the earliest redemption date.

Redeemable Convertible Preferred Stock Warrants

The Company accounts for its redeemable convertible preferred stock warrants as liabilities based upon the characteristics and provisions of each instrument. The redeemable convertible preferred stock warrants classified as liabilities are recorded on the Company's consolidated balance sheet at their fair value on the date of issuance and are revalued on each subsequent balance sheet, with fair value changes recognized as increases or reductions in the consolidated statements of operations and comprehensive loss. The Company adjusts the liability for changes in fair value of these redeemable convertible preferred stock warrants until the earlier of: (i) exercise of warrants; (ii) expiration of redeemable convertible preferred stock warrants; (iii) a change of control of the Company; or (iv) the consummation of the Company's initial public offering. At that time, the redeemable convertible preferred stock warrant liability will be adjusted to fair value in the consolidated statements of operations and comprehensive loss with the final fair value reclassified to additional paid-in capital.

Research and Development

Research and development expenses are expensed as incurred and include, but are not limited to, payroll and personnel-related expenses, stock-based compensation expense, materials, laboratory supplies, consulting costs, costs associated with setting up and conducting clinical studies and allocated overhead including rent and utilities.

Advertising and Marketing Costs

Costs incurred for advertising and marketing are expensed as incurred. Total advertising and marketing costs were approximately $294,000, $429,000, $66,000 and $264,000 for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2013 (unaudited) and 2014 (unaudited), respectively, and are included in selling, general and administrative expenses in the accompanying consolidated statements of operations and comprehensive loss.

Shipping and Handling Costs

Costs incurred for shipping and handling are included in cost of revenues in the accompanying consolidated statements of operations and comprehensive loss and totaled approximately $199,000, $272,000, $57,000 and $113,000 for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2013 (unaudited) and 2014 (unaudited), respectively.

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Fair Value of Financial Instruments

The carrying value of the Company's cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, other assets, accounts payable, accrued liabilities, and convertible notes payable approximate fair value due to the short-term nature of these items. Based on the borrowing rates currently available to the Company for debt with similar terms and consideration of default and credit risk, the carrying value of the term loan approximates their fair value and is classified as Level II liability.

Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy defines a three-level valuation hierarchy for disclosure of fair value measurements as follows:

Level I	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level II	Inputs other than quoted prices included within Level I that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and
Level III	Unobservable inputs that are supported by little or no market activity for the related assets or liabilities.

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Company's redeemable convertible preferred stock warrant liabilities and acquisition-related liabilities are classified as Level III liabilities. The liabilities that are measured at fair value on a recurring basis consist of redeemable convertible preferred stock warrant liability, derivative liabilities and acquisition-related obligations.

Income Taxes

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

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

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Stock-Based Compensation

For stock options granted to employees, the Company recognizes compensation expense for all stock-based awards based on the grant-date estimated fair values. The value of the portion of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite service period. The fair value of stock options is determined using the Black-Scholes option pricing model. The determination of fair value for stock-based awards on the date of grant using an option-pricing model requires management to make certain assumptions regarding a number of complex and subjective variables.

Stock-based compensation expense related to stock options granted to nonemployees is recognized based on the fair value of the stock options, determined using the Black-Scholes option pricing model, as they are earned. The awards generally vest over the time period the Company expects to receive services from the nonemployee.

Comprehensive Loss

Comprehensive loss is defined as a change in equity of a business enterprise during a period, resulting from transactions from nonowner sources. There have been no items qualifying as other comprehensive income (loss) and, therefore, for all periods presented, the Company's comprehensive loss was the same as its reported net loss.

Net Income (Loss) Per Share

The Company follows the two-class method when computing net income (loss) per share, as the Company has issued shares that meet the definition of participating securities. The two-class method determines net income (loss) per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

Basic net income (loss) per share attributable to common stockholders is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) attributable to common stockholders is computed by adjusting income (loss) attributable to common stockholders to reallocate undistributed earnings based on the potential impact of dilutive securities, including outstanding stock options, and warrants for the purchase of redeemable convertible preferred stock. Diluted net income (loss) per share attributable to common stockholders is computed by dividing the diluted net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding for the period, including potential dilutive common shares assuming the dilutive effect of outstanding stock options and warrants.

The Company's redeemable convertible preferred stock contractually entitles the holders of such shares to participate in dividends but does not contractually require the holders of such shares to participate in losses of the Company. Accordingly, in periods in which the Company reports a net loss attributable to common stockholders, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. The Company reported a net loss attributable to common stockholders for the year ended December 31, 2013 and for the three months ended March 31, 2013 and 2014 (unaudited).

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Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB), or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial position or results of operations upon adoption.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for annual periods beginning after December 15, 2016 and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, which provides for changes to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. These changes require an entity to present an unrecognized tax benefit as a liability in the financial statements if (i) a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or (ii) the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset to settle any additional income taxes that would result from the disallowance of a tax position. Otherwise, an unrecognized tax benefit is required to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. These changes become effective for the Company on January 1, 2014. The Company does not believe the adoption will have a significant impact on the consolidated financial statements.

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3. Net Income (Loss) Per Share and Unaudited Pro Forma Net Loss Per Share

A reconciliation of the numerator and denominator used in the calculation of the basic and diluted net income (loss) per share is as follows (in thousands, except share and per share data):

	Years Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
			(Unaudited)	
Numerator:				
Net loss	$ (7,324)	$ (13,496)	$ (2,285)	$ (3,569)
Gain on recapitalization	12,329	—	—	—
Accretion of redeemable convertible preferred stock to redemption value	(643)	(2,311)	(568)	(417)
Noncumulative dividend on redeemable convertible preferred stock	(1,039)	—	—	—
Undistributed earnings allocated to preferred stockholders	(2,953)	—	—	—
Net income (loss) attributable to common stockholders — basic and diluted	$ 370	$ (15,807)	$ (2,853)	$ (3,986)
Denominator:				
Weighted average number of common shares outstanding — basic and diluted	6,501,734	9,856,777	9,775,058	9,943,214
Net income (loss) per share attributable to common stockholders:				
Basic and diluted	$ 0.06	$ (1.60)	$ (0.29)	$ (0.40)

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net income (loss) per share of common stock for the periods presented, because including them would have been anti-dilutive:

	Years Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
			(Unaudited)	
Redeemable convertible preferred stock	69,765,161	92,330,247	69,765,161	92,330,247
Options to purchase common stock	8,670,370	8,810,386	8,895,371	8,810,016
Warrants to purchase redeemable convertible preferred stock	—	4,174,430	—	4,174,430
Warrants to purchase common stock	2,091,095	4,881,900	2,091,095	4,881,900
Total	80,526,626	110,196,963	80,751,627	110,196,593

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Unaudited pro forma basic and diluted net loss per share attributable to common stockholders is computed as follows:

	Year Ended December 31, 2013	Three Months Ended March 31, 2014
Numerator:		
Net loss attributable to common stockholders — basic and diluted		
Accretion of redeemable convertible preferred stock to redemption value		
Noncumulative dividends on redeemable convertible preferred stock		
Change in fair value of redeemable convertible preferred stock warrants		
Pro forma net loss attributable to common stockholders — basic and diluted		
Denominator:		
Weighted average number of common shares outstanding — basic and diluted		
Pro forma adjustments to assume conversion of redeemable convertible preferred stock		
Pro forma weighted average number of shares outstanding — basic and diluted		
Pro forma net loss per share attributable to common stockholders — basic and diluted		

4. Property and Equipment

Property and equipment consist of the following as of December 31, 2012 and 2013 and March 31, 2014 (unaudited) (in thousands):

	December 31,		March 31, 2014
	2012	2013	(Unaudited)
Furniture and fixtures	$ 28	$ 28	$ 28
Laboratory equipment	1,273	1,667	1,667
Computer equipment	645	729	754
Leasehold improvements	66	93	113
	2,012	2,517	2,562
Less accumulated depreciation	(1,124)	(1,289)	(1,361)
Property and equipment, net	$ 888	$ 1,228	$ 1,201

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Depreciation expense for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2013 (unaudited) and 2014 (unaudited) was approximately $183,000, $241,000 and $51,000 and $95,000, respectively. At December 31, 2012 and 2013, the net book value of assets recorded under capital leases, all of which are included in laboratory equipment, was approximately $168,000 and $559,000, respectively, reflecting accumulated amortization of approximately $28,000 and $95,000, respectively. Amortization of assets under capital leases is included in depreciation expense.

5. Goodwill and Intangible Assets

The following table provides information about goodwill and intangible asset balances as of December 31, 2012 and 2013 and March 31, 2014 (unaudited) (in thousands):

	Weighted-Average Amortization Period (In years)	December 31, 2012 Gross Amount	Accumulated Amortization	Net Book Value
Intangible Assets Subject to Amortization:				
Purchased technology	8	$1,345	$ (373)	$ 972
Trade name and trademarks	8	370	(103)	267
		$1,715	$ (476)	$1,239
Intangible Assets Not Subject to Amortization:				
Goodwill				$5,506
Total intangible assets, net				$6,745

	Weighted-Average Amortization Period (In years)	December 31, 2013 Gross Amount	Accumulated Amortization	Net Book Value
Intangible Assets Subject to Amortization:				
Purchased technologies	8	$1,345	$ (541)	$ 804
Trade name and trademarks	8	370	(149)	221
		$1,715	$ (690)	$1,025
Intangible Assets Not Subject to Amortization:				
Goodwill				$5,506
Total intangible assets, net				$6,531

	Weighted-Average Amortization Period (In years)	March 31, 2014 (Unaudited) Gross Amount	Accumulated Amortization	Net Book Value
Intangible Assets Subject to Amortization:				
Purchased technologies	8	$1,345	$ (583)	$ 762
Trade name and trademarks	8	370	(161)	209
		$1,715	$ (744)	$ 971
Intangible Assets Not Subject to Amortization:				
Goodwill				$5,506
Total intangible assets, net				$6,477

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Total expense related to the amortization of intangible assets was approximately $214,000, $214,000 and $54,000 for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2014 (unaudited), respectively.

Total future amortization expense related to intangible assets subject to amortization at December 31, 2013 and March 31, 2014 (unaudited) is set forth in the table below (in thousands):

Years Ending December 31,	December 31, 2013	March 31, 2014 (Unaudited)
2014	$ 214	$ 160
2015	214	214
2016	214	214
2017	214	214
2018	169	169
Total future amortization expense	$ 1,025	$ 971

6. Borrowings

Line of Credit Arrangement (Line)

In 2010, the Company entered into a secured Line with a financial institution to borrow up to $750,000. The Line accrued interest at 6.0% and matured in June 2012. The Company amended the Line in 2012 to extend the maturity to June 2013. In accordance with the terms of the amendment, the amount available for borrowing was decreased to $707,725 and required the Company to maintain a restricted cash balance of $707,725 to secure the Line. The amendment in 2012 was accounted for as a modification. The Line was fully repaid in June 2013.

Subordinated Secured Promissory Notes (2010 SSPNs)

In 2010, the Company entered into SSPNs with existing equity holders and a mezzanine lender to borrow up to $2 million and bore an interest rate of 18.0% per annum. The 2010 SSPN bore interest at 18.0% per annum and were secured by substantially all of the assets of the Company. The 2010 SSPN matured in October 2012 at which time, they were repaid in full.

Royalty Pharma Collection Trust Secured Promissory Note (RP Note)

In connection with a historical acquisition, the Company was required to pay $2.0 million to Royalty Pharma Collection Trust, in October 2012. This additional consideration was recorded at its initial present value amount of $1.7 million on the date of acquisition using a discount rate of 9.5% and accreted to $2.0 million. In October 2012, the obligation to pay $2.0 million was converted to a secured promissory note, accruing interest at 10% per year, payable over four years and was collateralized by the intellectual property purchased by the Company in the acquisition. The Company accounted for this amendment as a modification. The principal outstanding as of December 31, 2012 was $1.9 million and the outstanding RP Note was fully repaid in October 2013.

Convertible Notes with Related Parties (2013 Notes)

In May, June and August 2013, the Company entered into unsecured convertible promissory notes with existing equity holders to borrow $2.4 million. The 2013 Notes accrued interest at 10.0% per annum and were convertible into shares of either an anticipated new series of preferred stock sold in a qualified

financing (defined as a financing of $10.0 million or greater), at a 20% discount to the issuance price or, if no additional qualified financing occurred, into shares of Series C redeemable convertible preferred stock at a price of $0.25 per share. The conversion into shares at a 20% discount was determined to be an embedded put feature which required bifurcation and separate accounting as the discount was substantial. The embedded derivative was recorded as a liability at a fair value of approximately $668,000 upon issuance and debt discount to the 2013 Notes. The Company valued the embedded derivative using a probability weighted scenario based option pricing model using the following inputs – expected life of approximately 0.5 years, estimated volatility of approximately 40%, expected risk-free rate of 0.1% and a probability of 99% for a qualified financing to occur .The embedded derivative was remeasured just prior to extinguishment of the 2013 Notes and the change in fair value was recorded in other income (expense), net in the accompanying consolidated statements of operations and comprehensive loss. In October 2013, the Company amended the 2013 Notes to modify the definition of a qualified financing to reduce the amount of required financing from $10.0 million to $4.0 million and contemporaneously converted the 2013 Notes into Series D redeemable convertible preferred stock at a price of $0.20 per share. The Company recorded this amendment as an extinguishment and recorded a loss of $3.3 million as the difference between the reacquisition price and the net carrying amount of the 2013 Notes.

Term Loan (2013 Loan)

In October 2013, the Company executed a Term Loan Agreement with Capital Royalty Partners II L.P. and its affiliates Parallel Fund “a” L.P. and Parallel Investment Opportunities Partners II L.P. (collectively Capital Royalty). The 2013 Loan may be drawn in two tranches. The first tranche in the amount of $10.0 million or $ 15.0 million was required to be drawn prior to March 31, 2014, and the Company drew $10 million in October 2013 and another $5 million in March 2014. The availability of the second tranche in the amount of $5.0 million or $10.0 million was subject to achieving $3.3 million or $3.8 million in revenue measured on a consecutive three month period prior to June 30, 2014. The Company did not achieve the specified revenue milestones prior to June 30, 2014, therefore the second tranche is no longer available to the Company for future borrowings. The 2013 Loan bears interest at 14.0% per annum. Interest-only payments are due on a quarterly basis with payment dates fixed at the end of each calendar quarter (“Payment Dates”) through September 30, 2016. Prior to December 31, 2016 the Company may at its election pay the interest as follows: 10.0% per annum in cash and 4.0% per annum paid in-kind in the form of additional term loans, or PIK Loans. In connection with the 2013 Loan, the Company paid a financing fee of $200,000 (recorded as debt discount) and issued warrants to purchase 3,186,430 shares of each of common stock and Series D redeemable convertible preferred stock. Since the Company has issued multiple instruments (2013 Loan, Series D redeemable convertible preferred stock warrants and common stock warrants) in a bundled transaction, the Company recorded the Series D redeemable convertible preferred stock warrants at full fair value, while the common stock warrants and 2013 Loan have been recorded at relative fair value. Likewise, the debt issuance costs have been allocated to all instruments based on their relative fair value (Note 7).

The 2013 Loan has a prepayment premium of 3% of the aggregate outstanding principal, including PIK Loans, if the loan is prepaid prior to September 30, 2014. The amount of the Prepayment Premium decreases by 1% during each subsequent 12-month period thereafter.

The first Payment Date for the $10 million drawn in October 2013 was December 31, 2013, and the Company elected the paid in-kind interest option, issuing PIK Loans totaling $71,110 and $100,711 in 2013 and 2014 (unaudited), respectively.

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The 2013 Loan is collateralized by a first priority security interest on substantially all of the Company's personal property, including intellectual property. The Company must maintain a minimum liquidity of $2.0 million and achieve certain minimum amounts of annual revenue under the terms of the 2013 Loan.

The 2013 Loan contains customary representations and warranties, covenants, events of defaults and termination provisions. The affirmative covenants include, among other things, that the Company timely file taxes, maintain good standing and government compliance, maintain liability and other insurance, furnish audited financial statements within 120 days of fiscal year end without qualification as to the scope of the audit or as to going concern and without any other similar qualification.

The negative covenants provide, among other things, that without the prior consent of Capital Royalty (subject to certain exceptions), the Company may not dispose of certain assets, engage in certain business combinations or acquisitions, incur additional indebtedness or encumber any of the Company's property, pay dividends on the Company's capital stock or make prohibited investments. The 2013 Loan agreement provides that an event of default will occur if, among other triggers, (1) the Company defaults in the payment of any amount payable under the agreement when due, (2) there occurs any circumstance or circumstances that could reasonably be expected to result in a material adverse effect on the Company's business, operations or condition, or on the Company's ability to perform its obligations under the agreement, (3) the Company becomes insolvent, (4) the Company undergoes a change in control or (5) the Company breaches any negative covenants or certain affirmative covenants in the agreement or, subject to a cure period, otherwise neglects to perform or observe any material item in the agreement. The repayment of the term loan may be accelerated, at the option of Capital Royalty, following the occurrence of an event of default, which would require the Company to pay to Capital Royalty an amount equal to the sum of: (i) all outstanding principal plus accrued interest, (ii) the final payment, plus (iii) all other sums, that shall have become due and payable but have not been paid, including interest at the default rate with respect to any past due amounts plus the Prepayment Premium. The Company has obtained an extension to submit the audited consolidated financial statements by July 31, 2014 and a waiver to relinquish the going concern qualification requirement for the year ended December 31, 2013.

Though the Company's borrowings have stated maturities in excess of one year, the outstanding balance has been classified as a current liability as of December 31, 2013 primarily due to the subjective nature of the material adverse clause included in the term loan agreement. This clause permits the lender to accelerate the maturity of the debt upon factors that are subjective in nature.

The future minimum aggregate payments as of December 31, 2013 and March 31, 2014 (unaudited) under the above borrowings are as follows (in thousands):

Years Ending December 31,	December 31, 2013	March 31, 2014 (Unaudited)
2014	$ —	$ —
2015	—	—
2016	1,407	2,098
2017	5,627	8,393
2018 and after	4,220	6,294
Total	11,254	16,785
Less:		
Unamortized debt discount	(1,261)	(1,208)
Interest	(1,182)	(1,613)
Total borrowings, current portion	$ 8,811	$ 13,964

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7. Warrants to Purchase Common or Preferred Stock

Common stock warrants

2010 SSPN common stock warrants

In connection with the 2010 SSPNs (Note 6), the Company issued warrants to purchase 390,000 shares of common stock at a price of $3.75 per share. The warrants expired three years from the date of issuance (October 2013) and contained an automatic exercise or put feature which was to be effected immediately prior to the expiration of the warrants, based on the highest value to the holders if no earlier exercise or put has been affected by the holders. The put feature allowed the holders, upon the earlier of the occurrence of a change in control or the expiration date, to require the Company to repurchase the warrants for an aggregate purchase price of $400,000. The value of this put feature was recorded as a warrant liability on the consolidated balance sheet at the higher of the fair value or $400,000 and as a discount against the 2010 SSPN, with such discount being amortized to interest expense over the initial term of the 2010 SSPN. The put feature was exercised in October 2013 and the Company repurchased these warrants for $400,000.

2013 Loan common stock warrants

In connection with the 2013 Loan issued in October 2013, the Company issued warrants to purchase 3,186,430 shares of common stock at $0.01 per share. The relative fair value of approximately $319,000, net of issuance costs, was recorded in additional paid in capital and was determined using the option pricing model with the following assumptions: risk-free interest rate of 2.51%, expected life of 10 years, dividend yield of 0% and expected volatility of 57% and as a discount against 2013 Loan, with such discount being amortized to interest expense over the term of the 2013 Loan. The Company amortized approximately $13,081 and $13,240 as interest expense for the year ended December 31, 2013 and the three months ended March 31, 2014 (unaudited), respectively. The warrants expire in October 2023 and remain outstanding as of December 31, 2013 and March 31, 2014 (unaudited).

In addition to the above, the Company has 1,695,470 common stock warrants outstanding as of December 31, 2013 at an exercise price of $3.75 per share. These common stock warrants expire between June 2018 and October 2021. No amounts have been recorded for these common stock warrants as their fair value was determined to be immaterial.

Redeemable convertible preferred stock warrants

2013 Loan redeemable convertible preferred stock warrants

In connection with the 2013 Loan issued in October 2013, the Company issued warrants to purchase 3,186,430 shares of Series D redeemable convertible preferred stock at $0.25 per share. The fair value (determined using residual approach) of approximately $1.0 million was recorded as a liability and was determined using the option pricing model with the following assumptions: risk-free interest rate of 0.4%, expected life of 2 years, dividend yield of 0% and expected volatility of 61% and as a discount against 2013 Loan, with such discount being amortized to interest expense over the term of the 2013 Loan. The Company has amortized $30,387 and $30,756 as interest expense for the year ended December 31, 2013 and the three months ended March 31. 2014 (unaudited), respectively. The fair value of these redeemable convertible preferred stock warrants were remeasured at December 31, 2013 using updated assumptions for the fair value of the underlying securities, the risk-free interest rate, expected life, dividend yield and expected volatility. The warrants expire in October 2023 and remain outstanding as of December 31, 2013 and March 31, 2014 (unaudited).

In 2013, the Company engaged an investment advisor to provide financial advisory services in connection with raising capital. In November 2013 in connection with the consummation of the 2013 Loan, the

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Company paid $500,000 to the investment advisor and also issued warrants to purchase 988,000 shares of Series D redeemable convertible preferred stock at an exercise price of $0.01. The fair value of approximately $240,000 was recorded as a liability and was determined using the option pricing model with the following assumptions: risk-free interest rate of 0.4%, expected life of 2 years, dividend yield of 0% and expected volatility of 61%. The total debt issuance cost of approximately $740,000 (fair value of the Series D redeemable convertible preferred stock warrant plus $500,000 was recorded) was allocated to the 2013 Loan, 2013 Loan common stock warrants and 2013 Loan preferred stock warrants based on relative fair value allocation. The amount allocated to the 2013 Loan was recorded as debt issuance cost, amount allocated to 2013 Loan common stock warrants was offset against the amount recorded in additional paid in capital, and the amount allocated to 2013 Loan redeemable convertible preferred stock warrants was recorded as an expense. The fair value of the preferred stock warrants was remeasured at December 31, 2013 using updated assumptions for the fair value of the underlying securities, the risk-free interest rate, expected life, dividend yield and expected volatility. The warrants expire in November 2023 and remain outstanding as of December 31, 2013 and March 31, 2014 (unaudited).

For the year ended December 31, 2013 and the three months ended March 31, 2014 (unaudited), the Company recognized changes in fair value of $83,489 for all liability classified warrants (redeemable convertible preferred stock warrants and 2010 SSPN common stock warrants), which was recorded in other income (expense), net in the accompanying consolidated statements of operations and comprehensive loss.

All outstanding warrants to purchase shares of common stock and Series D redeemable convertible preferred stock terminate if not exercised prior to the completion of an initial public offering.

8. Commitments and Contingencies

Operating and Capital Leases

The Company leases office and lab facilities under non-cancelable operating leases in Albuquerque, New Mexico and Vista, California. Rent under the Vista, California lease is subject to escalation, as defined in the lease agreement. The Company has the option to extend the lease in Vista, California for two 36 month terms.

In 2012 and 2013, the Company leased certain lab equipment under capital leases. The equipment and related liability have been recorded at the present value of the future payments under the leases with an interest rate of 8.2% and 16.0%, respectively.

Minimum annual lease payments under noncancelable lease arrangements at December 31, 2013, are as follows (in thousands):

Years Ending December 31:	Capital Leases	Operating Leases
2014	$ 196	$ 211
2015	182	166
2016	172	191
2017	131	11
2018	129	—
Total minimum lease payments	810	$ 579
Less amount representing interest	(218)	
Present value of future minimum lease payments	592	
Less current portion	(104)	
Long-term capital lease obligations	$ 488	

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Rent expense for the years ended December 31, 2012 and 2013 and the three months ended March 31, 2013 (unaudited) and 2014 (unaudited) was approximately $145,000, $141,000, $38,000 and $51,000, respectively.

Acquisition-related liabilities

In connection with a historical acquisition, the Company is required to pay an amount not to exceed $9.2 million in the event that certain revenue milestones are achieved and upon the first commercial sale of a product associated with this historical acquisition. The fair value of the acquisition-related liability is determined using widely accepted valuation techniques, which include the income approach for estimating future consideration to be paid based on projected earnings. The income approach involves the use of a probability-weighted discounted revenue model based on significant inputs not observable in the market such as revenue projections, the interest rate and the probabilities assigned to the milestones being achieved. The significant inputs include discount rates of 3.15% to 15.18% and probability of achieving the estimated projected earnings or the achievement of certain other objectives of 0% to 100%. A significant change in such projected earnings may result in a material change to the fair value of such acquisition-related liability with a corresponding adjustment to net loss and comprehensive loss.

Contingencies

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Litigation

The Company is not a party to any litigation and does not have contingent reserves established for any litigation liabilities.

9. Fair Value Measurements

The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis at December 31, 2012 and 2013 and March 31, 2014 (unaudited) by level within the fair value hierarchy (in thousands):

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Liabilities				
Acquisition-related liabilities	$2,392	$—	$—	$2,392
Warrant liability	400	—	—	400

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Liabilities				
Acquisition-related liabilities	$3,657	$—	$—	$3,657
Redeemable convertible preferred stock warrant liability	1,085	—	—	1,085

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	March 31, 2014 (Unaudited)			
	Total	Level 1	Level 2	Level 3
Liabilities				
Acquisition-related liabilities	$ 3,746	$ —	$ —	$3,746
Redeemable convertible preferred stock warrant liability	1,002	—	—	1,002

The inputs and assumptions used to estimate the fair value of embedded derivatives are discussed in Note 6. The inputs and assumptions used to estimate the fair value of acquisition-related liabilities are discussed in Note 8.

The following table includes a roll forward of the financial instruments classified within Level 3 of the fair value hierarchy (in thousands):

	Total Amounts	Acquisition Related Liabilities	Liability Classified Warrants	Embedded Derivative
Balances at December 31, 2011	$ 3,432	$ 3,032	$ 400	$ —
Remeasurement of financial instruments	(640)	(640)	—	—
Balances at December 31, 2012	2,792	2,392	400	—
Issuance of 2013 Notes	668	—	—	668
Exercise of put feature	(400)	—	(400)	—
Issuance of Series D redeemable convertible preferred stock	1,002	—	1,002	—
Remeasurement of financial instruments	1,304	1,265	83	(44)
Extinguishment and conversion of 2013 Notes into Series D redeemable convertible preferred stock	(624)	—	—	(624)
Balances at December 31, 2013	4,742	3,657	1,085	—
Remeasurement of financial instruments	6	89	(83)	—
Balances at March 31, 2014 (unaudited)	$ 4,748	$ 3,746	$ 1,002	$ —

10. Redeemable Convertible Preferred Stock

The authorized, issued and outstanding shares of redeemable convertible preferred stock by series are as follows as of December 31, 2012:

Series	Shares		Per Share Liquidation Preference	Per Share Redemption Price	Carrying Value (in thousands)
	Authorized	Outstanding			
Series A-3	1,800,000	1,474,795	$ 7.50	$ 7.50	$ 811
Series B-3	49,700,000	44,539,977	0.26	0.26	2,588
Series C	42,500,000	23,750,389	0.50	0.50	6,079
	94,000,000	69,765,161			$ 9,478

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At December 31, 2013, the redeemable convertible preferred stock consists of the following:

Series	Shares		Per Share Liquidation Preference	Per Share Redemption Price	Carrying Value (in thousands)
	Authorized	Outstanding			
Series A-3	1,800,000	1,474,795	$ 7.50	$ 7.50	$ 811
Series B-3	49,700,000	44,539,977	0.25	0.25	3,889
Series C	42,500,000	23,750,389	0.50	0.50	7,082
Series D	51,000,000	22,565,086	0.38	0.38	8,638
	145,000,000	92,330,247			$ 20,420

At March 31, 2014 (unaudited), the redeemable convertible preferred stock consists of the following:

Series	Shares		Per Share Liquidation Preference	Per Share Redemption Price	Carrying Value (in thousands)
	Authorized	Outstanding			
Series A-3	1,800,000	1,474,795	$ 7.50	$ 7.50	$ 811
Series B-3	49,700,000	44,539,977	0.25	0.25	4,111
Series C	42,500,000	23,750,389	0.50	0.50	7,277
Series D	51,000,000	22,565,086	0.38	0.38	8,638
	145,000,000	92,330,247			$ 20,837

The significant rights and preferences of redeemable convertible preferred stock are as follows:

Dividends

With the exception of Series A-3 redeemable convertible preferred stock, each holder of preferred stock is entitled to non-cumulative dividends at an annual rate of 8.0% of the original issue price when and if declared by the Board of Directors. Dividends are paid in the following order of preference: (i) Series D, (ii) Series C, (iii) Series B-3, (iv) Series A-3 and (v) common stock.

No dividend shall be declared or be payable on the outstanding shares of the Series B-3 redeemable convertible preferred stock without the consent of the holders of at least two-thirds of the outstanding shares of the Series C and Series D redeemable convertible preferred stock, voting together as a single class, and no dividend shall be declared or be payable on the outstanding shares of the Series A-3 redeemable convertible preferred stock or the common stock (other than a dividend on shares of common stock payable entirely in shares of common stock) without the consent of the holders of at least 60% of the outstanding shares of the Series B-3, Series C and Series D redeemable convertible preferred stock. As of December 31, 2013 and March 31, 2014 (unaudited), the Board of Directors has not declared any dividends.

Liquidation

The Series A-3, B-3, C and D redeemable convertible preferred shares have liquidation preferences of $7.50, $0.25, $0.50 and $0.38 per share, respectively. In the event of a liquidation, the Series D liquidation preference is paid prior to any other preferences, the Series C liquidation preference is paid prior to the preferences for Series B-3 and A-3, the Series B-3 liquidation preference is paid prior to the preference for Series A-3, then the Series A-3 preference is paid. Following the satisfaction of the liquidation preferences, all shares participate in any remaining distribution based on the number of common shares into which their shares are convertible.

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Conversion

All shares of the Company's Series A-3, B-3, C and D redeemable convertible preferred stock are convertible at the option of the holder, into shares of common stock by dividing the initial conversion prices by the conversion price in effect at the time of conversion. The initial conversion price is $7.50 for Series A-3 redeemable convertible preferred stock and $0.25 for Series B-3, C and D redeemable convertible preferred stock.

Automatic Conversion

Each share of redeemable convertible preferred stock is automatically convertible into common stock at its then effective conversion price, (i) upon the election of the holders of at least 60% of the outstanding of Series B-3, C, and D redeemable convertible preferred stock, voting together as a single class, or (ii) upon the completion of a firm underwritten public offering of the Company's common stock with aggregate proceeds of at least $30.0 million and an initial public offering price of at least $0.75 per share.

Voting

With the exception of the Series A-3 redeemable convertible preferred stock, the holder of each share of preferred stock is entitled to one vote for each share of common stock into which it would convert. The holders of Series A-3 redeemable convertible preferred stock have no voting rights.

Redemption

Upon the request in writing of the holders of 60% of the outstanding shares of Series B-3, C and D redeemable convertible preferred stock, voting together as a single class, at any time after October 4, 2018, the holders may redeem the outstanding Series B-3, C and D redeemable convertible preferred stock at the stated redemption price as noted in the table above (plus any declared but unpaid dividends).

In addition, upon the request in writing of the holders of 60% of the outstanding shares of Series B-3, C and D redeemable convertible preferred shares, voting together as a single class, on or after a Redemption Event, as defined in the certificate of incorporation, the Company may be required to purchase the outstanding Series B-3, C and D redeemable convertible preferred shares at the stated redemption price as noted in the table above (plus any declared but unpaid dividends).

The Company is accreting the carrying amounts of the preferred stock up to the redemption amount at October 4, 2018, the earliest possible date using the effective interest method.

11. Recapitalization

In September 2012, the Company recapitalized its outstanding shares of Series A-2 and B-2 redeemable convertible preferred stock (Old Preferred) in connection with the Series C preferred stock financing. Pursuant to the recapitalization agreement, the Company raised approximately $5.9 million in gross proceeds by issuing 23,750,389 shares of Series C redeemable convertible preferred stock at $0.25 per share.

As part of recapitalization, Series A-2 and Series B-2 redeemable convertible preferred stock converted into common stock, Reclassified Series A-2 and Series B-2 common stock, respectively. If an investor participated pro rata in at least 70% of the Series C preferred stock financing, the Company converted their shares of Series A-2 and B-2 Reclassified common stock into shares of Series A-3 and B-3 redeemable convertible preferred stock, respectively, on a one-for-one basis. The Company issued 1,474,795 shares of Series A-3 redeemable convertible preferred stock and 44,539,977 shares of Series B-3 redeemable

convertible preferred stock for no consideration to the investors who purchased at least 70% of their pro-rata share of the $5.9 million of Series C redeemable convertible preferred stock. Substantially all (approximately 90%) of the existing Series A-2 and B-2 redeemable convertible preferred stockholders participated in Series C financing and converted their holdings of Series A-2 and B-2 redeemable convertible preferred stock into shares of Series A-3 and B-3 redeemable convertible preferred stock.

The Company recorded the issuance of Series A-3 and Series B-3 redeemable convertible preferred stock at their fair values of $0.55 and $0.05 per share, respectively. The difference between the carrying value of the Reclassified Series A-2 and B-2 common stock and the fair value of Series A-3 and B-3 redeemable convertible preferred stock of approximately $12.3 million was recorded as a capital contribution (gain on extinguishment of Old Preferred) in additional paid-in capital as the transaction was among existing equity holders.

In June 2011, the Company had recapitalized its then outstanding preferred stock i.e. Series A-1 and B-1 redeemable convertible preferred stock, in connection with the Series B-2 preferred stock financing. As part of the recapitalization, outstanding redeemable convertible preferred stock was first converted into common stock (reclassified common stock) and, investors who participated in Series B-2 preferred stock financing were issued shares of Series A-2 redeemable convertible preferred stock (amount invested in B-2 divided by $7.5) for no consideration. All existing investors participated in this transaction and there was no Series A-1 and B-1 redeemable convertible preferred stock outstanding after this transaction. In February and April 2012, the Company issued a total of 1,651,134 shares of Series B-2 redeemable convertible preferred stock for $ 398,556 at an issuance price of $0.25 per share as part of the above recapitalization. Accordingly, a portion of the reclassified common stock converted into Series A-2 redeemable convertible preferred shares and 45,170 shares of Series A-2 redeemable convertible preferred stock was recorded at a fair value of $3.23 per share. The difference between the carrying value of reclassified common stock and the fair value of Series A-2 redeemable convertible preferred stock of approximately $23,450 was recorded as a capital contribution in additional paid-in capital as the transaction was among existing equity holders.

12. Stockholders' Deficit

Common Stock

Common stockholders are entitled to dividends as and when declared by the Board of Directors, subject to the rights of holders of all classes of stock outstanding having priority rights as to dividends. There have been no dividends declared to date. The holder of each share of common stock is entitled to one vote.

During 2013, the Company increased the number of authorized shares of common stock from 112,000,000 shares to 163,000,000 shares.

The Company had common shares reserved for future issuance upon the exercise or conversion of the following as of December 31, 2012 and 2013:

	December 31,		March 31,
	2012	2013	2014
			(unaudited)
Redeemable convertible preferred stock	69,765,161	92,330,247	92,330,247
Warrants to purchase redeemable convertible preferred stock	—	4,174,430	4,174,430
Warrants to purchase common stock	2,091,095	4,881,900	4,881,900
Common stock option grants issued and outstanding	8,670,370	8,810,386	8,810,016
Common shares available for grant under the stock option plan	1,708,000	1,360,000	1,360,000
Total common shares reserved for future issuance	82,234,626	111,556,963	111,556,593

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13. Stock Option Plan

The Company's 2002 Stock Option Plan expired on December 31, 2012 and was replaced by the 2013 Stock Option Plan, which was adopted in December 2012 (collectively, the "Plans"). Pursuant to the Plans, employees, consultants, and directors may be granted either incentive stock options or nonqualified stock options to purchase shares of the Company's common stock. As of December 31, 2012 and 2013, 1,708,000 and 1,360,000 shares, respectively, remained available for future awards.

The exercise price of each stock option is established by the board of directors and is based on the estimated fair value of the Company's common stock on the grant date. The options generally expire ten years after the date of grant and are exercisable to the extent vested. Vesting is established by the board of directors and is generally no longer than four years from the date of grant.

Activity under the Company's stock option plans is set forth below:

	Outstanding Options			
	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balances, December 31, 2011	1,621,174	$ 0.55	6.30	
Options granted	7,807,182	0.11		
Options cancelled	(757,986)	0.34		
Balances, December 31, 2012	8,670,370	0.17	8.80	
Options granted	358,000	0.02		
Options exercised	(86,352)	0.24		
Options cancelled/expired	(131,632)	0.36		
Balances, December 31, 2013	8,810,386	0.16	8.10	$439,079
Options cancelled/expired	(370)	10.00		
Balances, March 31, 2014 (Unaudited)	8,810,016	$ 0.16	8.80	$439,079
Options exercisable, December 31, 2013	4,669,780	$ 0.21	7.90	$206,039
Options exercisable, March 31, 2014 (Unaudited)	5,200,736	$ 0.20	8.70	$237,187

The aggregate intrinsic value at December 31, 2013 represents the difference between the fair value of common stock and the exercise price of outstanding and in-the-money options. The estimated weighted average grant date fair value of each share of common stock was $0.06 and $0.01 at December 31, 2012 and 2013, respectively. During the year ended December 31, 2013, the Company received $20,638 from the exercise of options which had no intrinsic value. No options were exercised in 2012. The total fair value of options that vested during the year ended December 31, 2012 and 2013 was $115,000 and $152,000, respectively.

Stock-Based Compensation

Stock-based compensation recognized was $116,000, $152,000, 38,000 and $26,000 for the years ending December 31, 2012 and 2013 and the three months ended March 31, 2013 (unaudited) and 2014 (unaudited), respectively. As of December 31, 2013, there was total unrecognized compensation cost of $189,000. This cost is expected to be recognized over a period of a weighted average term of 1.6 years.

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For purposes of calculating stock-based compensation, the Company estimates the fair value of stock options using the Black-Scholes option-pricing model on the date of grant and recognizes expense on straight line basis over the requisite service period of the award. The Black-Scholes option-pricing model incorporates various highly sensitive assumptions, including the fair value of our common stock, expected volatility, expected term and risk-free interest rates. The weighted average expected life of options was calculated using the simplified method as prescribed by the Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 107 (SAB No. 107). This decision was based on the lack of relevant historical data due to the Company's limited historical experience. In addition, due to the Company's limited historical data, the estimated volatility also reflects the application of SAB No. 107, incorporating the historical volatility of comparable companies whose share prices are publicly available. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield in effect at the time of grant. The dividend yield was zero, as the Company has never declared or paid dividends and has no plans to do so in the foreseeable future.

The fair value of employee stock options was estimated using the following assumptions for the periods presented:

	Years Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
			(unaudited)	
Expected volatility	56.90%	51.80%	51.80%	—
Risk-free interest rate	1.43%	1.23%	1.23%	—
Dividend yield	—	—	—	—
Expected term (in years)	7.00	7.00	7.00	—

No stock options were granted in the three months ended March 31, 2014 (unaudited).

Nonemployee Stock-Based Compensation

For the year ended December 31, 2012 and 2013, the Company has issued 865,588 and zero options to purchase common stock, respectively, to non-employees. The stock based compensation expense for non-employees for 2012 and 2013 is not material.

Total Stock-Based Compensation

Total stock-based compensation expense recorded related to options granted to employee and non-employees is as below (in thousands):

	Years Ended December 31,		Three Months Ended March 31,	
	2012	2013	2013	2014
			(Unaudited)	
Cost of revenue	$ 3	$ 2	$ —	$ 1
Selling, general and administrative	92	125	31	22
Research and development	21	25	7	3
	$ 116	$ 152	$ 38	$ 26

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14. Related Party Transactions

The Company has entered into various agreements under which directors of the Company are paid for consulting services and for serving on the board of directors. Total compensation expense related to these agreements for the years ending December 31, 2012 and 2013 and the three months ended March 31, 2013 (unaudited) and 2014 (unaudited) was $54,000, $49,500, $12,000 and $16,500, respectively, which has been recorded in sales, general and administrative expense in the accompanying consolidated financial statements.

A total of $750,000 of the loan commitment under the 2010 SSPNs was provided by NMSIC Co-Investment Fund L.P. (NMSIC), an organization that is a significant stockholder in the Company and maintains a seat on the board of directors of the Company. In addition, 131,250 of the 390,000 warrants with the put feature (Note 7) were held by NMSIC. When NMSIC exercised the put feature in October 2013, the Company made a payment of $150,000 to NMSIC to repurchase these warrants.

In September, 2011, the Company entered into a license agreement with the Company's Chief Scientific Officer, and a related company, DeNovo. The license agreement, covering novel methods for monitoring low-dose methotrexate therapy, relates to technology developed by the Company's Chief Scientific Officer, prior to joining the Company. The technology has yet to be used by the Company. Under the agreement, the Company's Chief Scientific Officer will be eligible to receive up to $600,000 upon the achievement of certain sales milestones and an ongoing royalty of 5% on sales.

In 2012, the Company entered into a recapitalization transaction with existing equity holders as discussed in Note 11.

In 2013, the Company issued 2013 Notes to existing equity holders and converted the outstanding principal and unpaid accrued interest into Series D redeemable convertible preferred stock at a discount of 20% to the issue price of $0.25 per share, as described in Note 6.

15. Income Taxes

The provision for taxes consists of the following at December 31, 2012 and 2013 (in thousands):

	December 31,	
	2012	2013
Current:		
Federal	$ —	$ —
State	—	—
	$ —	$ —
Deferred:		
Federal	36	37
State	6	5
	42	42
Provision for income tax	$ 42	$ 42

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The effective tax rate of our provision for incomes taxes differs from the federal statutory rate as follows:

	December 31,	
	2012	2013
Federal statutory tax rate	34%	34.0%
State income taxes, net of federal tax benefits	(7.7)%	2.9%
Gain on recapitalization	(95.2)%	—%
Accretion of redeemable convertible preferred stock	5.0%	(5.0)%
Loss on extinguishment of 2013 Notes	—%	(7.1)%
Other	0.3%	(1.2)%
Change in valuation allowance	64.6%	(23.9)%
Effective tax rate	1.0%	(0.3)%

Significant components of the Company's deferred tax assets at December 31, 2012 and 2013 are shown below (in thousands). A valuation allowance has been established as realization of such deferred tax assets
has not met the more likely-than-not threshold requirement. If the Company's judgment changes and it is determined that the Company will be able to realize these deferred tax assets, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets will be accounted for as a reduction to income tax expense.

	December 31,	
	2012	2013
Deferred tax assets:		
Net operating loss carryforwards	$ 9,503	$ 11,939
Accrued revenue	659	1,150
Accruals and reserves	64	231
Stock-based compensation	134	132
Depreciation and amortization	107	78
Intangible assets	272	243
Warrant liability	—	92
Other	2	2
Total gross deferred tax assets	10,741	13,867
Less: Valuation allowance	(10,160)	(13,687)
Net deferred tax assets	581	180
Deferred tax liabilities:		
Acqusition-related liabilities	(581)	(91)
Deferred financing costs	—	(89)
Indefinite lived assets	(94)	(135)
Net deferred income tax liabilities	$ (94)	$ (135)

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Changes in the valuation allowance for deferred tax assets during the years ended December 31, 2012 and 2013, which related primarily to increases in net operating loss carryforwards, accrued revenue and accruals and reserves, were as follows:

	Years Ended December 31,	
	2012	2013
	(in thousands)	
Valuation allowance at the beginning of the year	$ 7,316	$10,160
Decreases recorded as benefits to income tax provision	—	—
Increases recorded to income tax provision	2,844	3,527
Valuation allowance at the end of the year	$10,160	$13,687

At December 31, 2012 and 2013, the Company had federal net operating loss carryforwards of approximately $25.0 million and $31.4 million, respectively. At December 31, 2012 and 2013, the Company had state net operating loss carryforwards of $24.2 million and $29.6 million, respectively. The federal and state tax loss carryforwards will begin to expire in 2014 and 2022, respectively, unless previously utilized.
Included in the net operating loss deferred tax asset above is approximately $10,000 of deferred tax asset attributable to excess stock compensation deductions. Excess tax benefits are not recorded in additional paid in capital until the deduction reduces income taxes payable.

Pursuant to Internal Revenue Code (IRC), Section 382 and 383, use of the Company's U.S. federal and state net operating loss and research and development income tax credit carryforwards may be limited in the event of a cumulative change in ownership of more than 50.0% within a three-year period. The Company had an ownership change in 2008 and, as a result, certain carryfowards are subject to an annual limitation, reducing the amount available to offset income tax liabilities absent the limitation.

Uncertain Tax Positions

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	December 31,	
	2012	2013
Balance at the beginning of the year	$ 604	$ 652
Additions based on prior period tax positions	63	58
Reductions based on prior period tax positions	(15)	(57)
Additions based on current period tax positions	—	—
Balance at the end of the year	$ 652	$ 653

The Company believes it is reasonably possible that the total amount of unrecognized tax benefits will decrease within the next 12 months due to the Company requesting permission to change its tax accounting methods and the scheduled reversal of timing differences. The amount of unrecognized tax benefit that, if recognized, would favorably impact the effective income tax rate is $44,000. During the years ended December 31, 2012 and 2013, the Company recognized no amounts related to interest or penalties.

The Company is subject to taxation in the United States and various state jurisdictions. The Company currently has no years under examination by any jurisdiction. The Company's tax years for 2002 and forward are subject to examination by the federal tax authorities and tax years for 2009 and forward are subject to examination by the state tax authorities due to the carryforward of unutilized net operating losses and research and development credits.

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16. Subsequent Events

The Company did not achieve the specified revenue milestones set forth in the 2013 Term Loan agreement, therefore, no amounts remain available to the Company for future borrowings under this agreement.

In May 2014, Computational Engines was dissolved and is no longer a subsidiary of the Company.

In May 2014, the Company effected an increase in the number of shares of common stock reserved for issuance under the 2013 Plan to 8.9 million shares.

In July 2014, the Company granted 7.2 million options to purchase common stock to employees at an exercise price of $0.18 per share.

In July 2014, the Company entered into unsecured convertible promissory notes (2014 Notes) with existing equity holders to borrow approximately $4.0 million. The 2014 Notes accrued interest at 12.0% per annum and are convertible into shares of either common stock in the event of an initial public offering, at a 20% discount to the issuance price or, if an initial public offering does not occurs prior to the maturity date (April 10, 2015), into shares of Series D redeemable convertible preferred stock at $0.25 per share.

The Company has evaluated subsequent events through August 4, 2014, the date the consolidated financial statements were available for issuance.

SHARES OF COMMON STOCK

Leerink Partners **Baird**

William Blair

Until , 2014 (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Part II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimated except the Securities and Exchange Commission registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and The NASDAQ Global Market listing fee.

	Amount
Securities and Exchange Commission registration fee	$ *
FINRA filing fee	*
NASDAQ Global Market listing fee	*
Accountants' fees and expenses	*
Legal fees and expenses	*
Blue Sky fees and expenses	*
Transfer Agent's fees and expenses	*
Printing and engraving expenses	*
Miscellaneous	*
Total expenses	$ *

* To be provided by amendment.

Item 14. Indemnification of Directors and Officers.

Section 102 of the General Corporation Law of the State of Delaware permits a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Our certificate of incorporation provides that no director of the Registrant shall be personally liable to it or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability, except to the extent that the General Corporation Law of the State of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty.

Section 145 of the General Corporation Law of the State of Delaware provides that a corporation has the power to indemnify a director, officer, employee or agent of the corporation, or a person serving at the request of the corporation for another corporation, partnership, joint venture, trust or other enterprise in related capacities against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with an action, suit or proceeding to which he was or is a party or is threatened to be made a party to any threatened, ending or completed action, suit or proceeding by reason of such position, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Our amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, provides that we will indemnify each person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of us) by reason of the fact that he or she is or was, or has agreed to become, a director or officer, or is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (all such persons being referred to as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding and any appeal therefrom, if such Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. Our amended and restated certificate of incorporation provides that we will indemnify any Indemnitee who was or is a party to an action or suit by or in the right of us to procure a judgment in our favor by reason of the fact that the Indemnitee is or was, or has agreed to become, a director or officer, or is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding, and any appeal therefrom, if the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, except that no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to us, unless a court determines that, despite such adjudication but in view of all of the circumstances, he or she is entitled to indemnification of such expenses. Notwithstanding the foregoing, to the extent that any Indemnitee has been successful, on the merits or otherwise, he or she will be indemnified by us against all expenses (including attorneys' fees) actually and reasonably incurred in connection therewith. Expenses must be advanced to an Indemnitee under certain circumstances.

We have entered into indemnification agreements with each of our directors and officers. These indemnification agreements may require us, among other things, to indemnify our directors and officers for some expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or officer in any action or proceeding arising out of his or her service as one of our directors or officers, or any of our subsidiaries or any other company or enterprise to which the person provides services at our request.

We maintain a general liability insurance policy that covers certain liabilities of directors and officers of our corporation arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we enter into in connection with the sale of common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers and persons who control us within the meaning of the Securities Act of 1933, as amended, or Securities Act, against certain liabilities.

Item 15. Recent Sales of Unregistered Securities.

Set forth below is information regarding shares of capital stock issued by us since January 2011. Also included is the consideration received by us for such shares and information relating to the section of the Securities Act, or rule of the Securities and Exchange Commission, under which exemption from registration was claimed.

(a) Issuances of Capital Stock and Warrants to Purchase Capital Stock

1. In December 2011, in connection with our Series A-2 and Series B-2 redeemable convertible preferred stock financing, all 3,896,531 of our outstanding shares of Series A-1 redeemable convertible preferred stock and 273,182 outstanding warrants to purchase shares of Series A-1 redeemable convertible

preferred stock were converted into 3,896,531 shares of our common stock and warrants to purchase an aggregate of 273,182 shares of our common stock, and we converted 1,598,226 shares of common stock into 1,598,226 of shares of our Series A-2 redeemable convertible preferred stock. In February and April 2012, we converted an additional 45,710 shares of common stock into Series A-2 redeemable convertible preferred stock. In September 2012, in connection with our Series C redeemable convertible preferred stock financing described below, all 1,598,226 of our Series A-2 redeemable convertible preferred stock were converted into 1,598,226 shares of common stock. In September 2012, in connection with our Series C redeemable convertible preferred stock financing described below, we converted 1,474,795 shares of common stock into 1,474,795 shares of Series A-3 redeemable convertible preferred stock.

2. Between January 2011 and October 2011, we issued and sold 1,896,367 shares of our Series B-1 redeemable convertible preferred stock and 1,090,514 warrants to purchase shares of our Series B-1 redeemable convertible preferred stock. In December 2011, in connection with our Series A-2 and Series B-2 redeemable convertible preferred stock financing, all 1,896,367 shares of our Series B-1 redeemable convertible preferred stock were converted into 1,896,367 shares of common stock, and all of our outstanding Series B-1 warrants to purchase up to an aggregate of 1,812,288 shares of Series B-1 redeemable convertible preferred stock were converted into warrants to purchase an aggregate of up to 1,812,288 shares of our common stock. In December 2011, we issued 24,283,557 shares our Series B-2 redeemable convertible preferred stock at a purchase price of $0.25 per share, for aggregate consideration of approximately $6.0 million, and we also converted an aggregate principal amount of $5,810,422 of promissory notes plus interest of $105,418 into 23,663,361 shares of Series B-2 redeemable convertible preferred stock. In February 2012 and April 2012, we also issued 1,651,134 shares of our Series B-2 redeemable convertible preferred stock at a purchase price of $0.25 per share, for aggregate consideration of approximately $0.4 million. In September 2012, in connection with the sales of Series C redeemable convertible preferred stock, all 49,598,052 outstanding shares of our Series B-2 redeemable convertible preferred stock were converted into 49,598,052 shares of common stock. In September 2012, we converted 44,539,977 shares of common stock into 44,539,977 shares of our Series B-3 redeemable convertible preferred stock.

3. From September 2012 to December 2012, we issued and sold to investors in private placements an aggregate of 23,750,389 shares of our Series C redeemable convertible preferred stock at a purchase price of $0.25 per share, for aggregate consideration of approximately $5.9 million. In connection with this financing, in September 2012 all 1,598,226 outstanding shares of our Series A-2 redeemable convertible preferred stock and 49,598,052 shares of our Series B-2 redeemable convertible preferred stock were converted into 1,598,226 and 49,598,052 shares of common stock, respectively.

4. In May 2013, June 2013 and August 2013, we issued a total of $2,430,531 in unsecured convertible promissory notes, or the 2013 Notes, which accrued interest at 10%. In October 2013, the 2013 Notes and $66,653 in accrued interest were converted into 12,485,914 shares of Series D redeemable convertible preferred stock, at a 20% discount to the offering price of $0.25 per share. In October 2013, we also issued and sold to investors in private placements an aggregate of 10,079,172 shares of our Series D redeemable convertible preferred stock at a purchase price of $0.25 per share, for aggregate consideration of approximately $2.5 million. From October 2013 to November 2013, we also issued warrants to purchase up to an aggregate of 4,174,430 shares of our Series D redeemable convertible preferred stock at an exercise price of $0.25 per share.

No underwriters were involved in the foregoing sales of securities. The securities described in this section (a) of Item 15 were issued to investors in reliance upon the exemption from the registration requirements of the Securities Act, as set forth in Section 4(2) under the Securities Act and Regulation D promulgated thereunder relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required. All purchasers of shares of redeemable convertible preferred stock described above represented to us in connection with their purchase that they were accredited investors and were acquiring the

shares for their own account for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof and that they could bear the risks of the investment and could hold the securities for an indefinite period of time. The purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration statement or an available exemption from such registration.

(b) Grants and Exercise of Stock Options

1. From January 1, 2011 through March 31, 2014, we granted stock options to purchase an aggregate of 8,906,182 shares of our common stock at a weighted average exercise price of $0.12 per share, to certain of our employees, consultants and directors in connection with services provided to us by such persons. Of these, no options have been exercised through July 15, 2014.

The stock options and the common stock issuable upon the exercise of such options as described in this section (b) of Item 15 were issued pursuant to written compensatory plans or arrangements with our employees and directors, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 701 promulgated under the Securities Act or the exemption set forth in Section 4(2) under the Securities Act and Regulation D promulgated thereunder relative to transactions by an issuer not involving any public offering. All recipients either received adequate information about us or had access, through employment or other relationships, to such information.

All of the foregoing securities are deemed restricted securities for purposes of the Securities Act. All certificates representing the issued shares of capital stock described in this Item 15 included appropriate legends setting forth that the securities had not been registered and the applicable restrictions on transfer.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits. The list of exhibits is set forth under “Exhibit Index” at the end of this registration statement and is incorporated by reference herein.

(b) Financial Statement Schedules. Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriter, at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained

in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Vista, State of California, on this day of , 2014.

EXAGEN DIAGNOSTICS, INC.

By: _____
Fortunato Ron Rocca
President and Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Exagen Diagnostics, Inc., hereby severally constitute and appoint Fortunato Ron Rocca and Wendy Swedick, and each of them singly (with full power to each of them to act alone), our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution in each of them for him or her and in his or her name, place and stead, and in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as full to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities held on the dates indicated.

Signature	Title	Date
Fortunato Ron Rocca	President, Chief Executive Officer and Director *(Principal Executive Officer)*	, 2014
Wendy Swedick	Chief Financial Officer *(Principal Financial and Accounting Officer)*	, 2014
Curt LaBelle, M.D.	Chairman of the Board of Directors	, 2014
Ebetuel Pallares, Ph.D.	Director	, 2014
Brian Birk	Director	, 2014
Samuel D. Riccitelli	Director	, 2014
Michael J. Walsh	Director	, 2014
Arthur Weinstein, M.D.	Director	, 2014

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Exhibit Index

Exhibit Number	Description of Exhibit
1.1*	Form of Underwriting Agreement.
3.1	Fifteenth Amended and Restated Certificate of Incorporation (currently in effect).
3.2	Bylaws (currently in effect).
3.3*	Form of Amended and Restated Certificate of Incorporation (to be effective immediately prior to the completion of this offering).
3.4*	Form of Amended and Restated Bylaws (to be effective immediately prior to the completion of this offering).
4.1*	Specimen stock certificate evidencing the shares of common stock.
4.2	Fourth Amended and Restated Investors' Rights Agreement, dated October 4, 2013, by and among the Registrant and certain of its stockholders.
4.3	Fourth Amended and Restated Stockholders' Agreement, dated October 4, 2013, by and among the Registrant and certain of its stockholders.
4.4	Form of Warrant.
4.5	Form of Warrant issued to lenders and related advisors in connection with the Registrant's term loan agreement.
5.1*	Opinion of Latham & Watkins LLP.
10.1*	Exagen Corporation Stock Option Plan, as amended, and form of option agreement thereunder.
10.2*	Exagen Diagnostics, Inc. 2013 Stock Option Plan, as amended, and form of option agreement thereunder.
10.3#*	Exagen Diagnostics, Inc. 2014 Incentive Award Plan and form of option agreement thereunder.
10.4#*	Exagen Diagnostics, Inc. 2014 Employee Stock Purchase Plan.
10.5†	License Agreement, dated September 13, 2007, by and between Prometheus Laboratories Inc. and the Registrant (as successor in interest to Proprius, Inc.).
10.6†	First Amendment to License Agreement, dated October 23, 2013, by and between Prometheus Laboratories Inc. and the Registrant (as successor in interest to Cypress Bioscience, Inc.).
10.7†	License Agreement, dated February 19, 2008, by and between Orgentec Diagnostika GmbH and the Registrant (as successor in interest to Proprius, Inc.).
10.8	Asset Purchase Agreement, dated February 9, 2009, by and between the Registrant (as successor in interest to Cypress Bioscience, Inc.) and Cellatope Corporation.
10.9†	Amendment No. One to Asset Purchase Agreement, dated December 14, 2012, by and between the Registrant and Cellatope Corporation.
10.10†	Asset Purchase Agreement, dated October 8, 2010, by and between Cypress Bioscience, Inc., Proprius, Inc. and the Registrant.
10.11†	Amendment No. One to Asset Purchase Agreement, dated March 10, 2011, by and between Cypress Bioscience, Inc., Proprius, Inc. and the Registrant.
10.12	Amendment No. Two to Asset Purchase Agreement, dated August 21, 2012, by and between Royalty Pharma Collection Trust, Proprius, Inc. and the Registrant.
10.13†	Amendment No. Three to Asset Purchase Agreement, dated February 6, 2013, by and between Royalty Pharma Collection Trust, Proprius, Inc. and the Registrant.

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Exhibit Number	Description of Exhibit
10.14#	Offer Letter, dated October 12, 2010, by and between Thierry Dervieux, Ph.D. and the Registrant, as amended on September 9, 2011.
10.15†	Amended and Restated Exclusive License Agreement, dated August 2, 2011, by and between the University of Pittsburgh – Of the Commonwealth System of Higher Education and the Registrant.
10.16†	First Amendment to Amended and Restated Exclusive License Agreement, dated May 17, 2012, by and between the University of Pittsburgh – Of the Commonwealth System of Higher Education and the Registrant.
10.17†	Second Amendment to Amended and Restated Exclusive License Agreement, dated September 30, 2013, by and between the Registrant and the University of Pittsburgh – Of the Commonwealth System of Higher Education.
10.18†	Exclusive License Agreement, dated September 30, 2013, by and between the Registrant and the University of Pittsburgh—Of the Commonwealth System of Higher Education.
10.19†	Exclusive License Agreement, dated September 5, 2011, by and between Thierry Dervieux, Ph.D. and the Registrant.
10.20	Standard Industrial/Commercial Multi-Tenant Lease, dated January 13, 2012, by and between RGS Properties and the Registrant.
10.21	Lease of Real Property, dated May 7, 2013, by and between The Regents of the University of New Mexico and the Registrant.
10.22	Term Loan Agreement, dated October 10, 2013, by and between Capital Royalty Partners II L.P., Capital Royalty Partners II—Parallel Fund "A" L.P., Parallel Investment Opportunities Partners II L.P. and the Registrant.
10.23	Security Agreement, dated October 10, 2013, by and between Capital Royalty Partners II L.P., Capital Royalty Partners II—Parallel Fund "A" L.P., Parallel Investment Opportunities Partners II L.P. and the Registrant.
10.24*	Form of Indemnity Agreement for Directors and Officers.
10.25#*	Independent Director Compensation Policy.
16.1*	Letter from McGladrey LLP addressed to the SEC provided in connection with the change in independent accountant.
23.1*	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
23.2*	Consent of Latham & Watkins LLP (included in Exhibit 5.1).
24.1	Power of Attorney (included on signature page).

* To be filed by amendment.

† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment pursuant to Rule 406 under the Securities Act of 1933.

# Indicates management contract or compensatory plan.

FIFTEENTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
EXAGEN DIAGNOSTICS, INC.

It is hereby certified that:

FIRST: The present name of the corporation is Exagen Diagnostics, Inc. (hereinafter called the "Corporation"), which is the name under which the Corporation was originally incorporated; and the date of filing of the Corporation's original Certificate of Incorporation with the Secretary of State of the State of Delaware was November 17, 2003.

SECOND: The Certificate of Incorporation of the Corporation is hereby amended and restated to read as follows:

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
EXAGEN DIAGNOSTICS, INC.

ARTICLE FIRST

NAME

The name of the Corporation is Exagen Diagnostics, Inc. (the "Corporation").

ARTICLE SECOND

REGISTERED OFFICE AND AGENT

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, city of Wilmington, County of New Castle, State of Delaware, 19801. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

ARTICLE THIRD

PURPOSE

The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law and to possess and exercise all of the powers and privileges granted by such law and any other law of Delaware.

ARTICLE FOURTH

CAPITAL STOCK

A. The Corporation is authorized to issue two classes of stock: Common Stock and Preferred Stock. The total number of shares which the Corporation may issue is 308,000,000 shares, of which:

(i) 1,800,000 shares are Series A-3 Convertible Preferred Stock and of a par value of one-thousandth of one cent ($0.001) each (hereinafter referred to as the "Series A-3 Preferred Stock"); and

(ii) 49,700,000 shares are Series B-3 Convertible Preferred Stock and of a par value of one-thousandth of one cent ($0.001) each (hereinafter referred to as the "Series B-3 Preferred Stock");

(iii) 42,500,000 shares are Series C Convertible Preferred Stock and of a par value of one-thousandth of one cent ($0.001) each (hereinafter referred to as the "Series C Preferred Stock");

(iv) 51,000,000 shares are Series D Convertible Preferred Stock and of a par value of one-thousandth of one cent ($0.001) each (hereinafter referred to as the "Series D Preferred Stock"); and

(v) 163,000,000 shares are Common Stock and of a par value of one-thousandth of one cent ($0.001) each (hereinafter referred to as the "Common Stock").

The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares of Common Stock then outstanding) by the affirmative vote of the holders of a majority of the outstanding stock of the Corporation entitled to vote (voting together on an as-if-converted basis).

B. Following the Filing, the rights, preferences, privileges, restrictions and other matters relating to the Preferred Stock are as set forth in this Part B.

Section 1

Definitions

For purposes of this Part B, the following definitions shall apply:

"Additional Shares of Common Stock" shall mean all shares of Common Stock issued (or, pursuant to Section 4.4(b), deemed to be issued) by the Corporation on or after the Filing Date, other than (I) shares of Series D Preferred Stock issued pursuant to the Series D Preferred Stock Purchase Agreement and (II) shares of Common Stock issued or issuable (or so deemed to be issued):

(a) upon conversion of shares of Preferred Stock;

(b) upon the exercise of warrants outstanding as of the Filing Date to purchase 2,091,097 shares of Common Stock;

(c) to officers, directors or employees of, or consultants to, the Corporation for up to 14,335,798 shares of Common Stock pursuant to any stock option, incentive, bonus or compensation program approved by the Board of Directors;

(d) by way of dividend or other distribution on shares of Preferred Stock; or

(e) for which adjustment is made in the Conversion Price pursuant to Section 4.4(e) or (f).

"Conversion Date" shall have the meaning set forth in Section 4.3.

"Conversion Price" shall mean the price at which shares of Common Stock shall be deliverable upon conversion.

"Conversion Rights" shall have the meaning set forth in Section 4.

"Convertible Securities" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exercisable or exchangeable for Common Stock.

"Filing Date" means the date of the Filing.

"Liquidation" shall have the meaning set forth in Section 3.2.

"Liquidation Preference" shall mean (a) with respect to a share of Series A-3 Preferred Stock, the Liquidation Value specified for such share of Series A-3 Preferred Stock, (b) with respect to a share of Series B-3 Preferred Stock, the sum of (i) Liquidation Value for such share of Series B-3 Preferred Stock, plus (ii) an amount equal to any other dividends then declared but unpaid thereon, (c) with respect to a share of Series C Preferred Stock, the sum of (i) the product obtained by multiplying (x) the Liquidation Value for such share of Series C Preferred Stock times (y) two (2), plus (ii) an amount equal to any other dividends then declared but unpaid thereon, and (d) with respect to a share of Series D Preferred Stock, the sum of (i) the product obtained by multiplying (x) the Liquidation Value for such share of Series D Preferred Stock times (y) one and one-half (1.5), plus (ii) an amount equal to any other dividends then declared but unpaid thereon.

"Liquidation Value" shall mean (a) with respect to a share of Series A-3 Preferred Stock $7.50, (b) with respect to a share of Series B-3 Preferred Stock, $0.[25], (c) with respect to a share of Series C Preferred Stock, $0.25, and (d) with respect to a share of Series D Preferred Stock, $0.25, in each case subject to appropriate and proportionate adjustments for any stock dividends, stock splits and other subdivisions and combinations of, and recapitalizations and like occurrences with respect to, such shares, as applicable.

"Option" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Common Stock or Convertible Securities.

"Original Issue Price" shall mean (a) with respect to a share of Series A-3 Preferred Stock, $7.50, (b) with respect to a share of Series B-3 Preferred Stock, $0.25, (c) with respect to a share of Series C Preferred Stock, $0.25, and (d) with respect to a share of Series D Preferred Stock, $0.25, in each case subject to appropriate and proportionate adjustments for any stock dividends, stock splits and other subdivisions and combinations of, and recapitalizations and like occurrences with respect to, such shares, as applicable.

"Preferred Stock" shall mean the Series A-3 Preferred Stock, the Series B-3 Preferred Stock, the Series C Preferred Stock, and the Series D Preferred Stock, collectively.

"Redemption Date" shall mean the requested date of redemption pursuant to Section 6.1 or Section 6.2.

"Redemption Event" shall mean the failure by the Corporation to perform or observe any material provision of the Series C Preferred Stock Purchase Agreement, or this Restated Certificate, the Series D Preferred Stock Agreement, the Amended and Restated Investors' Rights Agreement or the Amended and Restated Stockholders' Agreement, each dated on or about the Filing Date and as amended and/or restated from time to time, among the Corporation and certain of its stockholders, copies of which are on file and available for inspection at the office of the Corporation, unless such failure, if curable, is cured within a period of sixty (60) days, provided that the holders of at least 60% of the outstanding shares of Senior Preferred Stock, acting together as a single class, give to the Corporation a written notice of such redemption.

"Redemption Price" shall mean, (a) with respect to a share of Series B-3 Preferred Stock, an amount equal to the Liquidation Value for such share of Series B-3 Preferred Stock, (b) with respect to a share of Series C Preferred Stock, an amount equal to the product obtained by multiplying (x) the Liquidation Value for such share of Series C Preferred Stock times (y) two (2), and (c) with respect to a share of Series D Preferred Stock, an amount equal to the product obtained by multiplying (x) the Liquidation Value for such share of Series D Preferred Stock times (y) one and one-half (1.5).

"Senior Preferred Stock" shall mean the Series B-3 Preferred Stock, the Series C Preferred Stock, and the Series D Preferred Stock, collectively.

"Series C Preferred Stock Purchase Agreement" shall mean that certain Series C Convertible Preferred Stock Purchase and Exchange Agreement, dated as of September 4, 2012, among the Corporation and the other parties named therein, as amended and/or restated from time to time.

"Series D Preferred Stock Purchase Agreement" shall mean that certain Series D Preferred Stock Purchase Agreement, dated on or about the Filing Date, among the Corporation and the other parties named therein, as amended and/or restated from time to time.

All references to Sections in this Article Fourth are references to Sections of this Article Fourth unless otherwise specifically set forth herein.

Section 2

Dividend Rights

Section 2.1 Series D Dividends.

(a) The outstanding shares of Series D Preferred Stock shall be entitled to receive dividends of $0.02 per share (the "Series D Dividends") (subject to appropriate and proportionate adjustments for stock dividends, stock splits and other subdivisions and combinations of, and recapitalizations and like occurrences with respect to the Series D Preferred Stock) per annum, out of any assets at the time legally available therefor, when, as and if declared by the Board of Directors, prior and in preference to the payment of any dividends to the holders of Series B-3 Preferred Stock, Series A-3 Preferred Stock and the Common Stock. The Series D Dividends shall be payable only when, as and if declared by the Board of Directors and the Corporation shall be under no obligation to pay such Series D Dividends.

(b) The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable entirely in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Corporation's Certificate of Incorporation) the holders of the Series D Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series D Preferred Stock in an amount at least equal to the greater of (i) the amount of the aggregate Series D Dividends on such share of Series D Preferred Stock and not previously paid and (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series D Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series D Preferred Stock in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series D Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate and proportionate adjustments for any stock dividends, stock splits and other subdivisions and combinations of, and recapitalizations and like occurrences with respect to, such shares) and (2) multiplying such fraction by an amount equal to the Original Issue Price for the Series D Preferred Stock; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series D Preferred Stock pursuant to this Section 2 shall be calculated based upon the dividend on the class or Series of capital stock that would result in the highest dividend being paid to the holders of the Series D Preferred Stock.

Section 2.2 Series C Dividends.

(a) The outstanding shares of Series C Preferred Stock shall be entitled to receive dividends of $0.02 per share (the "Series C Dividends") (subject to appropriate and proportionate adjustments for stock dividends, stock splits and other subdivisions and combinations of, and recapitalizations and like occurrences with respect to the Series C Preferred Stock) per annum, out of any assets at the time legally available therefor, when, as and if declared by the Board of Directors, prior and in preference to the payment of any dividends to the holders of Series B-3 Preferred Stock, Series A-3 Preferred Stock and the Common Stock. The Series C Dividends shall be payable only when, as and if declared by the Board of Directors and the Corporation shall be under no obligation to pay such Series C Dividends.

(b) The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable entirely in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Corporation's Certificate of Incorporation) the holders of the Series C Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series C Preferred Stock in an amount at least equal to the greater of (i) the amount of the aggregate Series C Dividends on such share of Series C Preferred Stock and not previously paid and (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series C Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series C Preferred Stock in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series C Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate and proportionate adjustments for any stock dividends, stock splits and other subdivisions and combinations of, and recapitalizations and like occurrences with respect to, such shares) and (2) multiplying such fraction by an amount equal to the Original Issue Price for the Series C Preferred Stock; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series C Preferred Stock pursuant to this Section 2 shall be calculated based upon the dividend on the class or Series of capital stock that would result in the highest dividend being paid to the holders of the Series C Preferred Stock.

Section 2.3 Series B-3 Dividends.

(a) The outstanding shares of Series B-3 Preferred Stock shall be entitled to receive dividends of $0.02 per share (the "Series B-3 Dividends") (subject to appropriate and proportionate adjustments for stock dividends, stock splits and other subdivisions and combinations of, and recapitalizations and like occurrences with respect to the Series C Preferred Stock) per annum, out of any assets at the time legally available therefor, when, as and if declared by the Board of Directors, prior and in preference to the payment of any dividends to the holders of Series A-3 Preferred Stock and the Common Stock. The Series B-3 Dividends

shall be payable only when, as and if declared by the Board of Directors and the Corporation shall be under no obligation to pay such Series B-3 Dividends.

(b) The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable entirely in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Corporation's Certificate of Incorporation) the holders of the Series B-3 Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series B-3 Preferred Stock in an amount at least equal to the greater of (i) the amount of the aggregate Series B-3 Dividends on such share of Series B-3 Preferred Stock and not previously paid and (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series B-3 Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series B-3 Preferred Stock in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series B-3 Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate and proportionate adjustments for any stock dividends, stock splits and other subdivisions and combinations of, and recapitalizations and like occurrences with respect to, such shares) and (2) multiplying such fraction by an amount equal to the Original Issue Price for the Series B-3 Preferred Stock; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series B-3 Preferred Stock pursuant to this Section 2 shall be calculated based upon the dividend on the class or Series of capital stock that would result in the highest dividend being paid to the holders of the Series B-3 Preferred Stock.

Section 2.4 No Other Dividends.

No dividend shall be declared or be payable on the outstanding shares of the Series B-3 Preferred Stock without the consent of the holders of at least two-thirds (2/3) of the outstanding shares of the Series C Preferred Stock and Series D Preferred Stock, voting together as a single class, and no dividend shall be declared or be payable on the outstanding shares of the Series A-3 Preferred Stock or the Common Stock (other than a dividend on shares of Common Stock payable entirely in shares of Common Stock) without the consent of the holders of at least 60% of the outstanding shares of the Senior Preferred Stock. Nothing in this Section 2.4 shall preclude the payment of an amount equal to any Series B-3 Dividends as part of the Liquidation Preference or Redemption Price, as applicable, with respect to the Series B-3 Preferred Stock.

Section 3

Liquidation Rights

Section 3.1 Right to Liquidation Value.

(a) In the event of any Liquidation, either voluntary or involuntary, before any distribution or payment shall be made to the holders of any Series C Preferred Stock, Series B-3 Preferred Stock, Series A-3 Preferred Stock or Common Stock, each holder of Series D Preferred Stock shall be entitled to receive out of the assets of the Corporation legally available for distribution or payment (or the consideration received in a transaction which is a Liquidation), on account of each then-outstanding share of Series D Preferred Stock held by them, the Liquidation Preference specified for such share of Series D Preferred Stock. If, upon the Liquidation, the assets of the Corporation (or the consideration received in such transaction) shall be insufficient to make payment in full to all holders of the Series D Preferred Stock of the full Liquidation Preference of the Series D Preferred Stock, then such assets (or consideration) shall be distributed or paid among the holders of Series D Preferred Stock at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

(b) After the payment of the full Liquidation Preference of the Series D Preferred Stock as set forth in Section 3.1(a), and before any distribution or payment shall be made to the holders of any Series B-3 Preferred Stock, Series A-3 Preferred Stock or Common Stock, the holders of Series C Preferred Stock shall be entitled to receive out of the assets of the Corporation legally available for distribution or payment (or the consideration received in a transaction which is a Liquidation), on account of each then-outstanding share of Series C Preferred Stock held by them, the Liquidation Preference specified for such share of Series C Preferred Stock. If, upon the Liquidation, the assets of the Corporation (or the consideration received in such transaction) shall be insufficient to make payment in full to all holders of the Series C Preferred Stock of the full Liquidation Preference of the Series C Preferred Stock, then such assets (or consideration) shall be distributed or paid among the holders of Series C Preferred Stock at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

(c) After the payment of the full Liquidation Preference of the Series D Preferred Stock as set forth in Section 3.1(a) and the full Liquidation Preference of the Series C Preferred Stock as set forth in Section 3.1(b), and before any distribution or payment shall be made to the holders of any Series A-3 Preferred Stock or Common Stock, the holders of Series B-3 Preferred Stock shall be entitled to receive out of the assets of the Corporation legally available for distribution or payment (or the consideration received in such transaction), on account of each then-outstanding share of Series B-3 Preferred Stock held by them, the Liquidation Preference specified for such share of Series B-3 Preferred Stock. If the assets of the Corporation shall be insufficient to make payment in full to all holders of the Series B-3 Preferred Stock of the full Liquidation Preference of the Series B-3 Preferred Stock, then such assets (or consideration) shall be distributed or paid among the holders of Series B-3 Preferred Stock at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

(d) After the payment of the full Liquidation Preference of the Series D Preferred Stock as set forth in Section 3.1(a), the full Liquidation Preference of the Series C Preferred Stock as set forth in Section 3.1(b) and the full Liquidation Preference of the Series B-3 Preferred Stock as set forth in Section 3.1(c), and before any distribution or payment shall be made to the holders of any Common Stock, the holders of Series A-3 Preferred Stock shall be

entitled to receive out of the assets of the Corporation legally available for distribution or payment (or the consideration received in such transaction), on account of each then-outstanding share of Series A-3 Preferred Stock held by them, the Liquidation Preference specified for such share of Series A-3 Preferred Stock. If the assets of the Corporation shall be insufficient to make payment in full to all holders of the Series A-3 Preferred Stock of the full Liquidation Preference of the Series A-3 Preferred Stock, then such assets (or consideration) shall be distributed or paid among the holders of Series A-3 Preferred Stock at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

(e) After the payment of the full liquidation preference of the Preferred Stock as set forth in Sections 3.1(a), 3.1(b), 3.1(c) and 3.1(d) above, all of the remaining assets of the Corporation (or consideration received in such transaction) shall be distributed or paid with equal priority and *pro rata* among the holders of the then outstanding Preferred Stock and holders of the then outstanding Common Stock in proportion to the number of shares of Common Stock then held by such holders, treating in such circumstances each then outstanding share of Preferred Stock as if it had been converted into Common Stock at the then applicable Conversion Price.

Section 3.2 "Liquidation" Defined. Each of the following events shall be considered a "Liquidation":

(a) any liquidation, dissolution or winding up, either voluntary or involuntary, of the Corporation;

(b) a statutory share exchange, reorganization, merger or consolidation of the Corporation with or into any other entity or entities or any other transaction or series of related transactions (but excluding any sale of stock by the Corporation for capital raising purposes), as a result of which stockholders of the Corporation immediately prior to the consummation of the statutory share exchange, reorganization, merger, consolidation, transaction or series of related transactions hold less than 50% of the voting securities of the surviving entity or the entity whose securities are issues pursuant thereto or hold greater than 50% of the voting securities of the surviving entity or the entity whose securities are issues pursuant thereto but in proportions that are not substantially equivalent to the proportions in which such stockholders held the Corporation's voting securities immediately prior to such transaction; or

(c) a sale, lease, license or other disposition of all or substantially all of the assets of the Corporation (whether held directly or indirectly through one or more controlled subsidiaries) by means of any transaction or series of related transactions.

Section 3.3 Preferential Payment. All of the preferential amounts to be paid to the holders of the Preferred Stock pursuant to this Section 3 shall be paid or set apart in trust for payment or payment before the payment or setting apart for payment of any amount for, or the distribution of any assets of the Corporation (or compensation received in the transaction) to, the holders of the Common Stock in connection with such Liquidation.

Section 4

Conversion Rights

The holders of the Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

Section 4.1 Right to Convert. Each share of Preferred Stock shall be convertible at the option of the holder thereof at any time and without the payment of any additional consideration therefor into that number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Original Issue Price for such share of Preferred Stock by the Conversion Price (determined as hereinafter provided) in effect at the time of conversion. The Conversion Price for each share of Preferred Stock shall initially be an amount equal to the Original Issue Price for such share of Preferred Stock, but in each case shall hereafter be subject to adjustment (in order to adjust the number of shares of Common Stock into which such Preferred Stock is convertible) as provided in Section 4.4.

Section 4.2 Mandatory Conversion. Each share of Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Conversion Price for such Preferred Stock, as adjusted pursuant to Section 4.4, upon (a) the affirmative vote or written consent of the holders of at least 60% of the then outstanding shares of Senior Preferred Stock, voting together as a single class, or (b) the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Corporation to the public in which the Corporation actually receives gross proceeds of at least $30,000,000, and in which the public offering price per share of Common Stock is not less than three (3) times the Original Issue Price of the Series D Preferred Stock, and following which the Common Stock of the Corporation is traded or listed for quotation on a nationally recognized United States stock exchange; provided, that the conversion provided for in this Section 4.2(b) shall be conditioned upon the closing of the sale of securities pursuant to such offering and the person(s) entitled to receive the Common Stock issuable upon such conversion of the Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of the sale of such securities. In any case where a particular series of Preferred Stock is to be converted (and expressly excluding the case where all Preferred Stock is to be converted in accordance with the immediately preceding sentence) then, and only then, shall the following thresholds apply: (w) each outstanding share of Series A-3 Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Conversion Price for such share immediately upon the affirmative vote or written consent of the holders of at least 60% of the then-outstanding Series A-3 Preferred Stock (voting as a single class), (x) each outstanding share of Series B-3 Preferred shall automatically be converted into shares of Common Stock at the then effective Conversion Price for such share immediately upon the affirmative vote or written consent of the holders of at least 60% of the then outstanding Series B-3 Preferred (voting as a single class), (y) each outstanding share of Series C Preferred shall automatically be converted into shares of Common Stock at the then effective Conversion Price for such share immediately upon the affirmative vote or written consent of the holders of at least two-thirds (2/3) of the then outstanding Series C Preferred (voting as a single class), and (z) each outstanding share of Series D Preferred shall automatically be converted into shares of Common Stock at the then effective Conversion Price for such share immediately upon the affirmative vote or written consent of the holders of at least two-thirds (2/3) of the then outstanding Series D Preferred (voting as a single class).

Section 4.3 Mechanics of Conversion. No fractional shares of Common Stock shall be issued upon conversion of Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the then fair market value of a share of Common Stock as determined in good faith by the Board of Directors. For such purpose, all shares of Preferred Stock held by such holders shall be aggregated together, and any resulting fractional share of Common Stock shall be paid in cash. Before any holder of Preferred Stock shall be entitled to convert the same into full shares of Common Stock, such holder shall surrender at the office of the Corporation or of any transfer agent for the Preferred Stock the certificate or certificates therefor, duly endorsed or assigned in blank, or if such certificate or certificates have been lost, stolen or destroyed, a certificate in form and substance reasonably satisfactory to the Corporation certifying to such fact, together with an agreement reasonably satisfactory to the Corporation to indemnify the Corporation from any loss incurred by the Corporation in connection with such certificate or certificates, and shall give written notice (a "Conversion Notice") to the Corporation at such office that he elects to convert the same and shall state therein his name or the name or name of his nominees in which he wishes the certificate or certificates for shares of Common Stock to be issued, together with the applicable federal taxpayer identification number; provided, that in the event of an automatic conversion of any shares of Preferred Stock pursuant to Section 4.2, the outstanding shares of Preferred Stock so converted shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or any transfer agent for the Preferred Stock; provided further, however, that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such automatic conversion unless the certificates evidencing such shares of Preferred Stock (or if such certificate or certificates have been lost, stolen or destroyed, a certificate in form and substance reasonably satisfactory to the Corporation certifying to such fact, together with an agreement reasonably satisfactory to the Corporation to indemnify the Corporation from any loss incurred by the Corporation in connection with such certificate or certificates) are delivered to the Corporation or such transfer agent. Any Conversion Notice may state the date on or the time at which the conversion provided for therein is to be deemed effective and any conditions to such effectiveness. The Corporation shall, as soon as practicable after the Conversion Date, issue and deliver to such holder of Preferred Stock, or to his nominee or nominees, at such place designed by such holder, a certificate or certificates for the number of shares of Common Stock to which he shall be entitled, together with cash in lieu of any fraction of a share. If a Conversion Notice states a date or time on or at which the conversion provided for therein is to be effective or states any conditions to such effectiveness, then such conversion shall be deemed to have made on or at such date or time or the satisfaction of such conditions, as applicable. If the Conversion Notice does not state any date or time on or at which the conversion provided for therein is to be effective or state any conditions to such effectiveness, then such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted pursuant to Section 4.1, and the holder of Preferred Stock entitled to receive the shares of Common Stock issuable upon conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date. The date or time at which any conversion of shares of Preferred Stock is deemed effective under Section 4.2 or this Section 4.3 is referred to herein as the "Conversion Date."

Section 4.4 Adjustments to Conversion Price for Diluting Issues.

(a) No Adjustment of Conversion Price. Subject to the provisions of Section 4.4(e) and Section 4.4(f), no adjustment in the number of shares of Common Stock into which a series of Senior Preferred Stock is convertible shall be made by adjustment in the Conversion Price for such series of Senior Preferred Stock in respect of the issuance of Additional Shares of Common Stock, unless the consideration per share for such Additional Shares of Common Stock issued or deemed to be issued by the Corporation is less than the Conversion Price for such series of Senior Preferred Stock in effect on the date of, and immediately prior to, the issue of such Additional Shares of Common Stock.

(b) Issue of Options and Convertible Securities Deemed Issue of Additional Shares of Common Stock. In the event the Corporation at any time or from time to time on or after the Filing Date shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number and whether or not such Options or Convertible Securities or the right to convert, exercise or exchange such Options or Convertible Securities are immediately exercisable) of Common Stock issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion, exercise or exchange of such Convertible Securities, shall (except as provided in the definition of "Additional Shares of Common Stock") be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date; provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to Section 4.4(d)) of such Additional Shares of Common Stock would be less than the applicable Conversion Price for the relevant series of Senior Preferred Stock in effect on the date of and immediately prior to such issue, or such record date, as the case may be; and provided, further, that in any such case in which Additional Shares of Common Stock are deemed to be issued:

(i) no further adjustment in the Conversion Price shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion, exercise or exchange of such Convertible Securities;

(ii) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase in the consideration payable to the Corporation, or decrease in the number of shares of Common Stock issuable, upon the exercise, conversion or exchange thereof, then the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion, exercise or exchange under such Convertible Securities;

(iii) upon the expiration of any such Options or any rights of conversion, exercise or exchange under such Convertible Securities which shall not have been converted, exercised or exchanged, the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon shall, upon such expiration, be recomputed as if:

(A) in the case of Convertible Securities or Options for Common Stock, the only Additional Shares of Common Stock issued were the shares of Common Stock, if any, actually issued upon the exercise of such Options or the conversion, exercise or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration actually received by the Corporation upon such exercise, or for the issue of all such Convertible Securities which were actually converted, exercised or exchanged, plus the additional consideration, if any, actually received by the Corporation upon such conversion, exercise or exchange, and

(B) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Corporation for the Additional Shares of Common Stock deemed to have been then issued was the consideration actually received by the Corporation for the issue of all such Options, whether or not exercised, plus the consideration deemed to have been received by the Corporation (determined pursuant to Section 4.4(d)) upon the issue of the Convertible Securities with respect to which such Options were actually exercised;

(iv) no readjustment pursuant to clause (ii) or (iii) above shall have the effect of increasing the Conversion Price to an amount which exceeds the lower of (x) the Conversion Price on the original adjustment date, or (y) the Conversion Price that would have resulted from any issuance of Additional Shares of Common Stock between the original adjustment date and such readjustment date;

(v) if the terms of any Options or Convertible Securities are revised in any manner which has the effect of either increasing the number of shares of Common Stock issuable upon the exercise, conversion or exchange thereof or decreasing the consideration payable to the Corporation, then the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion, exercise or exchange under such Convertible Securities; and

(vi) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Conversion Price which became effective on such record date shall be canceled as of the close of business on such record date, and thereafter the Conversion Price shall be adjusted pursuant to this Section 4.4(b) as of the actual date of their issuance.

(c) Adjustment of Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation at any time or from time to time on or after the Filing Date shall issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Section 4.4(b)) without consideration or for a consideration per share less than the Conversion Price for a series of Senior Preferred Stock in effect immediately prior to such issue, then and in such event, the Conversion Price for such series of Senior Preferred Stock shall be reduced, concurrently with such issue, to a price

(calculated to the nearest cent) equal to the consideration per share received by the Corporation for such issue or deemed issue of the Additional Shares of Common Stock; provided that if such issuance or deemed issuance was without consideration, then the Company shall be deemed to have received an aggregate of $.001 of consideration for all such Additional Shares of Common Stock issued or deemed to be issued.

(d) Determination of Consideration. For purposes of this Section 4.4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(i) Cash and Property: Such consideration shall:

(A) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest or accrued dividends;

(B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(C) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (1) and (2) above, as determined in good faith by the Board of Directors.

(ii) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 4.4(b), relating to Options and Convertible Securities, shall be determined by dividing (x) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration until such subsequent adjustment occurs) payable to the Corporation upon the exercise of such Options or the conversion, exercise or exchange of such Convertible Securities or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion, exercise or exchange of such Convertible Securities, by (y) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number until such subsequent adjustment occurs) issuable upon the exercise of such Options or the conversion, exercise or exchange of such Convertible Securities.

(e) Adjustment for Dividends, Distributions, Subdivisions, Combinations or Consolidation of Common Stock.

(i) Stock Dividends, Distributions or Subdivisions. In the event the Corporation at any time or from time to time on or after the Filing Date shall declare or pay any dividend or make any other distribution on the Common Stock payable in Common Stock or effect a subdivision of the outstanding shares of Common Stock (by reclassification or

otherwise than by payment of a dividend in Common Stock), then and in any such event, the Conversion Price for each series of Preferred Stock in effect immediately prior thereto shall be proportionately decreased to reflect such dividend, distribution or subdivision as of:

(A) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of any class of securities entitled to receive such dividend or distribution, or

(B) in the case of any such subdivision, at the close of business on the date immediately prior to the date upon which such corporate action becomes effective.

If such record date or other effective date shall have been fixed and such dividend, distribution or subdivision shall not have been fully paid or effected on the date fixed therefor, the adjustment previously made in the Conversion Price which became effective on such record date or other date shall be canceled as of the close of business on such record date or other date, and thereafter the Conversion Price shall be adjusted pursuant to this Section 4.4(e) as of the time of actual payment of such dividend, distribution or effectiveness of such subdivision.

(ii) Combinations or Consolidations. In the event the outstanding shares of Common Stock shall at any time or from time to time on or after the Filing Date be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, the Conversion Price for each series of Preferred Stock in effect immediately prior to such combination or consolidation shall, concurrently with the effectiveness of such combination or consolidation, be proportionately increased.

(f) Adjustment for Reclassification or Reorganization. In case of any capital reorganization or reclassification of the capital stock of the Corporation (other than a reclassification covered by Section 4.4(e)(ii)), each share of Preferred Stock shall thereafter be convertible into the number of shares of stock or other securities or property to which a holder of the number of shares of Common Stock of the Corporation deliverable upon conversion of such Preferred Stock would have been entitled upon such reorganization or reclassification. In any such case, appropriate adjustment (as determined by the Board of Directors) shall be made in the application of these provisions set forth with respect to the rights and interest thereafter of the holders of the Preferred Stock, to the end that these provisions (including provisions with respect to changes in and other adjustments of the Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other property thereafter deliverable upon the conversion of the Preferred Stock.

Section 4.5 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with these terms and furnish to each holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Price at the time in effect, and (iii) the

number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of such holder's Preferred Stock.

Section 4.6 Notices of Record Date. In the event of (i) any taking by the Corporation of a record date of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or (ii) any capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation, any merger or consolidation of the Corporation, and any transfer of all or substantially all of the assets of the Corporation to any other entity or person, or any Liquidation, the Corporation shall mail to each holder of Preferred Stock at least 20 days (30 days in the case of an acquisition of the Corporation through a merger or consolidation of the Corporation, the sale, lease, license or other disposition of all or substantially all of its assets and properties or any transaction or series of related transactions) prior to the record date specified therein, a notice specifying (A) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (B) the date on which any such reorganization, reclassification, transfer, consolidation, merger or Liquidation is expected to become effective, and (C) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger or Liquidation.

Section 4.7 Common Stock Reserved. The Corporation shall reserve and keep available out of its authorized but unissued Common Stock such number of shares of Common Stock as shall from time to time be sufficient to effect conversion of all outstanding shares of Preferred Stock. If any shares of Common Stock to be reserved for the purpose of conversion of shares of Preferred Stock require registration or listing with, or approval of, any governmental authority, stock exchange or other regulatory body under any federal or state law or regulation or otherwise, before such shares may be validly issued or delivered upon conversion, the Corporation will in good faith and as expeditiously as possible endeavor to secure such registration, listing or approval, as the case may be.

Section 4.8 Other Events Altering Conversion Price. Upon the occurrence of any event not specifically described in this Section 4 as reducing the Conversion Price that, in the reasonable exercise of the business judgment of the Board of Directors of the Corporation reached in good faith, requires, on equitable principles, the reduction of the Conversion Price, the Conversion Price will be so equitably reduced.

Section 5

Voting Rights

Section 5.1 General. Except as otherwise required by law and the provisions of this Section 5 and Section 7 below, the holders of the Senior Preferred Stock and the holders of the Common Stock shall be entitled to notice of any stockholders' meeting and to vote together as a single class of capital stock upon any matter submitted to a stockholder for a vote, except as to matters pertaining to the rights or obligations of holders of Preferred Stock, when they shall vote as a class, on the following basis:

(a) Holders of Common Stock shall have one vote per share; and

(b) Holders of Senior Preferred Stock shall have that number of votes per share as is equal to the number of shares of Common Stock into which each such share of Senior Preferred Stock held by such holder is convertible at the time of such vote.

As to all matters with respect to which the Series B-3 Preferred Stock is entitled to vote as a single class, each share of the Series B-3 Preferred Stock shall have one vote. As to all matters with respect to which the Series C Preferred Stock is entitled to vote as a single class, each share of the Series C Preferred Stock shall have one vote. As to all matters with respect to which the Series D Preferred Stock is entitled to vote as a single class, each share of the Series D Preferred Stock shall have one vote.

Except as otherwise required by law, the holders of the Series A-3 Preferred Stock shall have no voting rights. As to all matters with respect to which the Series A-3 Preferred Stock is entitled to vote as required by law, each share of Series A-3 Preferred Stock shall have one vote.

Section 5.2 Election of Board of Directors. The size of the Corporation's board of directors shall be fixed at seven (7) members, which number shall not be increased or decreased without the approval or written consent of the holders of 60% of the outstanding Senior Preferred Stock. The holders of the Senior Preferred Stock and the holders of the Common Stock shall be entitled to vote upon the election of directors on the following basis: (i) three (3) members of the board of directors of the Corporation shall be appointed by the vote of the holders of 60% of the Senior Preferred Stock, voting as a separate class; (ii) one (1) member of the board of directors of the Corporation shall be appointed by the vote of the holders of at least a majority of the Common Stock, and (iii) the remaining members of the board of directors of the Corporation shall be appointed by the vote of the holders of a majority of the Senior Preferred Stock and Common Stock, voting together as a single class. Each director shall serve until he or she resigns, dies, becomes incapacitated or is removed. A director may only be removed and/or replaced by the holders of that percentage of the class or classes or series of stock which were entitled to appoint him or her.

Section 6

Mandatory Redemption

Section 6.1 Upon a Redemption Event. Assuming funds are available within the Corporation and redemption would not put the Corporation at a financial risk, upon the request in writing of the holders of 60% of the outstanding shares of Senior Preferred Stock, on or after a Redemption Event, the Corporation shall redeem, and every holder of Preferred Stock desiring to sell shall sell its outstanding shares of Senior Preferred Stock at the Redemption Price per share, payable in cash, in each case in accordance with this Section 6.

Section 6.2 Upon the Fifth Anniversary of the Issuance of Series D Preferred Stock. Upon the request in writing of the holders of 60% of the outstanding shares of Senior Preferred Stock, at any time after October 4, 2018, the Corporation shall redeem and every holder of Senior Preferred Stock desiring to sell shall sell its outstanding shares of Senior

Preferred Stock at the Redemption Price per share, payable in cash, in each case in accordance with this Section 6.

Section 6.3 Mechanics of Redemption. The following provisions shall apply to any redemption pursuant to this Section 6:

(a) On the Redemption Date, the Corporation shall deposit for the benefit of the holders of the shares of the outstanding Senior Preferred Stock to be redeemed the funds necessary for the redemption of such outstanding shares of Senior Preferred Stock with a bank or trust company, having a capital and surplus of at least $50,000,000.

(i) Holders of shares of Series D Preferred Stock, prior to any redemption of any shares of Series C Preferred Stock or Series B-3 Preferred Stock, shall thereafter have the right to receive (i) payment of the Redemption Price for such shares by surrendering to the Corporation, at its principal office or at such other office or agency maintained by the Corporation for that purpose, a certificate or certificates representing the shares of Series D Preferred Stock or (ii) a certificate or certificates for the number of shares of Common Stock into which such holder's shares of Series D Preferred Stock are then convertible pursuant to Section 4 hereof, by surrendering a certificate or certificates representing the shares of Series D Preferred Stock in accordance with the provisions of Section 4 hereof, accompanied by any documentation required therein. If the Corporation does not have sufficient funds legally available to redeem all shares of Series D Preferred Stock to be redeemed pursuant to this Section 6.3, then it shall so notify such holders and shall redeem such shares pro rata (based on the portion of the aggregate Redemption Price for the Series D Preferred Stock payable to them) to the extent possible and shall redeem the remaining shares to be redeemed as soon as sufficient funds are legally available.

(ii) Holders of shares of Series C Preferred Stock, prior to any redemption of any shares of Series B-3 Preferred Stock, shall thereafter have the right to receive (i) payment of the Redemption Price for such shares by surrendering to the Corporation, at its principal office or at such other office or agency maintained by the Corporation for that purpose, a certificate or certificates representing the shares of Series C Preferred Stock or (ii) a certificate or certificates for the number of shares of Common Stock into which such holder's shares of Series C Preferred Stock are then convertible pursuant to Section 4 hereof, by surrendering a certificate or certificates representing the shares of Series C Preferred Stock in accordance with the provisions of Section 4 hereof, accompanied by any documentation required therein. If the Corporation does not have sufficient funds legally available to redeem all shares of Series C Preferred Stock to be redeemed pursuant to this Section 6.3, then it shall so notify such holders and shall redeem such shares pro rata (based on the portion of the aggregate Redemption Price for the Series C Preferred Stock payable to them) to the extent possible and shall redeem the remaining shares to be redeemed as soon as sufficient funds are legally available.

(iii) Subject to the redemption of the Series D Preferred Stock and Series C Preferred Stock as provided in subsections (i) and (ii) above, holders of shares of Series B-3 Preferred Stock shall thereafter have the right to receive (i) payment of the Redemption Price for such shares by surrendering to the Corporation, at its principal office or at such other office or agency maintained by the Corporation for that purpose, a certificate or certificates representing

the shares of Series B-3 Preferred Stock or (ii) a certificate or certificates for the number of shares of Common Stock into which such holder's shares of Series B-3 Preferred Stock are then convertible pursuant to Section 4 hereof, by surrendering a certificate or certificates representing the shares of Series B-3 Preferred Stock in accordance with the provisions of Section 4 hereof, accompanied by any documentation required therein. If the Corporation does not have sufficient funds legally available to redeem all shares of Series B-3 Preferred Stock to be redeemed pursuant to this Section 6.3, then it shall so notify such holders and shall redeem such shares pro rata (based on the portion of the aggregate Redemption Price for the Series B-3 Preferred Stock payable to them) to the extent possible and shall redeem the remaining shares to be redeemed as soon as sufficient funds are legally available.

(iv) Any monies so deposited by the Corporation with a bank or trust company pursuant to this Section 6.3(a) and unclaimed at the end of one year from the Redemption Date (the "First Anniversary") shall revert to the general funds of the Corporation. After the First Anniversary, any such bank or trust company shall, upon demand, pay over to the Corporation such unclaimed amounts and thereupon such bank or trust company shall be relieved of all responsibility in respect thereof to such holder and such holder shall look only to the Corporation for the payment of the Redemption Price. After the First Anniversary, any holder of shares of Senior Preferred Stock who does not surrender a certificate or certificates representing the shares of Senior Preferred Stock for conversion in accordance with the provisions of Section 4 hereof, shall look only to the Corporation for the payment of the Redemption Price and shall waive and forfeit any rights to convert such shares of Senior Preferred Stock granted hereunder. Any interest accrued on funds so deposited pursuant to this Section 6.3 shall be paid from time to time to the Corporation for its own account.

(b) Upon the deposit of funds pursuant to Section 6.3(a) necessary to effect the redemption of all outstanding shares of the Senior Preferred Stock, notwithstanding that any certificates for such shares shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding, the rights to receive dividends thereon shall cease to accrue from and after the Redemption Date and all rights of the holders of the shares of the Senior Preferred Stock shall cease and terminate, excepting only the right to receive the Redemption Price therefor as provided in this Section 6 or to convert such shares into shares of Common Stock. If the Corporation does not deposit funds pursuant to Section 6.3(a) necessary to effect the redemption of all outstanding shares of the Senior Preferred Stock, then each outstanding share of Series Preferred Stock shall remain outstanding and all rights of the holders thereof shall continue until such time as a certificate for such shares have been surrendered for cancellation in connection with the payment of the Redemption Price or converted into shares of Common Stock as provided.

Section 7

Covenants

Section 7.1 So long as any shares of Senior Preferred Stock shall be outstanding, the Corporation shall not, directly or indirectly by merger, reorganization, consolidation or other means, without first obtaining the affirmative vote or written consent of

the holders of 60% of the then outstanding shares of Senior Preferred Stock, voting as a single class:

(a) alter, change or amend the Corporation's Certificate of Incorporation or the Corporation's bylaws;

(b) authorize, create or issue any other class or classes of stock or series of stock or other equity securities or stock appreciation rights or other similar phantom equity rights;

(c) increase the authorized or designated number of shares of the Corporation's capital stock;

(d) merge or consolidate into or with another corporation or entity or sell, lease, license or otherwise dispose of all or substantially all of the Corporation's assets (whether held directly or indirectly through one or more controlled subsidiaries);

(e) acquire (whether directly or through a subsidiary) another entity or an interest in another entity;

(f) pay or declare any dividend or other distribution on any shares of Common Stock or other securities of the Corporation (except as provided by Section 6);

(g) increase or decrease the number of directors constituting the Board of Directors;

(h) apply any of its assets to the redemption, retirement, purchase or other acquisition directly or indirectly, through subsidiaries, if any, or otherwise, of any shares of its capital stock or debt securities, except as provided in Section 6 or from officers, directors or employees of or consultants to the Corporation upon termination of employment pursuant to written agreements in effect on the Filing Date;

(i) enter into any agreement to borrow money that would increase the Corporation's total indebtedness to be greater than $500,000;

(j) effect any Liquidation or reclassify or recapitalize any of its outstanding capital stock;

(k) assign any intellectual property rights of the Corporation or enter into any material agreement with respect to any intellectual property rights of the Corporation;

(l) engage in any business outside of the molecular diagnostics industry; or

(m) increase the number of shares reserved for issuance under employee stock incentive plans.

Section 7.2 So long as any shares of Series C Preferred Stock shall be outstanding, the Corporation shall not, directly or indirectly by merger, reorganization,

consolidation or other means, without first obtaining the affirmative vote or written consent of the holders of at least two-thirds (2/3) of the then outstanding shares of Series C Preferred Stock, voting as a single class:

(a) apply any of its assets to the redemption, retirement, purchase or other acquisition directly or indirectly, through subsidiaries, if any, or otherwise, of any shares of its capital stock or debt securities, except as provided in Section 6 or from officers, directors or employees of or consultants to the Corporation upon termination of employment pursuant to written agreements in effect on the date of the Series C Preferred Stock Purchase Agreement; or

(b) amend, repeal or modify any of the rights, privileges or preferences of the Series C Preferred Stock.

Section 7.3 So long as any shares of Series D Preferred Stock shall be outstanding, the Corporation shall not, directly or indirectly by merger, reorganization, consolidation or other means, without first obtaining the affirmative vote or written consent of the holders of at least two-thirds (2/3) of the then outstanding shares of Series D Preferred Stock, voting as a single class:

(a) apply any of its assets to the redemption, retirement, purchase or other acquisition directly or indirectly, through subsidiaries, if any, or otherwise, of any shares of its capital stock or debt securities, except as provided in Section 6 or from officers, directors or employees of or consultants to the Corporation upon termination of employment pursuant to written agreements in effect on the Filing Date; or

(b) amend, repeal or modify any of the rights, privileges or preferences of the Series D Preferred Stock.

Section 8

No Impairment

The Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of capital stock or assets, consolidation, merger, dissolution, issue of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Preferred Stock set forth herein, but will at all times in good faith assist in the carrying out of all such terms. Without limiting the generality of the foregoing, the Corporation (a) will not increase the par value of any shares of stock receivable on the conversion of any shares of Preferred Stock above the Original Issue Price for such shares of Preferred Stock, and (b) will take such action as may be necessary or appropriate in order that the Corporation may validly and legally issue fully paid and nonassessable shares of stock on the conversion of the Preferred Stock from time to time outstanding.

Section 9

Residual Rights

All rights accruing to the outstanding shares of the Corporation not expressly provided for to the contrary shall be vested in the Common Stock.

Section 10

No Reissuance of Preferred Stock

No share or shares of Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Corporation shall be authorized to issue.

ARTICLE FIFTH

CERTAIN MATTERS AS TO CREDITORS

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under Section 291 of Title 8 of the Delaware General Corporation Law or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under Section 279 of Title 8 of the Delaware General Corporation Law order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

ARTICLE SIXTH

LIMITATION OF LIABILITY; INDEMNIFICATION

The directors of the Corporation shall be entitled to the benefits of all limitations on the liability of directors generally that are now or hereafter become available under the Delaware General Corporation Law. Without limiting the generality of the foregoing, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director’s duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the

director derived an improper personal benefit. If the Delaware General Corporation Law is amended after the filing of the Restated Certificate of which this article is a part to authorize corporate action further eliminating or limiting the personal liability of directors, the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of the foregoing paragraph shall be prospective only, and shall not affect, to the detriment of any director, any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

The Corporation shall, to the fullest extent permitted by the provisions of Section 145 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented, indemnify past and present directors, and may indemnify any and all persons whom it shall have power to indemnify under said section from and against any and all expenses, liabilities, or other matters referred to in or covered by said section, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

ARTICLE SEVENTH

BY-LAWS

The original by-laws of the Corporation shall be adopted by the incorporator. Thereafter, the Directors of the Corporation shall have the power to adopt, amend or repeal the by-laws of the Corporation.

ARTICLE EIGHTH

ELECTION OF DIRECTORS

The election of the directors of the Corporation need not be by written ballot unless the by-laws of the Corporation shall so provide.

ARTICLE NINTH

REPURCHASES OF COMMON STOCK

In connection with repurchases by the Corporation of its Common Stock from employees, officers, directors, advisors, consultants or other persons performing services for the Corporation or any subsidiary pursuant to agreements under which the Corporation has the option to repurchase such shares at cost upon the occurrence of certain events, such as the

termination of employment, Sections 502 and 503 of the California Corporations Code shall not apply in their entirety or in part with respect to such repurchases.

ARTICLE TENTH

CORPORATE OPPORTUNITIES

The Corporation renounces any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "Excluded Opportunity" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, any director of the Corporation who is also a partner, member, stockholder, manager or employee of a Fund (as defined below) or a partner, member, stockholder, manager or employee of an entity that serves as the general partner or in a similar capacity for or manages such Fund, and that may be a corporate opportunity for both the Corporation and such Fund or any entity in which such Fund hold an investment or interest; provided, however, that nothing herein or otherwise shall limit the Corporation's right to pursue or consummate any transaction related to any Excluded Opportunity even if originated by any director or any Fund. For purposes of this Article XIII, a "Fund" shall mean an entity that is a holder of Preferred Stock and that is in the business of investing and reinvesting in other entities.

* * * *

THIRD: This Amended and Restated Certificate has been duly adopted by the Board of Directors of the Corporation.

FOURTH: This Amended Restated Certificate has been duly adopted in accordance with the provisions of Sections 228, 242 and 245 of the Delaware General Corporation Law, chapter 1, title 8, of the Delaware Code and has been approved by a sufficient number of votes cast by the stockholders of the Corporation.

* * * * *

IN WITNESS WHEREOF, the undersigned, the President and Chief Executive Officer of the above named Corporation, has hereunto signed this Amended and Restated Certificate on the day of December, 2013.

Name: Ron Rocca
Title: President and Chief Executive Officer

BYLAWS

OF
EXAGEN DIAGNOSTICS, INC.

ARTICLE I
OFFICES

Section 1. Registered Office. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. Time and Place. All meetings of the stockholders for the election of directors shall be held in the City of Albuquerque, State of New Mexico, at such place as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meeting. Annual meetings of stockholders shall be held on the third Wednesday in December in each year if not a legal holiday, and if a legal holiday, then on the next secular day following, at 10:00 a.m. or at such other date and time as shall be designated from time to time by the Board of Directors or the chief executive officer, at which meeting the stockholders shall elect by a plurality vote a board of directors, and transact such other business as may properly be brought before the meeting. If no annual meeting is held in accordance with the foregoing provisions, the Board of Directors shall cause the meeting to be held as soon thereafter as convenient, which meeting shall be designated a special meeting in lieu of annual meeting.

Section 3. Notice of Annual Meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not fewer than ten (10) nor more than sixty (60) days before the date of the meeting.

Section 4. Voting List. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the

meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the president and shall be called by the president or secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Notice of Special Meeting. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 7. Limited Purpose of Special Meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. Action at Meetings. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 10. Voting and Proxies. Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder,

but no proxy shall be voted on after three (3) years from its date, unless the proxy provides for a longer period.

Section 11. Action by Written Consent. Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III
DIRECTORS

Section 1. Number, Election, Tenure and Qualification. The number of directors which shall constitute the whole board shall be determined by resolution of the Board of Directors or by the stockholders at the annual meeting, or any special meeting, of the stockholders. The directors shall be elected at the annual meeting or any special meeting of the stockholders. Except as provided in Section 3 of this Article, and each director elected shall hold office until his successor is elected and qualified, unless sooner displaced. Directors need not be stockholders.

Section 2. Enlargement. The number of the Board of Directors may be increased at any time by vote of a majority of the directors then in office.

Section 3. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law or these bylaws, may exercise the powers of the full board until the vacancy is filled. If, at the time of filing any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Section 4. General Powers. The business of the corporation shall be managed by or under the direction of its Board of Directors which may exercise all such powers of the corporation

band do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

Section 5. Place of Meetings. The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 6. Regular Meetings. A regular meeting of the Board of Directors may be held without notice immediately after and at the same place as the annual meeting of stockholders. Regular meetings of the Board of Directors also may be held without notice at such time and at such place as shall from time to time be determined by the Board, provided that any director who is absent when such a determination is made shall be given prompt notice of such determination.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the chief executive officer or secretary on three (3) days' notice to each director by mail or two (2) days' notice to each director either personally or by telegram; special meetings shall be called by the chief executive officer or secretary in like manner and on like notice on the written request of two directors unless the board consists of only one director, in which case special meetings shall be called by the chief executive officer or secretary in like manner and on like notice on the written request of the sole director.

Section 8. Quorum, Action at Meeting, Adjournments. At all meetings of the Board of Directors a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Action by Written Consent. Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 10. Telephonic Meetings. Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 11. Committees. The Board of Directors may, by resolution passed by a majority of the whole board, designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the corporation. The Board may designate one (1) or more directors as

alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Section 12. Records. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation (except as otherwise permitted by Section 141(c)(1) of the General Corporation Law of Delaware or any successor to such section), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the bylaws of the corporation and, unless the resolution designating such committee or the certificate of incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware (or any successor to such section). Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors when required.

Section 13. Compensation. Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed compensation for service or committees.

Section 14. Resignation and Removal. Any director may resign at any time. Unless otherwise restricted by the certificate of incorporation or bylaw, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of shares entitled to vote at an election of directors.

ARTICLE IV
NOTICES

Section 1. Delivery. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mails. Notice to directors may also be given by telegram.

Section 2. Waiver. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V
OFFICERS

Section 1. Enumeration. The officers of the corporation shall be chosen by the Board of Directors and shall be a president, treasurer, and secretary. The Board of Directors may elect from among its members a Chairman of the Board and a Vice Chairman of the Board. The Board of Directors may also choose one or more vice-presidents, assistant secretaries, and assistant treasurers as they deem appropriate. Any number of offices may be held by the same person, unless the certificate of incorporation or these bylaws otherwise provide.

Section 2. Election. The Board of Directors at its first meeting after the first annual meeting of stockholders shall choose a president, a treasurer, and a secretary, and may choose vice presidents, all of whom shall hold their offices for such terms as shall be determined from time to time by the Board of Directors.

Section 3. Other Officers. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 4. Compensation. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors.

Section 5. Tenure, Removal, and Vacancy. The officers of the corporation shall hold office until their successors are chosen and qualified. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

Section 6. Chairman of the Board. The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he shall be present. He shall have and may exercise such powers as are, from time to time, assigned to him by the Board and as may be provided by law.

Section 7. Vice Chairman of the Board. In the absence of the Chairman of the Board, the Vice Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and of the stockholders at which he shall be present. He shall have and may exercise such powers as are, from time to time, assigned to him by the Board and as may be provided by law.

Section 8. President. The president, unless another officer is so designated, shall be the chief executive officer of the corporation; and in the absence of the Chairman and Vice Chairman of the Board he shall preside at all meetings of the stockholders and the Board of Directors; he shall have general and active management of the business of the corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation.

Section 9. Vice Presidents. In the absence of the president or in the event of his inability or refusal to act, the vice-president, if any, (or in the event there be more than one vice-president, the vice-presidents in the order designated by the directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president The vice-presidents shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 10. Secretary. The secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or president, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 11. Assistant Secretaries. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event

of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

Section 12. Treasurer. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the president and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 13. Bond. If required by the Board of Directors, he shall give the corporation a bond (which shall be renewed every six (6) years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 14. Assistant Treasurers. The assistant treasurer, or if there shall be more than one (1), the assistant treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE VI
STOCK

Section 1. Certificates of Stock. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman or vice- chairman of the Board of Directors, or the president or a vice-president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

Certificates may be issued for partly paid shares and in such case upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions

of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 2. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 3. Transfer of Stock. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the a new certification upon its books.

Section 4. Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholder or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 5. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as

the owner of shares and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII
GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law: Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Reserves. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purposes as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 3. Checks. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 4. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

Section 5. Seal. The Board of Directors may adopt a corporate seal having inscribed thereon the name of the corporation, the year of its organization and the words “Corporate Seal, Delaware”. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 6. Indemnification. The corporation shall, to the fullest extent authorized under the laws of the State of Delaware, as those laws may be amended and supplemented from time to time, indemnify any director made, or threatened to be made, a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of being a director of the corporation or a predecessor corporation or, at the corporation’s request, a director or officer of another corporation, provided, however, that the corporation shall indemnify any such agent in connection with a proceeding initiated by such agent only if such proceeding was authorized by the Board of Directors of the corporation. The indemnification provided for in this Section 6 shall: (i) not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement or vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in another capacity while holding such office, (ii) continue as to a person who has ceased to be a director, and (iii) inure to the benefit of the heirs, executors and

administrators of such a person. The corporation's obligation to provide indemnification under this Section 6 shall be offset to the extent of any other source of indemnification or any otherwise applicable insurance coverage under a policy maintained by the corporation or any other person.

Expenses incurred by a director of the corporation in defending a civil or criminal action, suit or proceeding by reason of the fact that he is or was a director of the corporation (or was serving at the corporation's request as a director or officer of another corporation) shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized by relevant sections of the General Corporation Law of Delaware. Notwithstanding the foregoing, the corporation shall not be required to advance such expenses to an agent who is a party to an action, suit or proceeding brought by the corporation and approved by a majority of the Board of Directors of the corporation which alleges willful misappropriation of corporate assets by such agent, disclosure of confidential information in violation of such agent's fiduciary or con obligations to the corporation or any other willful and deliberate breach in bad faith of such agent's duty to the corporation or its stockholders.

The foregoing provisions of this Section 6 shall be deemed to be a contract between the corporation and each director who serves in such capacity at any time while this bylaw is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

The Board of Directors in its discretion shall have power on behalf of the corporation to indemnify any person, other than a director, made a party to any action, suit or proceeding by reason of the fact that he, his testator or intestate, is or was an officer or employee of the corporation.

To assure indemnification under this Section 6 of all directors, officers and employees who are determined by the corporation or otherwise to be or to have been "fiduciaries" of any employee benefit plan of the corporation which may exist from time to time, Section 145 of the General Corporation Law of Delaware shall, for the purposes of this Section 6, be interpreted as follows: an "other enterprise" shall be deemed to include such an employee benefit plan, including without limitation, any plan of the corporation which is governed by the Act of Congress entitled "Employee Retirement Income Security Act of 1974," as amended from time to. time; the corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of his duties to the corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to such Act of Congress shall be deemed "fines."

ARTICLE VIII
AMENDMENTS

These bylaws may be altered, amended or repealed or new bylaws may be adopted by the stockholders or by the Board of Directors, when such power is conferred upon the Board of Directors by the certificate of incorporation at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new bylaws be contained in the notice of such special meeting. If the power to adopt, amend or repeal bylaws is conferred upon the Board of Directors by the certificate or incorporation it shall not divest or limit the power of the stockholders to adopt, amend or repeal bylaws.

EXAGEN DIAGNOSTICS, INC.

FOURTH AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

THIS FOURTH AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT (this "Agreement") is made as of October 4, 2013, by and among Exagen Diagnostics, Inc., a Delaware corporation (the "Corporation"), and the persons listed on Schedule A hereto (the "Holders").

RECITALS

WHEREAS, the Holders are party to that certain Third Amended and Restated Investors' Rights Agreement of the Corporation dated September 4, 2012 (as amended, the "Prior Agreement"); and

WHEREAS, certain of the Holders and the Corporation have entered into that certain Series D Convertible Preferred Stock Purchase and Exchange Agreement dated the date hereof (the "Series D Purchase Agreement"), pursuant to which such Holders agreed to purchase from the Corporation, and the Corporation agreed to sell to such Holders, shares of the Corporation's Series D Convertible Preferred Stock, par value $0.001 per share (the "Series D Preferred Stock"); and

WHEREAS, the Prior Agreement permits the Corporation and the record or beneficial Holders owning at least two thirds (2/3) of the issued and outstanding shares of Series C Convertible Preferred Stock, par value $0.001 per share (the "Series C Preferred Stock"), to amend the Prior Agreement; and

WHEREAS, as a condition to the consummation of the transactions contemplated by the Series D Purchase Agreement, the undersigned Holders, who are the record and beneficial Holders owning at least two thirds (2/3) of the shares of Series C Preferred Stock outstanding as of the date hereof, and the Corporation desire to amend and restate the Prior Agreement in its entirety as set forth herein, to grant each of the Holders the registration rights, information and inspection rights and other rights set forth herein with the intention that this Agreement shall become effective concurrently with the Initial Closing.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and of the mutual promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE 1 Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Adversely Affected Holder" shall have the meaning set forth in Section 5.1.

"Agreement" shall mean this Investors' Rights Agreement, as the same may be amended from time to time.

"Blue Sky laws" shall mean applicable state securities laws and the rules and regulations thereunder, all as the same shall be in effect from time to time.

"Certificate of Incorporation" shall mean the Corporation's Thirteenth Amended and Restated Certificate of Incorporation, as the same may be amended from time to time.

"Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Common Stock" shall mean the Corporation's Common Stock, $0.001 par value per share.

"Corporation" shall mean Exagen Diagnostics, Inc., a Delaware corporation, its successors and assigns.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any successor federal statute, and the rules and regulations of the Commission promulgated thereunder, all as the same shall be in effect from time to time.

"Form S-1" shall mean Form S-1 issued by the Commission or any substantially similar form then in effect.

"Form S-2" shall mean Form S-2 issued by the Commission or any substantially similar form then in effect.

"Form S-3" shall mean Form S-3 issued by the Commission or any substantially similar form then in effect.

"Holders" shall mean the Holders and their permitted assigns under Section 2.8.

"Indemnitees" shall have the meaning set forth in Section 4.1

"Major Holder" shall mean, as of the date of determination, a Holder of at least 2,000.000 shares in the aggregate of Series C Preferred Stock or Series D Preferred Stock (as adjusted for any stock splits, stock dividends, combinations and other similar recapitalizations affecting such shares).

"Notice" shall have the meaning set forth in Section 5.4.

"Preferred Stock" shall mean the Series A-3 Preferred Stock, the Series B-3 Preferred Stock, the Series C Preferred Stock and the Series D Preferred Stock.

"Prior Agreement" shall have the meaning set forth in the Recitals.

"Registrable Securities" shall mean (i) all shares of Common Stock issued or issuable upon conversion of the Preferred Stock, and (ii) all shares of Common Stock issued as

(or issuable upon the conversion, exercise or exchange of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such securities; provided, however, that shares of Common Stock which are Registrable Securities shall cease to be Registrable Securities at such time, and for so long as, such shares are eligible for sale pursuant to Rule 144 under the Securities Act or a similar exemption under the Securities Act is available for the sale of all of such Holder's shares without registration and the Corporation shall have delivered to the Holder an opinion of counsel to such effect which opinion and counsel shall be reasonably satisfactory to the Holder.

"Registration Expenses" shall mean all expenses (other than Selling Expenses) incurred by the Corporation in complying with Sections 2.1 and 2.2, including without limitation, all federal and state registration, qualification, delivery expenses and filing fees, printing expenses, listing fees and disbursements of counsel for the Corporation, blue sky fees and expenses, and the fees and disbursements of all independent certified public accountants of the Corporation, and fees and disbursements of underwriters, selling brokers, dealers, managers or similar securities industry professionals relating to the distribution of Registrable Securities and all fees and expenses of any one special counsel for the Holders.

"Related Transaction" shall mean a transaction whereby a current or former stockholder, director, officer or employee of the Corporation or a relative or "associate" (as defined in the rules and regulations promulgated under the Exchange Act) of any such person or entity, directly or indirectly through his or its affiliation with any other person or entity, is a party to a transaction with the Corporation providing for the furnishing of services (other than employment of such individuals by the Corporation) by or to, or the sale of products by or to, or rental of real or personal property from or to, or otherwise requiring cash payments to or by, any such person or entity in excess of an aggregate of $1,000.

"SBA" shall mean the United States Small Business Administration.

"SBIC" shall mean both vSpring SBIC, L.P. and Wasatch Venture Fund III, L.L.C.

"SBIC Act" shall mean the Small Business Investment Act of 1958, as amended.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations of the Commission promulgated thereunder, all as the same shall be in effect from time to time.

"Selling Expenses" shall mean all underwriting discounts, selling commissions and counsel fees, if any, in excess of the expenses of one special counsel for the Holders paid for by the Corporation as provided in the definition of "Registration Expenses," of the selling stockholder applicable to the sale of Registrable Securities pursuant to this Agreement.

"Series A-3 Preferred Stock" shall mean the Corporation's Series A-3 Preferred Stock, $0.001 par value per share.

"Series B-3 Preferred Stock" shall mean the Corporation's Series B-3 Preferred Stock, $0.001 par value per share.

"Series C Preferred Stock" shall have the meaning set forth in the Recitals.

"Series D Preferred Stock" shall have the meaning set forth in the Recitals.

"Series D Purchase Agreement" shall have the meaning set forth in the Recitals.

"Underwriter's Representative" shall have the meaning set forth in Section 2.1(e)(ii).

1.1 Restrictions on Transfer.

(a) No Holder shall transfer or otherwise dispose of in any manner all or any portion of any securities of the Corporation held by such Holder unless and until the transferee thereof has agreed in writing for the benefit of the Corporation to be bound by this Section 1.1, provided and to the extent such Section is then applicable, and:

(i) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii)(A) Such Holder shall have notified the Corporation of the proposed disposition and shall have furnished the Corporation with a detailed statement of the circumstances surrounding the proposed disposition, and (B) if reasonably requested by the Corporation, such Holder shall have furnished the Corporation with an opinion of counsel, reasonably satisfactory to the Corporation, that such disposition will not require registration of such shares under the Securities Act. It is agreed that the Corporation will not require opinions of counsel for transactions made pursuant to Rule 144 under the Securities Act except in unusual circumstances.

(ii) Notwithstanding the provisions of paragraphs (i) and (ii) above, no such registration statement or opinion of counsel shall be necessary for a transfer by a Holder which is (A) a partnership to its partners or retired partners in accordance with partnership interests, (B) a corporation to its shareholders in accordance with their interest in the corporation, (C) a limited liability company to its members or former members in accordance with their interest in the limited liability company, or (D) to the Holder's family member or trust for the benefit of an individual Holder, provided the transferee will be subject to the terms of this Section 1.1 to the same extent as if such transferee were an original Holder hereunder.

(b) Each certificate representing any securities of the Corporation shall (unless otherwise permitted by the provisions of this Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY OTHER SECURITIES LAWS. THESE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A

VIEW TO DISTRIBUTION OR RESALE. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, OR TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT COVERING SUCH SECURITIES UNDER THE SECURITIES ACT OF 1933 AND ANY OTHER APPLICABLE SECURITIES LAWS, UNLESS THE HOLDER SHALL HAVE OBTAINED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

(c) The Corporation shall be obligated to reissue promptly unlegended certificates at the request of any Holder thereof if the Holder shall have obtained an opinion of counsel at such Holder's expense (which counsel may be counsel to the Corporation) reasonably acceptable to the Corporation to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend.

ARTICLE 2 Registration Rights. The Corporation covenants and agrees as follows:

2.1 Demand Registration.

(a) Request for Registration on Form Other Than Form S-3. For a period of three (3) years following the closing of the Corporation's initial underwritten public offering of Common Stock pursuant to a registration statement, and in the event that the Corporation shall receive from the Holders of no less than 50% of the outstanding Registrable Securities a written request that the Corporation effect any registration with respect to Registrable Securities on Form S-1 or Form S-2, the Corporation shall promptly give notice thereof to all Holders of Registrable Securities. Each Holder shall have the right, by giving notice to the Corporation within 15 days following receipt by it of such notice from the Corporation, to elect to have included in such registration such of its Registrable Securities as such Holders shall request in such notice of election, subject to Section 2.1(c). The Corporation shall use its best efforts to effect registration of the Registrable Securities specified in such request and notice of election. The Corporation shall not be obligated to effect more than two (2) registrations pursuant to this Section 2.1(a); provided, that a registration shall not be counted for this purpose if (A) the Corporation elects to sell stock pursuant to a registration at the same time as the registration requested hereunder and less than all the Registrable Securities for which registration was requested are included, (B) the registration statement does not become effective or (C) the requesting Holders are not able to sell at least 90% of the Registrable Securities requested to be included in such registration statement.

(b) Request for Registration on Form S-3. If at any time and from time to time after the date which is 180 days after the closing of the Corporation's initial underwritten public offering of Common Stock pursuant to a registration statement and thereafter, in the event that the Corporation shall receive from the Holders of outstanding Registrable Securities a

written request that the Corporation effect any registration with respect to Registrable Securities on Form S-3 (or any successor form to Form S-3 regardless of its designation) at a time when the Corporation is eligible to register securities on Form S-3 (or any successor form to Form S-3 regardless of its designation) for an offering of Registrable Securities, the Corporation shall promptly give notice thereof to all Holders of Registrable Securities. Each Holder shall have the right, by giving notice to the Corporation within 15 days following receipt by it of such notice from the Corporation, to elect to have included in such registration such of its Registrable Securities as such Holders shall request in such notice of election, subject to Section 2.1(c). The Corporation shall use its best efforts to effect registration of the Registrable Securities specified in such request and notice of election; provided that the Corporation shall not be required to effect a registration pursuant to this Section 2.1(b) unless Holders requesting registration propose to dispose of shares of Registrable Securities having an aggregate price to the public (before deduction of underwriting discounts and expenses of sale) of at least $1,000,000; and provided, further, that the Corporation shall not be required to effect more than two (2) such registrations pursuant to this Section 2.1(b) within any twelve-month period.

(c) Allocation of Shares in Demand Registration. In the event that the underwriter's representative determines in good faith that marketing factors require a limitation of the shares to be included in a registration pursuant to Section 2.1(a) or 2.1(b), each Holder requesting registration shall be entitled to include a portion of the Registrable Securities requested to be included in such registration *pro rata* (based on the number of Registrable Securities held). In such event, such registration shall not be counted for the registration for purposes of Section 2.1(a) or 2.1(b), as the case may be, if such registration does not include at least 90% of the Registrable Securities requested to be included in such registration statement pursuant to Section 2.1(a) or 2.1(b), as the case may be.

(d) Registration of Other Securities in Demand Right. A registration pursuant to Section 2.1(a) or 2.1(b) may include securities other than Registrable Securities included in such registration only with the prior consent of the Holders of more than 50% of the Registrable Securities requesting such registration; provided, that the Corporation may include its Common Stock in such registration without such consent so long as such inclusion does not prevent in any manner whatsoever the Holders of Registrable Securities from including in such registration all of the Registrable Securities that such Holders elected to so include pursuant to Section 2.1(a) or 2.1 (b), as the case may be.

(e) Underwriting in Demand Registration.

(i) Notice of Underwriting. If the Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Corporation as a part of their request made pursuant to this Section 2.1, and the Corporation shall include such information in the notice referred to in Section 2.2(a).

(ii) Selection of Underwriter in Demand Registration. The Corporation shall, together with the Holders engaged in a registration, enter into an underwriting agreement with the representative ("Underwriter's Representative") of the underwriter or underwriters selected for such underwriting by a majority of the Holders engaged in the registration and approved by the Corporation.

(iii) Right of Withdrawal in Demand Registration. If a Holder disapproves of the terms of the underwriting, it may elect to withdraw therefrom by notice to the Corporation and the Underwriter's Representative delivered at least 10 days prior to the effective date of the registration statement. The securities so withdrawn shall also be withdrawn from the registration statement.

(iv) Blue Sky in Demand Registration. In the event of any registration pursuant to Section 2.1, the Corporation will exercise its best efforts to Register and qualify the securities covered by the registration statement under such other securities or Blue Sky laws of such jurisdictions as the Holders shall reasonably request and as shall be reasonably appropriate for the distribution of such securities; provided, however, that the Corporation shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) Optimal Registration. The Holders agree that, in exercising their rights under Section 2.1, they will permit the registration of the Registrable Securities on such forms issued by the Commission as will minimize the Corporation's time and expense in effecting such registration without affecting the liquidity afforded by such registration or otherwise adversely affecting the Holders, in each case as reasonably determined by the Holders. If, for example, the Holders wish to register Registrable Securities pursuant to Section 2.1(a) at a time when the Corporation is eligible to use Form S-3 for purposes of registering such Registrable Securities, the Holders will permit the Corporation to fulfill its obligations under Section 2.1(a) by effecting such registration on Form S-3; provided, however, that nothing in this Section 2.1(e)(v) will permit the Corporation to fulfill such obligation by using Form SB-1, SB-2 or similar forms limited to "Small Business Issuers," without the consent of the Holders of a majority of the Registrable Securities to be included in such registration.

(vi) Delay of Registration. The Holders agree that for a period of 90 days following the date of the effectiveness of a registration under Section 2.2 pursuant to which the Holders have sold not less than 75% of the aggregate amount of the Registrable Securities that the Holders specified in their notice to the Corporation pursuant to Section 2.2(a), they will not exercise their right to demand a registration pursuant to Section 2.1(a) or 2.1(b). In addition, the Corporation shall not be required to effect a registration pursuant to this Section 2.1 if the Corporation shall furnish to the Holders within thirty (30) days of any registration request a certificate signed by the President of the Corporation stating that in the good faith judgment of the Board of Directors of the Corporation, it would be seriously detrimental to the Corporation and its stockholder for such registration to be effected at such time, in which event the Corporation shall have the right to defer the filing of the registration statement for a period of not more than ninety (90) days after the receipt of the request of the Holder or Holders under this Section 2.1; provided, however, that the Corporation shall not utilize this right more than once in any twelve month period.

2.2 Piggyback Registration.

(a) Notice of Piggyback Registration and Inclusion of Registrable Securities. Subject to the terms of this Agreement, in the event during the period of three (3) years following the closing of the Corporation's initial underwritten public offering of Common Stock pursuant

to a registration statement, the Corporation decides to register any of its Common Stock (either for its own account or the account of a Holders or other security holder exercising demand registration rights) (but without any obligation to do so), other than (i) a registration statement which exclusively relates to the registration of securities under an employee stock option, purchase, bonus or other benefit plan, or (ii) a registration on any form that does not include substantially the same information (other than information relating specifically to this disposition of the Registrable Securities and the Holders) as would be required to be included in a registration statement covering the sale of the Registrable Securities, the Corporation will: (A) promptly give the Holders written notice thereof (which shall include a list of the jurisdictions in which the Corporation intends to attempt to qualify such securities under the applicable Blue Sky laws) and (B) include in such registration (and any related qualification under Blue Sky laws or other compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request delivered to the Corporation by the Holders within 15 days after delivery of such written notice from the Corporation.

(b) Underwriting in Piggyback Registration.

(i) Notice of Underwriting. If the registration of which the Corporation gives notice is a registered public offering involving an underwriting, the Corporation shall so advise the Holders as a part of the written notice given pursuant to Section 2.2(a). In such event the right of the Holders to registration shall be conditioned upon such underwriting and the inclusion of a Holder's Registrable Securities in such underwriting to the extent provided in this Section 2.2. The Holders shall, together with the Corporation, enter into an underwriting agreement with the Underwriter's Representative for such offering. The Holders shall have no right to participate in the selection of the underwriters for an offering pursuant to this Section 2.2.

(ii) Marketing Limitation in Piggyback Registration. In the event the Underwriter's Representative advises the Corporation and the Holders engaged in a registration under Section 2.2(a) in writing that market factors (including, without limitation, the aggregate number of shares of Common Stock requested to be registered, the general condition of the market, and the status of the persons proposing to sell securities pursuant to the registration) require a limitation of the number of shares to be underwritten, the Underwriter's Representative (subject to the allocation priority set forth in clause (iii) below) may exclude some or all of the Registrable Securities from such registration and underwriting.

(iii) Allocation of Shares in Piggyback Registration. In the event that the Underwriter's Representative limits the number of shares to be included in a registration pursuant to Section 2.2(a), each Holder, upon requesting registration shall be entitled to include a portion of the Registrable Securities requested to be included in such registration *pro rata* (based on the number of Registrable Securities held) with all other requesting Holders. Unless all Registrable Securities and such other piggybacking shares requested to be included in such registration are so included, no other securities may be included in the registration statement.

(iv) Withdrawal in Piggyback Registration. If any Holder disapproves of the terms of any such underwriting, it may elect to withdraw therefrom at no cost to such Holder by written notice to the Corporation and the underwriter delivered at least 10 days prior

to the effective date of the registration statement. Any Registrable Securities or other securities excluded or withdrawn from such underwriting shall be withdrawn from such registration.

(v) Blue Sky in Piggyback Registration. In the event of any registration of Registrable Securities pursuant to Section 2.2(a), the Corporation will exercise its best efforts to register and qualify the securities covered by the registration statement under the Blue Sky laws of such jurisdictions as the Holders shall reasonably request and as shall be reasonably appropriate for the distribution of such securities; provided, however, that the Corporation shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(vi) Termination or Postponement. Without any obligation to the Holders, upon notice to the Holders, the Corporation may terminate or postpone any registration commenced by it under Section 2.2.

2.3 Expenses of Registration. All Registration Expenses incurred in connection with any registration hereunder shall be borne by the Corporation. Selling Expenses to be borne by the selling stockholder shall be borne *pro rata* on the basis of the number of Registrable Securities registered by such selling stockholder.

2.4 Registration Generally. Whenever required under this Article 2 to effect the registration of any Registrable Securities, the Corporation shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to 120 days;

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Corporation shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing

underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement;

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary' to make the statement therein not misleading in light of the circumstances then existing;

(g) Cooperate with the selling Holders of Registrable Securities and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters may request at least 3 days prior to any sale of Registrable Securities to the underwriters;

(h) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Corporation are then listed;

(i) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration; and

(j) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Article 2, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Article 2, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Corporation for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated such date, from the independent certified public accountants of the Corporation, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

2.5 Information Furnished by Holders.

(a) It shall be a condition precedent of the Corporation's obligations under Article 2 of this Agreement to any Holder that such Holder furnish to the Corporation such information regarding the Holder, the Registrable Securities held by it and the distribution proposed by the Holder as the Corporation may reasonably request to effect any such registration and as are customarily provided by selling stockholder.

(b) The Corporation shall have no obligation with respect to any registration requested pursuant to Section 2.1(a) or 2.1(b) hereof if, due to the failure of any Holder or Holders to provide the information requested pursuant to Section 2.5(a), the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Corporation's obligation to initiate such registration as specified in Section 2.1(a) or 2.1(b), as applicable.

2.6 Indemnification.

(a) Indemnification by the Corporation. In the event of the registration of any Registrable Securities under the Securities Act pursuant to the provisions hereof, the Corporation will, to the extent permitted by law, indemnify and hold harmless each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being hereinafter sometimes referred to as an "indemnified person"), from and against any losses, claims, damages, liabilities or expenses, joint or several, to which such indemnified person may become subject under the Securities Act, the Exchange Act, state securities laws and Blue Sky laws or otherwise, insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof) arise out of or are based upon (i) any, untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any registration statement or prospectus or any amendment or supplement thereto or in any preliminary prospectus, or any document incorporated by reference therein, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iii) any violation of the Securities Act, the Exchange Act, any "blue sky" or other state securities laws or any regulation promulgated thereunder and the Corporation will reimburse each such indemnified person for any legal or any other expenses reasonably incurred by such indemnified person in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Corporation will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made or incorporated by reference in the registration statement, prospectus, amendment, supplement or in reliance upon and in conformity with written information furnished to the Corporation by such indemnified person stating specifically that it is for use in preparation thereof; and provided, further, that the Corporation shall have no obligation hereunder nor any liability with respect to any settlement of any action or proceeding effected without its written consent, which consent shall not be unreasonably withheld, delayed or conditioned, but if settled with its written consent, or if there be a final judgment for the plaintiff in any such action or proceeding, the Corporation agrees to indemnify and hold harmless such indemnified parties from and against any loss or liability by reason of such settlement or judgment. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified person and shall survive the transfer of such Registrable Securities by such seller.

(b) Indemnification by Holder of Registrable Securities. In the event of the registration of any Registrable Securities under the Securities Act pursuant to the provisions hereof each Holder on whose behalf such Registrable Securities shall have been registered will,

to the extent permitted by law, indemnify and hold harmless the Corporation, each director of the Corporation, each officer of the Corporation who signs the registration statement, each underwriter, broker and dealer, if any, who participates in the offering and sale of such Registrable Securities and each other person, if any, who controls the Corporation or any such underwriter, broker or dealer within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being hereinafter sometimes referred to as an "indemnified person"), against any losses, claims, damages or liabilities, joint or several, to which the Corporation, such director, officer, underwriter, broker or dealer or controlling person may become subject under the Securities Act, the Exchange Act, state securities laws and Blue Sky laws or otherwise, insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained or incorporated by reference in any registration statement or prospectus or any amendment or supplement thereto or any document incorporated by reference therein, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, which untrue statement or alleged untrue statement or omission or alleged omission has been made or incorporated therein in reliance upon and in conformity with written information furnished to the Corporation by such Holder stating specifically that it is for use in preparation thereof, and will reimburse the Corporation and each such indemnified person for any legal or any other expenses reasonably incurred by the Corporation or such indemnified person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the obligations of each holder hereunder shall be limited to an amount equal to the net proceeds to such Holder of securities sold as contemplated herein; and provided, further, that no holder shall have any obligation hereunder or be liable with respect to any settlement of any action or proceeding effected without its written consent, which consent shall not be unreasonably withheld, delayed or conditioned.

(c) Procedure. Promptly after receipt by an indemnified party under this Section 2.6 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.6, deliver to the indemnifying party a written notice of the commencement thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than pursuant to the provisions of this Section 2.6 except to the extent materially prejudiced thereby. In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will have the right to participate in, and to the extent that the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. No indemnifying party will consent to the entry of any judgment or enter into any settlement which (I) does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all

liability in respect to such claim or litigation or (ii) includes a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Contribution. If the indemnification provided for in this Section 2.6 is held by a court of competent jurisdiction to be unavailable to a party that would have been an indemnified party under this Section 2.6 with respect to any losses, claims, damages, liabilities or expenses (or actions in respect thereof) referred to therein, then each party that would have been an indemnifying party thereunder shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and such indemnified party on the other in connection with the statement or omission which resulted in such losses, claims, damages, liabilities or expenses (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or such indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The Corporation and each holder of Registrable Securities agrees that it would not be just and equitable if contribution pursuant to this Section 2.6(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 2.6(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses (or actions in respect thereof) referred to above in this Section 2.6 shall include any legal or other expenses reasonably incurred by such indemnified party in connection with investigation or defending any such action or claim if the indemnifying Party has assumed the defense of any such action in accordance with the provisions thereof). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) Underwriting Agreement to Control. Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with an underwritten public offering are in conflict with the foregoing provisions, as between the Corporation and the Holder, on the one hand, and the underwriter, on the other hand, the provisions in the underwriting agreement shall control.

(f) Limitation on Liability. The liability of any Holder of Registrable Securities pursuant to this Section 2.6 shall not exceed the net proceeds received by such holder from a sale of Registrable Securities pursuant to a registration hereunder.

2.7 Current Public Information. At all times after the Corporation has filed a registration statement pursuant to the Securities Act, the Corporation will use its best efforts to file all reports required under the Securities Act or the Exchange Act and will take such further action as may be reasonably required to enable any holder of "restricted securities" (as defined in

Rule 144 adopted by the Commission under the Securities Act) to sell such securities pursuant to Rule 144, as amended from time to time, or any similar rule or regulation hereafter adopted by the Commission.

2.8 Transfer of Registration Rights. The rights under this Agreement may be assigned by any Holder to the extent of the Registrable Securities assigned to a transferee or assignee who acquires at least 1,000,000 shares of a Holder's Preferred Stock or, if a Holder owns less than 1,000,000 shares of Preferred Stock, all of such Holder's Preferred Stock, or an equivalent amount of Registrable Securities issued upon conversion thereof (adjusted for any dividends, subdivisions, combinations or reclassifications with respect to such shares), provided that (i) such transfer may otherwise be effected in accordance with applicable securities laws, (ii) that the Corporation is given written notice by the Holder at the time of or within a reasonable time after said transfer, stating the name and address of said transferee or assignee and identifying the securities with respect to which such registration rights are being assigned and (iii) that the transferee or assignee of such rights assumes in writing the obligations of such Holder under this Article 2. The foregoing share limitation shall not apply, however, to transfers by a Holder which is a limited partnership to its partners or retired partners.

2.9 Limitations on Subsequent Registration Rights. From and after the date hereof, the Corporation shall not, without the prior written consent of the Holders (which consent will not be unreasonably withheld) of not less than a majority of the Registrable Securities then held by all Holders, enter into any agreement with any prospective holder of any securities of the Corporation which would allow such prospective holder to demand registration of its securities or to include such securities in any registration filed under Section 2.1 hereof, unless under the terms of such agreement, such prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the amount of the Registrable Securities of the Holders which are included.

2.10 "Market Stand-Off" Agreement. Each Holder hereby agrees that, for a period of duration specified by the Corporation and an underwriter of common stock or other securities of the Corporation (such period not to exceed 180 days) following the effective date of the first registration statement of the Corporation filed under the Securities Act which covers securities to be sold on the Corporation's behalf to the public in an underwritten offering, it shall not, to the extent requested by the Corporation and its underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Corporation held by it at any time during such period except Registrable Securities included in such registration; provided, however, that such agreement shall not be required unless all officers and directors of the Corporation and all other persons with registration rights (whether or not pursuant to this Agreement) enter into similar agreements. In order to enforce the foregoing covenant, the Corporation may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

2.11 Termination of Registration Rights. The right of any Holder to request registration or inclusion in any registration pursuant to this Agreement shall terminate after the later of:

(a) three (3) years following the closing of the Corporation's initial underwritten public offering of Common Stock; and

(b) such date, on or after the closing of the Corporation's initial underwritten public offering of Common Stock, on which such Holder holds less than one percent (1%) of the Corporation's outstanding Common Stock (treating all shares of Preferred Stock on an as-converted basis) and may immediately sell all shares of its Registrable Securities under Rule 144 during any ninety-day period.

ARTICLE 3 Covenants of the Corporation. The Corporation covenants and agrees that, as long as any shares of Preferred Stock remain outstanding, it will observe and perform the following covenants and provisions:

3.1 Inspection. The Corporation will permit each Major Holder or its representative, at such Major Holder's expense, and examiners of the SBA, to visit and inspect the properties and assets of the Corporation, to examine its books of account and records, and to discuss the Corporation's affairs, finances and accounts with the Corporation's officers, senior management and accountants, all at such reasonable times as may be requested by such Major Holder or the SBA. The Major Holder shall maintain the confidentiality of any confidential and proprietary information so obtained by it which is not otherwise available from other sources that are free from similar restrictions; provided, however, that the foregoing, shall in no way limit or otherwise restrict the ability of each Major Holder or its authorized representatives to disclose any such information concerning the Corporation which it may be required to disclose (a) to its partners, board members or stockholder, to the extent required to satisfy its fiduciary obligations to such persons, or (b) otherwise pursuant to or as required by law.

3.2 Financial Statements. The Corporation will furnish or cause to be furnished:

(a) Monthly and Quarterly Reports. To each Major Holder, (i) within thirty (30) days after the end of each month, consolidated monthly unaudited financial statements (including a balance sheet and a statement of operations for the month and year-to-date, each in comparative form with the previous month) for the previous month (all prepared in accordance with generally accepted accounting principles consistently applied), and (ii) within forty-five (45) days of the end of each quarter, consolidated quarterly unaudited financial statements (including a balance sheet and a statement of operations for the quarter and year-to-date, each in comparative form with the previous quarter) for the previous quarter, all prepared in accordance with generally accepted accounting principles consistently applied), in each case with management's analysis of results and a statement of the Chief Financial Officer explaining any material differences from budget. The foregoing financial statements shall be certified by the Chief Executive Officer or Chief Financial Officer of the Corporation to the effect that such statements fairly present the financial position and financial results of the Corporation for the fiscal period covered.

(b) Annual Financial Statements. To each Holder, within one hundred twenty (120) days after the end of each fiscal year of the Corporation (i) the consolidated and consolidating balance sheets of the Corporation and its subsidiaries as at the end of such year,

and (ii) the related consolidated and consolidating statements of income, retained earnings and cash flows for such year, setting forth in comparative form with respect to such consolidated financial statements figures for the previous fiscal year, all in reasonable detail, together with the opinion thereon of the Corporation's independent certified public accountants, which accountants shall be a nationally recognized accounting firm reasonably acceptable to the Holders, and which opinion shall state that such financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year (except for changes, if any, which shall be specified and approved in such opinion) and that the audit by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards related to reporting.

(c) Budget and Operating Forecast. To each Major Holder, for each fiscal year of the Corporation, at least thirty (30) days prior to the beginning of each fiscal year, a business plan, projections and monthly budget for the coming year, together with a capital expenditures budget, approved by the Corporation's Board of Directors; and such budget shall be accepted as the Corporation's budget for such fiscal year when it has been approved by a majority vote of the Board of Directors. The approved budget shall be reviewed by the Corporation periodically and all necessary changes or revisions to such budget shall be resubmitted to the Board of Directors and shall be accepted when approved in accordance with, and the Corporation shall not make any such changes to the budget without such approval in accordance with, the majority of the Board of Directors.

(d) Termination of Certain Provisions. The provisions of paragraph (a), (b) and (c) of this Section 3.2 shall terminate at the time the Corporation becomes subject to the reporting provisions of the Securities Exchange Act of 1934, as amended.

(e) Auditor's Letters. To each Major Holder, promptly following receipt by the Corporation, each audit response letter, accountant's management letter and other written report submitted to the Corporation by its independent public accountants in connection with an annual or interim audit of the books of the Corporation.

(f) Use of Proceeds. The Corporation will deliver to each SBIC from time to time promptly following such SBIC's request, a written report, certified as correct by the Corporation's chief financial officer, verifying the purposes and amounts for which proceeds from the investment in the Preferred Stock have been disbursed. The Corporation will supply to each SBIC such additional information and documents as such SBIC reasonably requests with respect to its use of proceeds and will permit such SBIC to have access to any and all Corporation records, information and personnel as such SBIC deems necessary to verify how such proceeds have been or are being used.

(g) Information Covenant. Within 60 days after the end of the fiscal year of the Corporation, the Corporation will furnish or cause to be furnished to each SBIC information required by the SBA on an SBA form provided by each SBIC concerning the economic impact of such SBIC's investment in the Corporation, for (or as of the end of) such fiscal year, including but not limited to, information concerning full-time equivalent employees; Federal, state and local income taxes paid; gross revenue; source of revenue growth; after-tax profit or loss; and Federal, state and local income tax withholding. The Corporation will also furnish or cause to be

furnished to each SBIC such other information regarding the business, affairs and condition of the Corporation as such SBIC may from time to time reasonably request.

3.3 Management Rights. Each Major Holder will be entitled to consult with and advise management of the Corporation on significant business issues, including management's proposed annual operating plans, and management will meet with Major Holders regularly during each year at the Corporation's facilities at mutually agreeable times for such consultation and advice and to review progress in achieving said plans.

3.4 Insurance. The Corporation shall keep its insurable properties insured at all times to such extent and against such risks, including fire, and other risks insured against by extended coverage, as is customary with companies of comparable size and financial condition in the same or similar businesses; maintain in full force and effect product liability insurance and public liability insurance against claims for personal injury or death or property damage occurring upon, in, about or in connection with the use of any properties owned, occupied or controlled by the Corporation, in such amount as the Corporation shall reasonably deem necessary; and maintain workers' compensation insurance and such other insurance as may be required by law. In addition, all of the foregoing insurance maintained by the Corporation shall be of types and in amounts such that the Corporation at all times will be in compliance in all respects with all federal, state, local and foreign laws, ordinances, regulations and orders applicable to its business that govern such insurance.

3.5 Obligations and Taxes. The Corporation shall pay all of its indebtedness and obligations promptly and in accordance with their terms and pay and discharge promptly all taxes imposed upon it or its income or profits or in respect of its property, before the same shall become in default, as well as all lawful claims for labor and supplies or otherwise which, if unpaid, might become a lien or charge upon such properties or any part thereof; provided, however, that the Corporation shall not be required to pay and discharge or to cause to be paid and discharged any such taxes so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings, the Corporation, as applicable, shall set aside on its books such reserves as are required by generally accepted accounting principles with respect to any such taxes and no liens have been assessed against the Corporation or any of its assets.

3.6 Existence; Maintenance of Property. The Corporation shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect its corporate existence, material rights, licenses, permits and franchises and comply with all laws and regulations applicable to the conduct of its business and the ownership of its property; at all times maintain and preserve all material property necessary in the conduct of the business and keep the same in good repair, working order and condition, and from time to time make, or cause to be made, all needed and proper repairs, renewals and replacements thereto, so that the business carried on in connection therewith may be properly conducted at all times.

3.7 System of Accounting. The Corporation shall maintain a system of accounting established and administered in accordance with generally accepted accounting principles.

3.8 Related Transaction. The Corporation shall not, directly or indirectly, enter into any Related Transaction other than on an arm's length basis, on terms no less favorable to the Corporation than could be obtained from non-related persons and with the prior approval of the Board of Directors, including one member appointed by the Holders of the Preferred Stock.

3.9 Loans and Investments. The Corporation will not make any loan or advance (other than advances in the ordinary course of business consistent with past practice with regard to valid business expenses) or extend credit to any person or entity (other than trade credit in the ordinary course consistent with past practice), or make any investment in such person or entity, or its securities, except (a) investments in United States Treasury obligations, (b) certificates of deposit, bankers acceptances and other "money market instruments" issued by any bank or trust company organized under the laws of the United States or any state thereof and having capital and surplus not less than $100,000,000, (c) open market commercial paper bearing Standard & Poor's highest credit rating or by another similar nationally recognized firm, and repurchase agreements with any bank or trust company organized under the laws of the United States or any state thereof and having capital and surplus not less than $ 100,000,000 relating to United States government obligations, in each case maturing in less than one year, and (d) investments in mutual funds registered under the Investment Company Act of 1940), which have net assets of at least $200,000,000 and at least eighty-five percent (85%) of whose assets consist of obligations having an investment grade credit grading from either Standard & Poor's Corporation or Moody's Investors Service, Inc. and/or equity securities of entities that have obligations with such credit ratings.

3.10 Compliance with Laws. The Corporation shall comply with all applicable laws, rules, regulations and orders, noncompliance with which could adversely affect its business or condition, financial or otherwise. The Corporation will not offer, sell or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) that will be integrated with the sale of the Series D Preferred Stock in a manner that would require the registration of the Series D Preferred Stock under the Securities Act.

3.11 Dividends. Except as otherwise provided for in the Certificate of Incorporation, the Corporation shall not, declare, set aside, or make any payment of a dividend or make any other distribution in respect of its capital stock, repurchase or redeem any of its capital stock or make any other payments to any holder of its outstanding capital stock.

3.12 Reservation of Conversion Stock. The Corporation will, upon any increase in the number of shares of Common Stock issuable upon conversion of the Preferred Stock, reserve additional shares of Common Stock for issuance upon such conversion, so that the number of shares of Common Stock so authorized will not at any time be less than the number of such shares issuable upon such conversion.

3.13 Press Releases. The Corporation agrees to give the Major Holders advanced notice of, and to consult with the Major Holders concerning the content of, any public announcements that the Corporation intends to make.

3.14 Internal Revenue Code Section 1202. The Corporation covenants that so long as any of the Preferred Stock (or Common Stock issued upon conversion thereof) are held by a Major Holder (or a permitted transferee in whose hands such Preferred Stock or Common Stock is eligible to qualify as "qualified small business stock" as defined in Section 1202(c) of the Internal Revenue Code), it will use its best efforts (including complying with any applicable filing or reporting requirements imposed by the Internal Revenue Code on issuers of "qualified small business stock") to cause the Preferred Stock and Common Stock issued upon conversion thereof to qualify as "qualified small business stock"; provided, however, that "best efforts' as used in this Section 3.14 shall not be construed to require the Corporation to operate its business in a manner that would adversely affect its business, limit its future prospects, or alter the timing or resource allocation related to its planned operations or financing activities. When requested by a Major Holder, the Corporation will provide a letter or certificate to the effect that the Preferred Stock and Common Stock issued upon conversion or exercise thereof purchased from the Corporation are "qualified small business stock."

3.15 SBIC Permitted Activities and Proceeds. Neither the Corporation nor any of its Affiliates (as defined in the SBIC Act) will engage in any activities or use directly or indirectly the proceeds from the sale of the Preferred Stock for any purpose for which a small business investment company is prohibited from providing funds by the SBIC Act, including 13 C.F.R. §107. The general categories are (i) relenders or reinvestors, (ii) passive businesses, (iii) real estate businesses, (iv) project financing and (v) foreign investment. The Corporation will not change within one year of the closing date of such SBIC's investment in the Corporation, the Corporation's business activity to a business activity which a small business investment company is prohibited from providing funds by the SBIC Act.

3.16 Termination of this Section 3.16. The provisions of this Section 3 shall terminate immediately upon the closing of the Corporation's initial underwritten public offering of Common Stock.

ARTICLE 4 Indemnification.

4.1 The Corporation shall hold harmless and indemnify the Holders and their respective direct and indirect subsidiaries, Affiliates and corporations, and each of their partners, officers, directors, managers, employees, stockholders, agents, and other representatives (collectively, referred to as the "Indemnitees") against any and all expenses (including attorneys' fees), damages, judgments, fines, amounts paid in settlements, or any other amounts that an Indemnitee incurs as a result of any claim or threatened, pending or completed action, suit, arbitration, investigation or other proceeding arising out of, or relating to the Indemnitee's performance of its obligations or the exercise of its rights in accordance with the terms of this Agreement or the Certificate of Incorporation or Indemnitee's status as a security holder of the Corporation; provided, however, that no Indemnitee shall be entitled to be held harmless or indemnified by the Corporation for acts, conduct or omissions by any Indemnitee (i) if the Indemnitee failed to act in good faith or in a manner that such Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation, or, (ii) with respect to any criminal action or proceeding, if the Indemnitee's conduct was unlawful.

4.2 The Corporation shall reimburse within 30 days after the receipt by the Corporation of a written statement or statements from an Indemnitee requesting such reimbursement all reasonable expenses incurred by an Indemnitee (or any third party indemnitor of such Indemnitee) in connection with any threatened, pending or completed action, suit, arbitration, investigation or other proceeding for which the Corporation is obligated to indemnify such Indemnitee according to Section 4.1 above.

ARTICLE 5 Miscellaneous.

5.1 Waivers and Amendments. This Agreement may not be amended, modified or waived at any time, unless such amendment, modification or waiver is first approved in writing by (a) the Holders owning at least two thirds (2/3) of the issued and outstanding shares of Series D Preferred Stock, (b) the Holders owning at least two thirds (2/3) of the issued and outstanding shares of Series C Preferred Stock and (c) the Corporation; provided, however, that if any amendment, modification or waiver would apply to a Holder (each, an "Adversely Affected Holder") in a fashion different than how such amendment, modification or waiver applies to all Holders, then such amendment, modification or waiver shall not be effective as to such Adversely Affected Holder unless consented to by such Adversely Affected Holder. Any amendment, modification or waiver so effected shall be binding upon the Corporation, each of the parties hereto and any assignee of any such party. In addition, the Corporation may waive performance of any obligation owing to it, as to some or all of the Holders, or agree to accept alternatives to such performance, without obtaining the consent of any Holder. No waiver of any breach of this Agreement extended by any party hereto to any other party shall be construed as a waiver of any rights or remedies of any other party hereto or with respect to any subsequent breach. Notwithstanding the foregoing, without the written consent of the Major Holders holding at least two thirds (2/3) of the shares of Series C Preferred Stock and Series D Preferred Stock issued and outstanding held by all such Major Holders, the obligations of the Corporation and the rights of the parties under Sections 3.1, 3.2(a), 3.2(c), 3.2(e), 3.3, 3.14 and 3.15 of this Agreement may not be amended, modified or waived (either generally or in a particular instance, either retroactively or prospectively, and either for a specified period of time or indefinitely).

5.2 Governing Law. This Agreement shall be governed in all respects by the laws of the State of Delaware, without regards to conflict of laws principles.

5.3 Effectiveness; Entire Agreement. This Agreement shall become effective concurrently with the consummation of the purchase and sale of the Series D Preferred Stock under the Series D Purchase Agreement at the Initial Closing. This Agreement and the other documents delivered in connection herewith constitute the full and entire understanding of the parties with regard to the subjects hereof and thereof, and this Agreement shall supersede and cancel all prior agreements between the parties hereto with regard to the subject matter hereof, including the Prior Agreement.

5.4 Notices, etc. All notices and other communications required or permitted hereunder (each, a "Notice") shall be in writing and shall be delivered by overnight courier service or mailed by first class mail, postage prepaid, certified or registered mail, return receipt requested, addressed (a) if to a Holder, at such party's address as set forth in the Corporation's records, or at such other address as such party shall have furnished to the Corporation in writing

or (b) if to the Corporation, to it at the address set forth on the Corporation's signature page hereto or other address as the Corporation shall have furnished to the Holder in writing. All Notices shall be deemed effectively given: (x) upon personal delivery to the party to be notified, (y) three (3) days after having been sent by first class mail, postage prepaid, certified or registered mail, return receipt requested and (z) one (1) day after deposit with an overnight courier service.

5.5 Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

5.6 Title and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

5.7 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and disbursements in addition to any other relief to which such party may be entitled.

5.8 Counterparts; Execution by Facsimile Signature. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. This Agreement may be executed by facsimile signature(s) which shall be binding on the party delivering same, to be followed by delivery of originally executed signature pages.

5.9 Aggregation of Stock. All shares of Preferred Stock and Common Stock of the Corporation held or acquired by affiliated entities or persons shall be aggregated for the purpose of determining the availability of any rights under this Agreement.

5.10 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Corporation shall issue additional shares of Preferred Stock from time to time, any purchaser of such shares of Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement and shall be deemed a "Holder" and a party hereunder.

* * * * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amended and Restated Investors' Rights Agreement as of the date first above written.

CORPORATION:

EXAGEN DIAGNOSTICS, INC.

By: 

Name: Ron Rocca
Title: President and Chief Executive Officer

Address:

Exagen Diagnostics, Inc.
801 University, S.E. Suite 209
Albuquerque, NM 87106
Attention: Scott Glenn

With a copy to:

Brownstein Hyatt Farber Schreck, LLP
201 Third Street, NW
Albuquerque, NM 87102
Attention: Bonnie J. Paisley

HOLDERS:

WASATCH VENTURE FUND III, LLC

By: _____

Name: Kent Madsen
Title: Managing Director

WASATCH NEW MEXICO FUND, LLC

By: _____

Name: Ken Madsen
Title: Managing Director

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amended and Restated Investors' Rights Agreement as of the date first above written.

CORPORATION:

EXAGEN DIAGNOSTICS, INC.

By: _____
Name: Ron Rocca
Title: President and Chief Executive Officer

Address:

Exagen Diagnostics, Inc.
801 University, S.E. Suite 209
Albuquerque, NM 87106
Attention: Scott Glenn

With a copy to:

Brownstein Hyatt Farber Schreck, LLP
201 Third Street, NW
Albuquerque, NM 87102
Attention: Bonnie J. Paisley

HOLDERS:

WASATCH VENTURE FUND III, LLC

By: _____
Name: Kent Madsen
Title: Managing Director

WASATCH NEW MEXICO FUND, LLC

By: _____
Name: Ken Madsen
Title: Managing Director

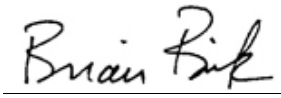
VSPRING SBIC, L.P.

By: vSpring SBIC Management, L.L.C.,
its general partner

By: _____
Name: Dinesh Patel
Title: Managing Director

NMSIC CO-INVESTMENT FUND, L.P.

By: Sun Mountain Capital Partners LLC, its general partner

By: 
Brian Birk, Managing Partner

By: 
Sally Corning, Partner

MESA VERDE VENTURE PARTNERS, L.P.

By _____
Name:
Title:

JAMES J. SCHWARZ and JEANETTE M. SCHWARZ, CO-TRUSTEES OF THE SCHWARZ TRUST

By _____
James J. Schwarz

By _____
Jeanette M. Schwarz

_____
LISA DAVIS

VSPRING SBIC, L.P.

By: vSpring SBIC Management, L.L.C.,
its general partner

By: _____
Name: Dinesh Patel
Title: Managing Director

NMSIC CO-INVESTMENT FUND, L.P.

By: Sun Mountain Capital Partners LLC, its general partner

By: _____
Brian Birk, Managing Partner

By: _____
Sally Corning, Partner

MESA VERDE VENTURE PARTNERS, L.P.

By 
Name: DANIEL C. WOOD
Title: Member

JAMES J. SCHWARZ and JEANETTE M. SCHWARZ, CO-TRUSTEES OF THE SCHWARZ TRUST

By _____
James J. Schwarz

By _____
Jeanette M. Schwarz

_____
LISA DAVIS

NEW TECH I, L.P.

By: _____
Name:
Title:

PAMELA J. SULLIVAN
THOMAS A. TUMOLILLO

QUATRO VENTURES, LLC

By: _____
Name:
Title:

RAY RADOSEVICH

SOUTHWEST MEDICAL VENTURES, INC.

By: Waneta C Tuttle
Name: Waneta C Tuttle
Title: President

TULLIS-DICKERSON CAPITAL FOCUS III, L.P.
By Tullis-Dickerson Partners III, L.L.C., its general partner

By: _____
Name: James L. L. Tullis
Title: Manager

BERGE G. HAGOPIAN AND MARY ANN

NEW TECH I, L.P.

By: _____
Name:
Title:

PAMELA J. SULLIVAN
THOMAS A. TUMOLILLO

QUATRO VENTURES, LLC

By: _____
Name:
Title:

RAY RADOSEVICH

SOUTHWEST MEDICAL VENTURES, INC.

By: _____
Name:
Title:

TULLIS-DICKERSON CAPITAL FOCUS III, L.P.
By Tullis-Dickerson Partners III, L.L.C., its general partner

By: _____
Name: James L. L. Tullis
Title: Manager

BERGE G. HAGOPIAN AND MARY ANN HAGOPIAN, CO-TRUSTEES, HAGOPIAN FAMILY TRUST UA DTD 03/25/88

By: _____
Berge K. Hagopian, Trustee

TIMOTHY M. PENNINGTON AND MELISSA PENNINGTON AS TRUSTEES OF THE PENNINGTON FAMILY REVOCABLE TRUST UA DATED MAY 23, 1984

By: _____
Timothy M. Pennington, Trustee

ENDOCHOICE, INC.

By _____
Name:
Title:

HUNT HOLDINGS LIMITED PARTNERSHIP
By: Hunt Vest, LLC, its General Partner
By: Hunt Guaranty Inc., its Sole Member

By: 
Matthew O. Hunt, Manager

CCP/EXAGEN, L.P.

By _____
Name: Ebetuel Pallares-Venegas
Title: Managing Partner

VSPRING, L.P.

By: vSpring Management, LLC
its General partner

By: _____
Name: Dinesh Patel
Title: Managing Director

VSPRING PARTNERS, L.P.

By: vSpring Management, LLC
its General partner

By: _____
Name: Dinesh Patel
Title: Managing Director

GLENN HOLDINGS, L.P.

By: _____
Name:
Title:

SCHEDULE A

HOLDERS

Wasatch Venture Fund III, LP

Wasatch New Mexico Fund, LLC

vSpring SBIC, L.P.

vSpring, L.P.

vSpring Partners, L.P.

NMSIC Co-Investment Fund, L.P.

NMSIC Focused, LLC

James J. Schwarz and Jeanette M. Schwarz, Co-Trustees of the Schwarz Trust

Jane Hillhouse

Lisa Davis

New Tech I, L.P.

Pamela J. Sullivan and Thomas A. Tumolillo

Quatro Ventures, LLC

Ray Radosevich

Robert and Marcia Cates

Robert H. Nath

Southwest Medical Ventures, Inc.

Sheryl A. Johnson

John P. Alsobrook, II

Dale Olson

Mesa Verde Venture Partners, L.P.

CCP/Exagen, L.P.

Hunt Holdings L.P.

Tullis-Dickerson Capital Focus III, L.P.

Berge K. Hagopian and Mary Ann Hagopian, Co-Trustees, Hagopian Family Trust UA DTD

03/25/88

Timothy M. Pennington and Melissa J. Pennington as Trustees of the Pennington Family Revocable Trust UA Dated May 23, 1984

Endochoice, Inc.

Glenn Holdings, L.P.

[Signature Page to Fourth Amended and Restated Investors' Rights Agreement]

EXAGEN DIAGNOSTICS, INC.

FOURTH AMENDED AND RESTATED
STOCKHOLDERS' AGREEMENT

THIS FOURTH AMENDED AND RESTATED STOCKHOLDERS' AGREEMENT (this "Agreement") is made as of October 4, 2013, by and among Exagen Diagnostics, Inc., a Delaware corporation (the "Corporation"), and the persons listed on Schedule A hereto (the "Investors").

RECITALS

WHEREAS, the Investors are party to that certain Third Amended and Restated Stockholders Agreement of the Corporation dated September 4, 2012 (as amended, the "Prior Agreement"); and

WHEREAS, certain of the Investors and the Corporation have entered into that certain Series D Preferred Stock Purchase Agreement dated the date hereof (the "Series D Purchase Agreement"), pursuant to which such Investors agreed to purchase from the Corporation, and the Corporation agreed to sell to such Investors, shares of the Corporation's Series D Convertible Preferred Stock, par value $0.001 per share (the "Series D Preferred"); and

WHEREAS, the Prior Agreement permits the Corporation and the record or beneficial Investors owning at least two-thirds (2/3) of the issued and outstanding shares of Series C Convertible Preferred Stock, par value $0.001 per share (the "Series C Preferred"), to amend the Prior Agreement;

WHEREAS, as a condition to the consummation of the transactions contemplated by the Series D Purchase Agreement, the undersigned Investors, who are the record and beneficial Investors of at two-thirds (2/3) of the shares of Series C Preferred outstanding as of the date hereof, and the Corporation desire to amend and restate the Prior Agreement in its entirety as set forth herein, to provide for the future voting of the Investors' shares of Capital Stock and to set forth their respective rights and obligations relating to certain transfers of such shares, in each case as set forth herein with the intention that this Agreement shall become effective concurrently with the Initial Closing.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing and of the mutual promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION 1. Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Additional Senior Preferred Director" shall have the meaning set forth in Section 4.1(a)(i)(B).

"Adversely Affected Investor" shall have the meaning set forth in Section 6.4.

"Affiliate" shall mean, with respect to any Investor, any person or entity controlling, controlled by or under common control with such Investor, and (i) with respect to vSpring SBIC, L.P., shall include any affiliate of vSpring Capital, LLC, (ii) with respect to Wasatch Venture Fund III, L.L.C., shall include any venture capital fund managed by the general partners of Wasatch Venture Fund III, L.L.C., (iii) with respect to NMSIC Co-Investment Fund, L.P., shall include any affiliate of Sun Mountain Capital Partners, LLC, (iv) with respect to CCP/Exagen, L.P., shall include Hunt Holdings L.P., and (v) with respect to Tullis-Dickerson Capital Focus III, L.P., shall include any pooled investment vehicle managed by Tullis-Dickerson and Co., Inc., or any of its affiliates.

"Agreement" shall mean this Fourth Amended and Restated Stockholders' Agreement, as the same may be amended from time to time.

"Approved Action" shall have the meaning set forth in Section 6.1.

"Board" shall mean the Board of Directors of the Corporation.

"Capital Stock" shall mean the Common Stock and Preferred Stock.

"CCP/Hunt" shall have the meaning set forth in Section 4.1(a)(i)(C).

"CCP/Hunt Director" shall have the meaning set forth in Section 4.1(a)(i)(C).

"Certificate" shall mean the Fourteenth Amended and Restated Certificate of Incorporation of the Corporation, as the same may be amended from time to time.

"Common Director" shall have the meaning set forth in Section 4.1(a)(ii).

"Common Stock" shall mean the Corporation's common stock, $0.001 par value per share.

"Co-Sale Investor" shall have the meaning set forth in Section 3.1.

"Corporation" shall mean Exagen Diagnostics, Inc., a Delaware corporation, its successors and assigns.

"Deemed Liquidation Event" shall have the meaning set forth in Section 5.1.

"Electing Investor" shall have the meaning set forth in Section 2.2.

"Equity Securities" shall mean, with respect to any Investor, any of the following that is now owned or that is hereinafter acquired: (i) any Common Stock, Preferred Stock or other class or series of capital stock of the Company; (ii) any security convertible, with or without consideration, into any Common Stock, Preferred Stock or other class or series of capital stock of the Company; (iii) any security carrying any warrant or right to subscribe for or purchase shares of any class or series of capital stock of the Company; and (iv) any warrant,

note, right, option or other derivative security which provides the right to subscribe for or purchase any stock or securities of the types listed in any of clauses (i), (ii), or (iii) above.

"Excluded Securities" shall mean Common Stock issued or issuable (a) pursuant to the Series D Purchase Agreement, (b) upon conversion of the Preferred Stock, (c) to officers, directors or employees of, or consultants to, the Corporation pursuant to any stock option, incentive, bonus or compensation program approved by the Board or such other arrangements, contracts, or plans as are recommended by management and approved by the Board, (d) by way of dividend or other distribution on shares of Preferred Stock or by way of distribution on shares of Common Stock or Preferred Stock pursuant to stock splits, recapitalizations and similar transactions, (e) upon exercise of warrants to purchase shares of Preferred Stock or Common Stock, (f) in a transaction with respect to which the holders of at least 60% of the then outstanding shares of Senior Preferred, voting together as a single class, have waived their rights under Section 2 hereof, (g) in connection with a business acquisition of or by the Corporation, (h) pursuant to equipment lease financings or bank credit arrangements approved by the Board, (i) for charitable purposes approved by the Board, or (j) as part of a corporate partnering transaction approved by the Board.

"Financing Securities" shall have the meaning set forth in Section 2.1.

"Independent Directors" shall have the meaning set forth in Section 4.1(a)(iii).

"Major Investor" and "Major Investors" shall have the meaning set forth in Section 2.1.

"Non-electing Investor" shall have the meaning set forth in Section 2.2.

"Notice of Acceptance" shall have the meaning set forth in Section 2.2.

"Offer" shall have the meaning set forth in Section 2.1.

"Option" shall mean any security convertible into, or exchangeable or exercisable for, shares of Common Stock.

"Preferred Stock" shall mean the Series A-3 Preferred, the Series B-3 Preferred, the Series C Preferred and the Series D Preferred.

"Proposed Sale" shall have the meaning set forth in Section 5.3.

"Proposed Transfer" shall mean any assignment, sale, offer to sell, pledge, mortgage, hypothecation, encumbrance, disposition of or any other like transfer or encumbering of any Equity Securities proposed by any Investor.

"Proposed Transfer Notice" shall mean written notice from an Investor setting forth the terms and conditions of a Proposed Transfer.

"pro rata share" shall have the meaning set forth in Section 2.1.

"Remaining Securities" shall have the meaning set forth in Section 2.3.

"Right of Co-Sale" shall mean the right, but not an obligation, of an Investor to participate in a Proposed Transfer on the terms and conditions specified in the Proposed Transfer Notice.

"Sale of the Corporation" shall have the meaning set forth in Section 5.1.

"Selling Investors" shall have the meaning set forth in Section 5.2.

"Senior Preferred" shall mean the Series D Preferred, Series C Preferred and the Series B-3 Preferred.

"Senior Preferred Directors" shall have the meaning set forth in Section 4.1(a)(i).

"Series A-3 Preferred" shall mean the Corporation's Series A-3 Preferred Stock, $0.001 par value per share.

"Series B-3 Preferred" shall mean the Corporation's Series B-3 Preferred Stock, $0.001 par value per share.

"Series C Preferred" shall have the meaning set forth in the Recitals.

"Series D Preferred" shall have the meaning set forth in the Recitals.

"Series D Purchase Agreement" shall have the meaning set forth in the Recitals.

"Stock Sale" shall have the meaning set forth in Section 5.1.

"Sun Mountain" shall have the meaning set forth in Section 4.1(a)(i)(A).

"Sun Mountain Director" shall have the meaning set forth in Section 4.1(a)(i)(A).

"Transferring Investor" shall have the meaning set forth in Section 3.1.

"Tullis" shall have the meaning set forth in Section 4.1(a)(i)(B).

"Tullis Director" shall have the meaning set forth in Section 4.1(a)(i)(B).

"Vote" shall have the meaning set forth in Section 4.1.

"Voting Securities" shall mean, with respect to an Investor, (i) all Equity Securities and all other shares of capital stock and other securities of the Company now or hereafter owned of record, or beneficially, by such Investor, and (ii) all other Equity Securities and other shares of capital stock and other securities over which the Investor has voting control.

SECTION 2. Preemptive Rights.

2.1. Except for Excluded Securities, the Corporation shall not issue, sell or exchange, agree to issue, sell or exchange, or reserve or set aside for issuance, sale or exchange, (i) any shares of Common Stock, (ii) any other equity security of the Corporation, (iii) any debt security of the Corporation which by its terms is convertible into or exchangeable for, with or without consideration, any equity security of the Corporation, (iv) any security of the Corporation that is a combination of debt and equity or (v) any security convertible into, or exchangeable or exercisable for, shares of Common Stock, or warrant or other right to subscribe for, purchase or otherwise acquire any equity security or any such debt security of the type described in clause (iii) or (iv) above of the Corporation (collectively, the "Financing Securities") unless in each case the Corporation shall have first offered to sell to each Investor then holding at least 2,000,000 shares in the aggregate of Series D Preferred or Series C Preferred (subject to appropriate and proportionate adjustment for any stock dividends, stock splits and other subdivisions and combinations of, and recapitalizations and like occurrences with respect to, such shares) (or an equivalent amount of Common Stock issued upon conversion thereof) (each, a "Major Investor" and collectively, the "Major Investors") its pro-rata share of the Financing Securities, at a price and on such other terms as the Corporation proposes to offer such Financing Securities to other parties and which shall have been specified by the Corporation in writing (an "Offer") delivered to the Major Investors, which Offer by its terms shall remain open and irrevocable for a period of fifteen (15) days from the date the Offer is received by the Major Investors (or, if later, within five (5) days after the giving of any written notice of a material change in such Offer). As used in this Section 2(a), a Major Investor's "pro-rata share" shall be that amount of the Financing Securities that equals (x) the aggregate amount of Financing Securities to be issued, sold or exchanged, multiplied by (y) a fraction (A) the numerator of which is the number of shares of Common Stock issued or issuable upon the conversion of all shares of Preferred Stock held by such Major Investor immediately prior to the Offer and (B) the denominator of which is the number of shares of Common Stock issued or issuable upon the conversion of all shares of Preferred Stock held by all Major Investors immediately prior to the Offer. The Offer will specify (i) the aggregate amount of Financing Securities to be issued, sold or exchanged, (ii) the calculation of the Major Investor's pro rata share and (iii) the number of shares, principal amount or the like of the Financing Securities which such Major Investor may purchase.

2.2. Notice of a Major Investor's intention to accept, in whole or in part, an Offer shall be evidenced by a writing signed by the Major Investor and delivered to the Corporation at or prior to the end of the 15-day period commencing with the date the Offer is received by the Major Investor (or, if later, within 5 days after the giving of any written notice of a material change in such Offer), setting forth such portion (specifying number of shares, principal amount or the like) of the Financing Securities as the Major Investor elects to purchase (the "Notice of Acceptance"). If a Major Investor elects to purchase its full pro rata share of Financing Securities (each, an "Electing Investor"), then such Electing Investor shall have a right of over-allotment such that if any other Major Investor fails to purchase its pro rata share (the "Non-electing Investor"), such Electing Investor may purchase, on a pro rata basis with other Electing Investors, the Non-electing Investor's pro rata share.

2.3. The Corporation shall have 180 days from the expiration of the foregoing 15-day period to sell all or any part of such Financing Securities as to which a Notice of Acceptance has not been given by the Major Investors (the "Remaining Securities") to any other persons or entities, but only upon terms and conditions in all material respects, including without limitation, per share price and interest rates, which are no more favorable, in the aggregate, to such other persons or entities or less favorable to the Corporation than those set forth in the Offer. Upon the closing of the sale to such other persons or entities of all or any part of the Remaining Securities, which shall include payment of the purchase price to the Corporation in accordance with the terms of the Offer, if the Major Investor has timely submitted a Notice of Acceptance, it shall purchase from the Corporation, and the Corporation shall sell to the Major Investor, the Financing Securities in respect of which a Notice of Acceptance was delivered to the Corporation by the Preferred Investor, at the terms specified in the Offer. The purchase by the Major Investor of any Financing Securities is subject in all cases to the preparation, execution and delivery by the Corporation and the Major Investor of a purchase agreement and other customary documentation relating to such Financing Securities as is reasonably satisfactory in form and substance to the Preferred Investor and its counsel.

2.4. After the expiration of the 180-day period referred to in Section 2.2, any Financing Securities not purchased by the Major Investors or by a person or entity in accordance with Section 2.2 may not be sold or otherwise disposed of until they are again offered to the Preferred Investors under the procedures specified in Sections 2.1, 2.2 and 2.2 hereof.

2.5. Each Major Investor may assign its rights under this Section 2 to its Affiliates.

SECTION 3. Right of Co-Sale.

3.1. If any Investor proposes to engage in a Proposed Transfer ("Transferring Investor"), such Investor shall provide to each Investor who owns Series D Preferred or Series C Preferred (each, a "Co-Sale Investor") a Proposed Transfer Notice. Each Co-Sale Investor may elect to exercise its Right of Co-Sale and participate in the Proposed Transfer on a pro rata basis as set forth below and otherwise on the same terms and conditions specified in the Proposed Transfer Notice (provided that if the Proposed Transfer is a transfer of Common Stock and a Co-Sale Investor wishes to sell Preferred Stock, the price set forth in the Proposed Transfer Notice shall be appropriately adjusted based on the conversion ratio of the Preferred Stock into Common Stock). Each Co-Sale Investor who desires to exercise its Right of Co-Sale must give the Transferring Investor written notice to that effect within fifteen (15) days after receipt of the Proposed Transfer Notice, and upon giving such notice, such Investor shall be deemed to have effectively exercised the Right of Co-Sale.

3.2. Each Co-Sale Investor who timely exercises such Co-Sale Investor's Right of Co-Sale by delivering the written notice provided for above in Section 3.1 may include in the Proposed Transfer all or any part of such Co-Sale Investor's Capital Stock equal to the product obtained by multiplying (i) the aggregate number of shares of Capital Stock subject to the Proposed Transfer by (ii) a fraction, (A) the numerator of which is the number of shares of Common Stock issued or issuable upon the conversion of all shares of Preferred Stock

held by such Co-Sale Investor immediately before consummation of the Proposed Transfer and (B) the denominator of which is the total number of shares of Common Stock issued or issuable upon the conversion of all shares of Preferred Stock held by all Co-Sale Investors immediately before consummation of the Proposed Transfer, plus the number of shares of Common Stock and shares of Common Stock issuable upon the conversion of all shares of Preferred Stock held by the Transferring Investor immediately before consummation of the Proposed Transfer. To the extent one or more Co-Sale Investors exercise a Right of Co-Sale, the number of shares of Capital Stock that the Transferring Investor may sell in the Proposed Transfer shall be correspondingly reduced.

3.3. Each Co-Sale Investor who timely exercises its Right of Co-Sale shall deliver to the Transferring Investor, no later than fifteen (15) days after such Co-Sale Investor's exercise of the Right of Co-Sale, one or more stock certificates, properly endorsed for transfer to the prospective transferee, representing the number of shares of Common Stock that such Co-Sale Investor elects to include in the Proposed Transfer or the number of shares of Preferred Stock that is at such time convertible into the number of shares of Common Stock that such Co-Sale Investor elects to include in the Proposed Transfer; provided, however, that if the prospective transferee objects to the delivery of convertible Preferred Stock in lieu of Common Stock, such Co-Sale Investor shall first convert the Preferred Stock into Common Stock and deliver Common Stock as provided above. The Corporation agrees to make any such conversion concurrent with and contingent upon the actual transfer of such shares to the prospective transferee.

3.4. Each stock certificate that a Co-Sale Investor delivers to the Transferring Investor pursuant to this Section 3 will be transferred to the prospective transferee against payment therefor in consummation of the sale thereof pursuant to the terms and conditions specified in the Proposed Transfer Notice and the purchase and sale agreement, and the Transferring Investor shall concurrently therewith remit or direct payment to each Co-Sale Investor of the portion of the sale proceeds to which such Co-Sale Investor is entitled by reason of its participation in such sale. If any prospective transferee refuses to purchase securities subject to the Right of Co-Sale from any Co-Sale Investor exercising its Right of Co-Sale hereunder, none of the Co-Sale Investors or the Transferring Investor may sell any Capital Stock to such prospective transferee unless and until, simultaneously with such sale, such Transferring Investor purchases all Capital Stock subject to the Right of Co-Sale from the Co-Sale Investor exercising its Right of Co-Sale on the same terms and conditions as set forth in the Proposed Transfer Notice.

3.5. If any Proposed Transfer is not consummated within sixty (60) days after receipt of the Proposed Transfer Notice, the Transferring Investor(s) proposing the Proposed Transfer, may not sell any Capital Stock unless they first comply in full with each provision of this Section 3. The exercise or election not to exercise any right by a Co-Sale Investor hereunder shall not adversely affect such Co-Sale Investor's right to participate in any other sales of Capital Stock subject to Section 3.

SECTION 4. Board of Directors.

4.1. Composition. Each Investor shall hold all Voting Securities subject to, and shall vote or consent pursuant to an action by written consent of the stockholders of the Company ("Vote") such Voting Securities in accordance with, the provisions of this Agreement.

(a) Election of Directors.

(i) Senior Preferred Directors. On all matters relating to the election of the class of directors designated in the Certificate as being elected only by the holders of Senior Preferred, the Investors holding Senior Preferred Stock, acting together as a single class, shall Vote all of their respective Voting Securities so as to elect as a member of the Board three (3) individuals (the "Senior Preferred Directors") nominated as follows:

(A) For so long as NMSIC Co-Investment Fund, L.P. or Affiliates thereof ("Sun Mountain") owns any shares of Senior Preferred or Common Stock, one (1) director designated by Sun Mountain (the "Sun Mountain Director"). The Sun Mountain Director shall initially be Brian Birk.

(B) For so long as Tullis-Dickerson Capital Focus III, L.P. or Affiliates thereof ("Tullis") owns any shares of Senior Preferred or Common Stock, one (1) director designated by Tullis (the "Tullis Director").

(C) For so long as CCP/Exagen, L.P. or Affiliates thereof ("CCP/Hunt") owns any shares of Senior Preferred or Common Stock, one (1) director designated by CCP/Hunt (the "CCP/Hunt Director"). The CCP/Hunt Director shall initially be Ebetuel Pallares.

(D) If either or both of Sun Mountain or CCP/Hunt is no longer entitled to designate the Sun Mountain Director or the CCP/Hunt Director, as applicable, then the director(s) to be elected by the holders of the issued and outstanding shares of Senior Preferred in lieu of the Sun Mountain Director or the CCP/Hunt Director shall be reasonably acceptable to Tullis for so long as Tullis is entitled to designate a Senior Preferred Director pursuant to Section 4.1(a)(i)(B).

(ii) Common Director. On all matters relating to the election of the class of directors designated in the Certificate as being elected only by the holders of Common Stock, the Investors holding Common Stock shall Vote all of their respective Voting Securities so as to elect one (1) director who shall be the Company's then-current Chief Executive Officer (the "Common Director"). The Common Director initially shall be Ron Rocca.

(iii) Independent Directors. On all matters relating to the election of members of the Board other than the Senior Preferred Directors and the Common Director, the Investors shall Vote all of their respective Voting Securities so as to elect two (2) directors nominated by Senior Preferred Directors, both of whom shall be independent and not

an Affiliate of the Company or any Investor and who shall have industry experience (the "Independent Directors"). The Independent Directors initially shall be Samuel Riccitelli and Michael Walsh.

(iv) Additional Director. On all matters relating to the election of members of the Board other than the Senior Preferred Directors, the Common Director and the Independent Directors, the Investors agree to Vote all of their respective Voting Securities so as to elect one (1) director designated by the holders of at least sixty percent (60%) of the then issued and outstanding shares of Senior Preferred Stock.

The obligation to Vote shares in accordance with this Section 3 shall be specifically applicable to and enforceable against any transferees of the parties hereto.

(b) Vacancies; Removal. Each of the directors elected pursuant to Section 4 shall hold office, subject to his or her resignation or earlier removal from the Board in accordance with the following sentence, in accordance with the Certificate, the Bylaws of the Corporation and applicable law, until his or her successors shall have been elected and shall have been duly qualified. No Investor shall vote to remove any director elected pursuant to this Section 4, or to fill any vacancy created by the resignation or removal of a director elected pursuant to this Section 4, unless such action shall have been approved by the Investors entitled to nominate and elect such director in accordance with the provisions of the Certificate and this Section 4.

(c) Meetings. The Board shall hold meetings no less frequently than quarterly as determined by a majority of the Board.

(d) Committees of the Board. The Corporation shall establish and maintain a compensation committee and an audit committee and may also form an executive committee or any other special committee of the Board. Each of such committees shall have at least one (1) of the Senior Preferred Directors as a member of such committees.

(e) Insurance. The Corporation shall obtain and maintain directors' and officers' liability insurance in reasonable amounts from established and reputable insurers.

(f) Size of Board. Each Investor shall take all actions, do all things and execute and deliver all documents, including, without limitation, approving an amendment to the Corporation's Bylaws, and shall cause the Corporation to do the same, as may be necessary to ensure that the number of directors authorized and constituting the entire Board shall be seven (7), subject to increase or decrease in accordance with the terms of the Certificate and pursuant hereto.

(g) No Liability. No Investor, nor any Affiliate thereof, shall have any liability as a result of nominating a person for election as a director, for any act or omission by such designated person in his or her capacity as a director of the Corporation, or as a result of voting for any such nominee in accordance with the provisions of this Agreement.

(h) Irrevocable Proxy. Each party to this Agreement hereby grants to a stockholder appointed by the Board, with full power of substitution, an irrevocable proxy with respect to the matters set forth herein, including, without limitation, the election of directors to the Board in accordance with Section 4.1(a) and Section 4.1(b) hereof, and hereby authorizes such proxy to represent and to Vote, if and only if the party (i) fails to Vote, or (ii) attempts to Vote, in a manner which is inconsistent with the terms of this Agreement, all of such party's Voting Securities in favor of the election of directors to the Board determined pursuant to and in accordance with the terms and provisions of this Agreement. The proxy granted pursuant to the immediately preceding sentence is given in consideration of the agreements and covenants of the parties in connection with the transactions contemplated by this Agreement and, as such, is coupled with an interest and shall be irrevocable unless and until this Agreement terminates pursuant to the terms hereof.

SECTION 5. Drag-Along Right.

5.1. A "Sale of the Corporation" shall mean either (a) a transaction or series of related transactions in which a person, or a group of related persons, acquires from stockholders of the Corporation shares representing more than fifty percent (50%) of the outstanding voting power of the Corporation (a "Stock Sale") or (b) a transaction that is deemed to be a liquidation under Section 3.2 of the Certificate (a "Deemed Liquidation Event").

5.2. In the event that (i) Investors holding at least a majority of the shares of Series C Preferred or Series D Preferred then outstanding (collectively, the "Selling Investors") and (ii) the Board of Directors approve a Sale of the Corporation in writing, specifying that this Section 5 shall apply to such transaction, then each Investor hereby agrees:

(a) if such transaction requires stockholder approval, with respect to all Capital Stock that such Investor owns or over which such Investor exercises voting power, to vote, in person, by proxy, or by written consent, all Capital Stock in favor of, and adopt, such Sale of the Corporation (together with any related amendment to the Restated Certificate of Incorporation required in order implement such Sale of the Corporation) and to vote in opposition to any and all other proposals that could delay or impair the ability of the Corporation to consummate such Sale of the Corporation;

(b) if such transaction is a Stock Sale, to sell the same proportion of shares of capital stock of the Corporation beneficially held by such Investor as is being sold by the Selling Investors to the person to whom the Selling Investors propose to sell their Capital Stock, and, except as permitted in Section 5.2(c) below, on the same terms and conditions as the Selling Investors;

(c) to execute and deliver all related documentation and take such other action in support of the Sale of the Corporation as shall reasonably be requested by the Corporation or the Selling Investors in order to carry out the terms and provisions of this Section 5, including without limitation executing and delivering instruments of conveyance and transfer, and any purchase agreement, merger agreement, indemnity agreement, escrow agreement, consent, waiver, governmental filing, share certificates duly endorsed for transfer

(free and clear of impermissible liens, claims and encumbrances) and any similar or related documents;

(d) not to deposit, and to cause their Affiliates not to deposit, except as provided in this Agreement, any Capital Stock owned by such Investor or Affiliate in a voting trust or subject any Capital Stock to any arrangement or agreement with respect to the voting of such Capital Stock, unless specifically requested to do so by the acquiror in connection with the Sale of the Corporation;

(e) to refrain from exercising any dissenters' rights or rights of appraisal under applicable law at any time with respect to such Sale of the Corporation; and

(f) if the consideration to be paid in exchange for the Capital Stock pursuant to this Section 5 includes any securities and due receipt thereof by any Investor would require under applicable law (x) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (y) the provision to any Investor of any information other than information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Securities Act of 1933, as amended, the Corporation may cause to be paid to any such Investor in lieu thereof, against surrender of the Capital Stock which would have otherwise been sold by such Investor, an amount in cash equal to the fair value (as determined in good faith by the Corporation) of the securities which such Investor would otherwise receive as of the date of the issuance of such securities in exchange for the Capital Stock.

5.3. Notwithstanding the foregoing, an Investor will not be required to comply with Section 5.2(b) above in connection with any proposed Sale of the Corporation (the "Proposed Sale") unless:

(a) any representations and warranties to be made by such Investor in connection with the Proposed Sale are limited to representations and warranties related to authority, ownership and the ability to convey title to such Capital Stock, including but not limited to representations and warranties that (a) the Investor holds all right, title and interest in and to the Capital Stock such Investor purports to hold, free and clear of all liens and encumbrances, (b) the obligations of the Investor in connection with the transaction have been duly authorized, if applicable, (c) the documents to be entered into by the Investor have been duly executed by the Investor and delivered to the acquirer and are enforceable against the Investor in accordance with their respective terms and (d) neither the execution and delivery of documents to be entered into in connection with the transaction, nor the performance of the Investor's obligations thereunder, will cause a breach or violation of the terms of any agreement, law or judgment, order or decree of any court or governmental agency;

(b) the Investor shall not be liable for the inaccuracy of any representation or warranty made by any other person in connection with the Proposed Sale, other than the Corporation (except to the extent that funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Corporation as well as breach by any Investor of any of identical representations, warranties and covenants provided by all Investors);

(c) the liability for indemnification, if any, of such Investor in the Proposed Sale and for the inaccuracy of any representations and warranties made by the Corporation or its Investors in connection with such Proposed Sale, is several and not joint with any other Person (except to the extent that funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Corporation as well as breach by any Investor of any of identical representations, warranties and covenants provided by all Investors), and is pro rata in proportion to, and does not exceed, the amount of consideration paid to such Investor in connection with such Proposed Sale;

(d) liability shall be limited to such Investor's applicable share (determined based on the respective proceeds payable to each Investor in connection with such Proposed Sale in accordance with the provisions of the Corporation's Restated Certificate of Incorporation) of a negotiated aggregate indemnification amount that applies equally to all Investors but that in no event exceeds the amount of consideration otherwise payable to such Investor in connection with such Proposed Sale, except with respect to claims related to fraud by such Investor, the liability for which need not be limited as to such Investor;

(e) upon the consummation of the Proposed Sale, (i) each holder of each class or series of the Corporation's stock will receive the same form of consideration for their shares of such class or series as is received by other holders in respect of their shares of such same class or series of stock, (ii) each holder of a series of Preferred Stock will receive the same amount of consideration per share of such series of Preferred Stock as is received by other holders in respect of their shares of such same series, (iii) each holder of Common Stock will receive the same amount of consideration per share of Common Stock as is received by other holders in respect of their shares of Common Stock, and (iv) the aggregate consideration receivable by all holders of the Preferred Stock and Common Stock shall be allocated among the holders of Preferred Stock and Common Stock on the basis of the relative liquidation preferences to which the holders of each respective series of Preferred Stock and the holders of Common Stock are entitled in a Deemed Liquidation Event (assuming for this purpose that the Proposed Sale is a Deemed Liquidation Event) in accordance with the Corporation's Restated Certificate of Incorporation in effect immediately prior to the Proposed Sale; *provided, however,* that, notwithstanding the foregoing, if the consideration to be paid in exchange for an Investor's Capital Stock pursuant to this 5.2(e) includes any securities and due receipt thereof by any Investor would require under applicable law (x) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (y) the provision to any Investor of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in Regulation D promulgated under the Securities Act of 1933, as amended, the Corporation may cause to be paid to any such Investor in lieu thereof, against surrender of the Investor s Capital Stock which would have otherwise been sold by such Investor, an amount in cash equal to the fair value (as determined in good faith by the Corporation) of the securities which such Investor would otherwise receive as of the date of the issuance of such securities in exchange for the Investor's Capital Stock; and

(f) subject to the immediately preceding paragraph, requiring the same form of consideration to be available to the holders of any single class or series of capital stock, if any holders of any capital stock of the Corporation are given an option as to the

form and amount of consideration to be received as a result of the Proposed Sale, all holders of such capital stock will be given the same option; *provided, however*, that nothing in this Section 5.2(f) shall entitle any holder to receive any form of consideration that such holder would be ineligible to receive as a result of such holder's failure to satisfy any condition, requirement or limitation that is generally applicable to the Corporation's Investors.

5.4. Proxy. Each Investor hereby grants to the Selling Investors (i) an irrevocable proxy, coupled with an interest, to Vote all Voting Securities owned by such Investor, and (ii) an irrevocable power of attorney, which is coupled with an interest, to take such other actions, in each case to the extent necessary to carry out the provisions of this Section 5 in the event of any breach by such Investor of its obligations hereunder.

SECTION 6. Miscellaneous.

6.1. Voting Agreement. In the event that the taking of any one or more of the actions listed in Article Fourth, Section 7 of the Certificate (an "Approved Action") would require a separate vote by the holders of either of the Series A-3 Preferred or the Series B-3 Preferred under Section 242(b)(2) of the General Corporation Law of the State of Delaware, then, in such event, each holder of Series A-3 Preferred and Series B-3 Preferred, as applicable, hereby agrees, with respect to all shares of Series A-3 Preferred or Series B-3 Preferred over which he, she or it exercises voting or dispositive authority, to Vote all of such Series A-3 Preferred or Series B-3 Preferred in favor of the Approved Action if the holders of at least 60% of the then outstanding Series D Preferred and Series C Preferred, voting together as a single class, Vote to approve the taking of such Approved Action.

6.2. Assignment of Rights. This Agreement and the rights and obligations of the parties hereunder shall inure to the benefit of, and be binding upon, the parties' respective successors, assigns and legal representatives; provided, however, that the rights of the Investors hereunder are only assignable to a assignee or transferee (i) who acquires all of the securities of the Corporation purchased by an Investor or at least ten percent (10%) of such class and series of securities or (ii) who is a partner or retired partner of a partnership, and it shall be a requirement of such transfer that such assignee shall then become a party to this Agreement.

6.3. Term. This Agreement shall terminate upon the earlier of (i) the closing of a firmly underwritten initial public offering of the Corporation's Common Stock or (ii) the acquisition of the Corporation by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation) or a sale of all or substantially all of the assets of the Corporation, unless the Corporation's stockholders of record as constituted immediately prior to such acquisition or sale will, immediately after such acquisition or sale (by virtue of securities issued as consideration for the Corporation's acquisition or sale or otherwise) hold at least 50% of the voting power of the surviving or acquiring entity.

6.4. Waivers and Amendments. This Agreement may not be amended, modified or waived at any time, unless such amendment, modification or waiver is first approved in writing by (a) the Investors owning at least two-thirds (2/3) of the issued and outstanding shares of Series D Preferred, (b) the Investors owning at least two-thirds (2/3) of the issued and

outstanding shares of Series C Preferred, and (c) the Corporation; provided, however, that (i) if any amendment, modification or waiver would apply to a Holder (each, an "Adversely Affected Investor") in a fashion different than how such amendment, modification or waiver applies to all Investors, then such amendment, modification or waiver shall not be effective as to such Adversely Affected Investor unless consented to by such Adversely Affected Investor, (ii) any amendment, modification or waiver of Section 4.1(a)(i)(A) or of this clause (ii) shall require shall require the approval of NMSIC Co-Investment Fund, L.P. if at the time of such amendment, modification or waiver, NMSIC Co-Investment Fund, L.P. is entitled to designate a Senior Preferred Director pursuant to Section 4.1(a)(i)(A), (iii) any amendment, modification or waiver of Section 4.1(a)(i)(B), Section 4.1)(a)(i)(D) or of this clause (iii) shall require shall require the approval of Tullis-Dickerson Capital Focus III, L.P. if at the time of such amendment, modification or waiver, Tullis-Dickerson Capital Focus III, L.P. is entitled to designate a Senior Preferred Director pursuant to Section 4.1(a)(i)(B), and (iv) any amendment, modification or waiver of Section 4.1(a)(i)(C) or of this clause (iv) shall require shall require the approval of CCP/Exagen, L.P. if at the time of such amendment, modification or waiver, CCP/Hunt is entitled to designate a Senior Preferred Director pursuant to Section 4.1(a)(i)(C). Any amendment, modification or waiver so effected shall be binding upon the Corporation, each of the parties hereto and any assignee of any such party. In addition, the Company may waive performance of any obligation owing to it, as to some or all of the Investors, or agree to accept alternatives to such performance, without obtaining the consent of any Investor. No waiver of any breach of this Agreement extended by any party hereto to any other party shall be construed as a waiver of any rights or remedies of any other party hereto or with respect to any subsequent breach

6.5. Governing Law. This Agreement shall be governed in all respects by the laws of the State of Delaware, without regards to conflict of laws principles.

6.6. Effectiveness; Entire Agreement. This Agreement shall become effective concurrently with the consummation of the purchase and sale of the Series D Preferred Stock under the Series D Purchase Agreement at the Initial Closing. This Agreement and the other documents delivered in connection herewith constitute the full and entire understanding of the parties with regard to the subjects hereof and thereof, and this Agreement shall supersede and cancel all prior agreements between the parties hereto with regard to the subject matter hereof, including the Prior Agreement.

6.7. Notices, etc. All notices and other communications required or permitted hereunder (each, a "Notice") shall be in writing and shall be delivered by overnight courier service or mailed by first class mail, postage prepaid, certified or registered mail, return receipt requested, addressed (a) if to an Investor, at such party's address as set forth in the Corporation's records, or at such other address as such party shall have furnished to the Corporation in writing or (b) if to the Corporation, to it at the address set forth on the Corporation's signature page hereto or other address as the Corporation shall have furnished to the Investor in writing. All Notices shall be deemed effectively given: (x) upon personal delivery to the party to be notified, (y) three (3) days after having been sent by first class mail, postage prepaid, certified or registered mail, return receipt requested and (z) one (1) day after deposit with an overnight courier service.

6.8. Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

6.9. Title and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

6.10. Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and disbursements in addition to any other relief to which such party may be entitled.

6.11. Counterparts; Execution by Facsimile Signature. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. This Agreement may be executed by facsimile signature(s) which shall be binding on the party delivering same, to be followed by delivery of originally executed signature pages.

6.12. Aggregation of Stock. All shares of Preferred Stock and Common Stock of the Corporation held or acquired by affiliated entities or persons shall be aggregated for the purpose of determining the availability of any rights under this Agreement.

6.13. Additional Investors. Notwithstanding anything to the contrary contained herein, if the Corporation shall issue additional shares of Preferred Stock from time to time, any purchaser of such shares of Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement and shall be deemed an "Investor" and a party hereunder.

6.14. Specific Performance. The parties hereto hereby declare that it is impossible to measure in money the damages which will accrue to a party hereto or to their heirs, personal representatives, successors or assigns by reason of the failure of a party to perform any of the obligations under this Agreement and agree that the terms of this Agreement shall be specifically enforceable. If any party hereto or such party's heirs, personal representatives, or assigns institutes any action or proceeding to specifically enforce the provisions hereof, any person against whom such action or proceeding is brought hereby waives the claim or defense therein that such party or such personal representative has an adequate remedy at law, and such person shall not offer in any such action or proceeding the claim or defense that such remedy at law exists.

* * * * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amended and Restated Stockholders Agreement as of the date first above written.

CORPORATION:

EXAGEN DIAGNOSTICS, INC.

By: 
Name: Ron Rocca
Title: President and Chief Executive Officer

INVESTORS:

WASATCH VENTURE FUND III, LLC

By: _____
Name: Kent Madsen
Title: Managing Director

WASATCH NEW MEXICO FUND, LLC

By: _____
Name: Kent Madsen
Title: Managing Director

VSPRING SBIC, L.P.

By: vSpring SBIC Management, L.L.C., its general partner

By: _____
Name: Dinesh Patel
Title: Managing Director

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amended and Restated Stockholders Agreement as of the date first above written.

CORPORATION:

EXAGEN DIAGNOSTICS, INC.

By: _____
Name: Ron Rocca
Title: President and Chief Executive Officer

INVESTORS:

WASATCH VENTURE FUND III, LLC

By: 
Name: Kent Madsen
Title: Managing Director

WASATCH NEW MEXICO FUND, LLC

By: 
Name: Kent Madsen
Title: Managing Director

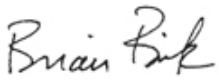
VSPRING SBIC, L.P.

By: vSpring SBIC Management, L.L.C., its general partner

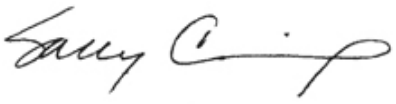
By: _____
Name: Dinesh Patel
Title: Managing Director

NMSIC CO-INVESTMENT FUND, L.P.

By: Sun Mountain Capital Partners LLC, its general partner

By: 

Brian Birk, Managing Partner

By: 

Sally Corning, Partner

MESA VERDE VENTURE PARTNERS, L.P.

By: _____

Name:

Title:

JAMES J. SCHWARZ and JEANETTE M. SCHWARZ, CO-TRUSTEES OF THE SCHWARZ TRUST

By _____

James J. Schwarz

By _____

Jeanette M. Schwarz

_____

LISA DAVIS

NEW TECH I, L.P.

By: _____

Name:

Title:

QUATRO VENTURES, LLC

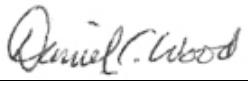
NMSIC CO-INVESTMENT FUND, L.P.

By: Sun Mountain Capital Partners LLC, its general partner

By: _____
Brian Birk, Managing Partner

By: _____
Sally Corning, Partner

MESA VERDE VENTURE PARTNERS, L.P.

By: 
Name: DANIEL C. WOOD
Title: Member

JAMES J. SCHWARZ and JEANETTE M. SCHWARZ, CO-TRUSTEES OF THE SCHWARZ TRUST

By _____
James J. Schwarz

By _____
Jeanette M. Schwarz

_____
LISA DAVIS

NEW TECH I, L.P.

By: _____
Name:
Title:

QUATRO VENTURES, LLC

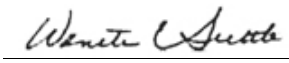
By: _____
Name:
Title:

_____
PAMELA J. SULLIVAN

_____
THOMAS A. TUMOLILLO

_____
RAY RADOSEVICH

SOUTHWEST MEDICAL VENTURES, INC.

By: 
Name: Waneta C Tuttle
Title: President

TULLIS-DICKERSON CAPITAL FOCUS III, L.P.

By: Tullis-Dickerson Partners III, L.L.C., its general partner

By: _____
Name: James L.L. Tullis
Title: Manager

BERGE G. HAGOPIAN AND MARY ANN HAGOPIAN, CO-TRUSTEES, HAGOPIAN FAMILY TRUST UA DTD 03/25/88

By: _____
Name:
Title:

_____
PAMELA J. SULLIVAN

_____
THOMAS A. TUMOLILLO

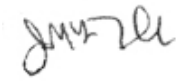
_____
RAY RADOSEVICH

SOUTHWEST MEDICAL VENTURES, INC.

By: _____
Name:
Title:

TULLIS-DICKERSON CAPITAL FOCUS III, L.P.

By: Tullis-Dickerson Partners III, L.L.C., its general partner

By: 
Name: James L.L. Tullis
Title: Manager

BERGE G. HAGOPIAN AND MARY ANN HAGOPIAN, CO-TRUSTEES, HAGOPIAN FAMILY TRUST UA DTD 03/25/88

By: _____
Berge K. Hagopian, Trustee

TIMOTHY M. PENNINGTON AND MELISSA PENNINGTON AS TRUSTEES OF THE PENNINGTON FAMILY REVOCABLE TRUST UA DATED MAY 23, 1984

By: _____
Timothy M. Pennington, Trustee

ENDOCHOICE, INC.

By: _____
Name:
Title:

HUNT HOLDINGS LIMITED PARTNERSHIP
By: HuntVest, LLC, its General Partner
By: Hunt Guaranty Inc., its Sole Member

By: _____
Name: Matthew D. Hunt
Title: Manager

CCP/EXAGEN, L.P.

By _____
Name: Ebetuel Pallares-Venegas
Title: Managing Partner

VSPRING, L.P.

By: vSpring Management, LLC
its General partner

By _____
Name: Dinesh Patel
Title: Managing Director

VSPRING PARTNERS, L.P.

By: vSpring Management, LLC
its General partner

By: _____
Name: Dinesh Patel
Title: Managing Director

GLENN HOLDINGS, L.P.

By: _____
Name:
Title:

[Signature Page to Fourth Amended and Restated Stockholders Agreement]

SCHEDULE A

INVESTORS

Wasatch Venture Fund III, LP

Wasatch New Mexico Fund, LLC

vSpring SBIC, L.P.

vSpring, L.P.

vSpring Partners, L.P.

NMSIC Co-Investment Fund, L.P.

NMSIC Focused, LLC

James J. Schwarz and Jeanette M. Schwarz, Co-Trustees of the Schwarz Trust

Jane Hillhouse

Lisa Davis

New Tech I, L.P.

Pamela J. Sullivan and Thomas A. Tumolillo

Quatro Ventures, LLC

Ray Radosevich

Robert and Marcia Cates

Robert H. Nath

Southwest Medical Ventures, Inc.

Sheryl A. Johnson

John P. Alsobrook, II

Dale Olson

Mesa Verde Venture Partners, L.P.

CCP/Exagen, L.P.

Hunt Holdings L.P.

Tullis-Dickerson Capital Focus III, L.P.

Berge K. Hagopian and Mary Ann Hagopian, Co-Trustees, Hagopian Family Trust UA DTD 03/25/88

Timothy M. Pennington and Melissa J. Pennington as Trustees of the Pennington Family

Revocable Trust UA Dated May 23, 1984

Endochoice, Inc.

Exhibit 4.4

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT AND/OR APPLICABLE STATE SECURITIES LAWS, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

Warrant No. WP-11

EXAGEN DIAGNOSTICS, INC.

COMMON STOCK PURCHASE WARRANT

THIS CERTIFIES that (the "Holder") is entitled, upon the terms and subject to the conditions hereinafter set forth, at any time on or after the date of this warrant (this "Warrant") and on or prior to (the "Expiration Date"), but not thereafter, to subscribe for and purchase from Exagen Diagnostics, Inc., a Delaware corporation (the "Company"), ( ) shares of Common Stock in the Company (the "Shares") at an exercise price of $ per share (the "Exercise Price").

1. Exercise of Warrant.

(a) Unless earlier terminated under Section 7, the purchase rights represented by this Warrant to purchase Shares are exercisable, in whole or in part, before the close of business on the Expiration Date, by the surrender of this Warrant and the Notice of Exercise annexed hereto duly executed at the principal executive office of the Company (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company), and upon payment of the Exercise Price of the Shares thereby purchased (by cash or by check or bank draft payable to the order of the Company in an amount equal to the Exercise Price of the shares thereby purchased).

(b) Unless earlier terminated under Section 7, in lieu of exercising this Warrant by payment of cash or check pursuant to Section 1(a), the Holder may elect to receive Shares equal to the value of this Warrant (or the portion thereof being exercised), by surrender of this Warrant at the principal executive office of the Company, together with the Notice of Conversion annexed hereto, in which event the Company will issue to the Holder Shares in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where, X = the number of Shares to be issued to Holder;

Y = the number of Shares for which the Warrant is being exercised;

A = the fair market value of one Share; and

B = the Exercise Price.

For purposes of this Section 1(b), the fair market value of a Share shall be the price per Share that the Company could obtain from a willing buyer for Shares sold by the Company from authorized but unissued Shares, as such price shall be determined in good faith by the Company's Board of Directors. If the Shares are traded on the over-the-counter market or on an exchange, the fair market value of a Share shall be the average of the closing bid and asked prices of Shares quoted in the over-the-counter market in which the Shares are traded or the closing price quoted on any exchange on which the Shares are listed, whichever is applicable, as published in the Western Edition of The Wall Street Journal for the ten (10) trading days prior to the date of determination of fair market value (or such shorter period of time during which such stock was traded over-the-counter or on such exchange).

(c) As soon as practicable after the exercise of this Warrant in whole or in part, and in any event within ten (10) days thereafter, the Company at its expense will cause to be issued in the name of, and delivered to, the Holder, or such other name as specified on the Notice of Exercise delivered to the Company:

(i) a certificate or certificates for the number of Shares to which such Holder shall be entitled, and

(ii) in case such exercise is in part only, a Warrant or Warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of Shares equal (without giving effect to any adjustments therein) to the number of Shares called for on the face of this Warrant minus the number of such Shares purchased by the Holder upon such exercise as provide in Sections 1(a) or (b) above.

2. Shares to be Fully Paid; Reservation of Shares. The Company covenants that all Shares which may be issued upon the exercise of rights represented by this Warrant (together with all shares of Common Stock issuable upon conversion of such Shares) will, upon issuance, be duly authorized, validly issued, fully paid and nonassessable and free from all preemptive rights of any stockholder and free from all taxes, liens and charges in respect of the issue thereof. Certificates for Shares purchased hereunder shall be delivered to the Holder within a reasonable time after the date on which this Warrant shall have been exercised as aforesaid. The Company further covenants and agrees that during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved (or will

have provided for the ability to accomplish the same through a voting contract amongst sufficient stockholders), for the purpose of issue or transfer upon exercise of the subscription rights evidenced by this Warrant, a sufficient number of shares of authorized but unissued Shares (together with the number of shares of Common Stock issuable upon conversion of such Shares), or other securities and property, when and as required for the exercise of the rights represented by this Warrant.

3. Adjustment of Exercise Price and Number of Shares. The Exercise Price and the number of shares purchasable upon the exercise of this Warrant shall be subject to adjustment from time to time upon the occurrence of certain events described in this Section 3. Whenever the number of Shares purchasable upon the exercise of this Warrant is adjusted as herein provided the Exercise Price payable upon exercise of this Warrant shall be adjusted by multiplying the Exercise Price in effect immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Shares purchasable upon the exercise of this Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Shares so purchasable immediately thereafter.

(a) Conversion of Shares. If all of the outstanding Shares of the Company for which this Warrant is exercisable are converted into shares of Common Stock, the number of Shares purchasable upon exercise of this Warrant immediately prior to such conversion shall be adjusted so that the Holder of this Warrant shall be entitled to receive the number of shares of Common Stock which the Holder would have owned or have been entitled to receive had this Warrant been exercised immediately prior to such conversion and the Shares received thereupon had been simultaneously converted into shares of Common Stock immediately prior to such event.

(b) Dilutive Issuances. The Holder of this Warrant shall be entitled to the benefit of all adjustments in the number of shares of Common Stock of the Company issuable upon conversion of the Shares of the Company which occur after the date of this Warrant and prior to the exercise of this Warrant, including, without limitation, any increase in the number of shares of Common Stock issuable upon conversion as a result of a dilutive issuance of capital stock.

(c) Split, Subdivision or Combination of Shares. If the Company at any time while this Warrant, or any portion hereof, remains outstanding and unexpired shall split, subdivide or combine the Shares, into a different number of securities of the same class, the number of Shares purchasable upon exercise of this Warrant immediately prior thereto shall be adjusted so that the holder of this Warrant shall be entitled to receive the kind and number of Shares or other securities of the Company which the Holder would have owned or have been entitled to receive after the happening of any of the events described above, had this Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Section 3(c) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(d) Reclassification. If the Company, at any time while this Warrant, or any portion hereof, remains outstanding and unexpired by reclassification of securities or otherwise, shall change the Shares into the same or a different number of securities or any other class or

classes, this Warrant shall thereafter represent the right to receive the kind and number of Shares or other securities of the Company which the Holder would have owned or have been entitled to receive after the happening of the event described above, had this Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Section 3(d) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(e) Cash Distributions. No adjustment on account of cash dividends or interest on the Shares will be made to the Exercise Price under this Warrant.

(f) De Minimus Adjustments. No adjustment in the number of Shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of Shares purchasable upon the exercise of this Warrant; provided, however, that any adjustments which by reason of this Section 3(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest cent and to the nearest one-hundredth of a Share, as the case may be.

(g) Notice of Adjustment. Upon any adjustment of the Exercise Price or any increase or decrease in the number of shares purchasable upon the exercise of this Warrant, the Company shall give written notice thereof, by first class mail postage prepaid, addressed to the registered Holder of this Warrant at the address of such Holder as shown on the books of the Company. The notice shall be signed by the Company's chief financial officer and shall state the Exercise Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of this Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(h) Other Notices. If at any time:

(i) The Company shall declare any cash dividend upon its Shares (or Common Stock issuable upon conversion thereof);

(ii) There shall be any acquisition or capital reorganization or reclassification of the capital stock of the Company;

(iii) There shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company; or

(iv) There shall be an initial public offering of the Company's securities;

then, in any one or more of said cases, the Company shall give, by first class mail, postage prepaid, addressed to the Holder of this Warrant at the address of such Holder as shown on the books of the Company, (a) at least ten (10) days prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend or for determining rights to vote in respect of any such acquisition, reorganization, reclassification, dissolution, liquidation, winding-up or public offering, and (b) in the case of any such acquisition, reorganization, reclassification, dissolution, liquidation, winding-up or public offering, at least

ten (10) days prior written notice of the date when the same shall take place; provided, however, that the Holder shall make a best efforts attempt to respond to such notice as early as possible after the receipt thereof. Any notice given in accordance with the foregoing clause (a) shall also specify, in the case of any such dividend, the date on which the holders of Shares (or Common Stock issuable upon conversion thereof) shall be entitled thereto. Any notice given in accordance with the foregoing clause (b) shall also specify the date on which the holders of Shares (or Common Stock issuable upon conversion thereof) shall be entitled to exchange their Shares (or Common Stock issuable upon conversion thereof) for securities or other property deliverable upon such acquisition, reorganization, reclassification, dissolution, liquidation, winding-up, conversion or public offering, as the case may be.

4. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon the exercise of this Warrant, an amount equal to such fraction multiplied by the then current price at which each Share may be purchased hereunder shall be paid in cash to the Holder.

5. Charges, Taxes and Expenses. Issuance of certificates for Shares upon the exercise of this Warrant shall be made without charge to the Holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or such other name as specified on the Notice of Exercise delivered to the Company.

6. No Rights as Stockholders. This Warrant does not entitle the Holder to any voting rights or other rights as a stockholder of the Company prior to the exercise thereof.

7. Early Termination on Merger, Initial Public Offering, etc. If at any time the Company proposes to merge, reorganize or consolidate with or into any other entity, sell all or substantially all of the assets of the Company, effect any other transaction or series of related transactions in which the holders of the Company's capital stock immediately prior to the consummation of such transaction(s) hold less than fifty percent (50%) of the voting power of the surviving entity (or its parent), or conduct an initial public offering of its capital stock, then the Company shall give the Holder notice of such transaction pursuant to Section 3(h), and if the Warrant has not been exercised by the effective date of the transaction, the Warrant shall terminate.

8. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of this Warrant, if mutilated, the Company will make and deliver a new warrant of like tenor and dated as of such cancellation, in lieu of this Warrant.

9. Miscellaneous.

(a) Issue Date. The provisions of this Warrant shall be construed and shall be given effect in all respects as if it had been issued and delivered by the Company on the date set forth below.

(b) Governing Law. THIS WARRANT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

(c) Restrictions. By acceptance hereof, the Holder acknowledges that the Shares acquired upon the exercise of this Warrant may have restrictions upon their resale imposed by state and federal securities laws, and that certain 2008 Stockholders' Agreement, as amended.

(d) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

(e) Waivers and Amendments. Any provision of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

(f) Assignment. This Warrant may be assigned or transferred by the Holder only with the prior written approval of the Company.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized.

Dated:

EXAGEN DIAGNOSTICS, INC.

By: _____

NOTICE OF EXERCISE

TO: Exagen Diagnostics, Inc.
801 University, S.E., Suite 209
Albuquerque, New Mexico 87106
ATTN: Secretary

1. The undersigned hereby elects to purchase shares of Common Stock (the "Shares") of Exagen Diagnostics, Inc. pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price in full.

2. Please issue a certificate or certificates representing the Shares in the name of the undersigned or in such other name as is specified below:

_____
(Print Name)

Address: _____

_____

3. The undersigned confirms that the Shares are being acquired for the account of the undersigned for investment only and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or selling the Shares.

_____
(Date)

_____
(Signature)

_____
(Print Name)

Exhibit 4.5

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT AND/OR APPLICABLE STATE SECURITIES LAWS, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.

Warrant No.

EXAGEN DIAGNOSTICS, INC.

PREFERRED STOCK PURCHASE WARRANT

THIS CERTIFIES that (the "Holder") is entitled, upon the terms and subject to the conditions hereinafter set forth, at any time on or after the date of this warrant (this "Warrant") and on or prior to (the "Expiration Date"), but not thereafter, to subscribe for and purchase from Exagen Diagnostics, Inc., a Delaware corporation (the "Company"), ( ) shares of Series D Convertible Preferred Stock in the Company (the "Shares") at an exercise price of $ per share (the "Exercise Price").

1. Exercise of Warrant.

(a) Unless earlier terminated under Section 7, the purchase rights represented by this Warrant to purchase Shares are exercisable, in whole or in part, before the close of business on the Expiration Date, by the surrender of this Warrant and the Notice of Exercise annexed hereto duly executed at the principal executive office of the Company (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company), and upon payment of the Exercise Price of the Shares thereby purchased (by cash or by check or bank draft payable to the order of the Company in an amount equal to the Exercise Price of the shares thereby purchased).

(b) Unless earlier terminated under Section 7, in lieu of exercising this Warrant by payment of cash or check pursuant to Section 1(a), the Holder may elect to receive Shares equal to the value of this Warrant (or the portion thereof being exercised), by surrender of this Warrant at the principal executive office of the Company, together with the Notice of Conversion annexed hereto, in which event the Company will issue to the Holder Shares in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where, X = the number of Shares to be issued to Holder;

Y = the number of Shares for which the Warrant is being exercised;

A = the fair market value of one Share; and

B = the Exercise Price.

For purposes of this Section 1(b), the fair market value of a Share shall be the price per Share that the Company could obtain from a willing buyer for Shares sold by the Company from authorized but unissued Shares, as such price shall be determined in good faith by the Company's Board of Directors. If the Shares are traded on the over-the-counter market or on an exchange, the fair market value of a Share shall be the average of the closing bid and asked prices of Shares quoted in the over-the-counter market in which the Shares are traded or the closing price quoted on any exchange on which the Shares are listed, whichever is applicable, as published in the Western Edition of The Wall Street Journal for the ten (10) trading days prior to the date of determination of fair market value (or such shorter period of time during which such stock was traded over-the-counter or on such exchange).

(c) As soon as practicable after the exercise of this Warrant in whole or in part, and in any event within ten (10) days thereafter, the Company at its expense will cause to be issued in the name of, and delivered to, the Holder, or such other name as specified on the Notice of Exercise delivered to the Company:

(i) a certificate or certificates for the number of Shares to which such Holder shall be entitled, and

(ii) in case such exercise is in part only, a Warrant or Warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of Shares equal (without giving effect to any adjustments therein) to the number of Shares called for on the face of this Warrant minus the number of such Shares purchased by the Holder upon such exercise as provide in Sections 1(a) or (b) above.

2. Shares to be Fully Paid; Reservation of Shares. The Company covenants that all Shares which may be issued upon the exercise of rights represented by this Warrant (together with all shares of Common Stock issuable upon conversion of such Shares) will, upon issuance, be duly authorized, validly issued, fully paid and nonassessable and free from all preemptive rights of any stockholder and free from all taxes, liens and charges in respect of the issue thereof. Certificates for Shares purchased hereunder shall be delivered to the Holder within a reasonable time after the date on which this Warrant shall have been exercised as aforesaid. The Company further covenants and agrees that during the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized and reserved (or will

have provided for the ability to accomplish the same through a voting contract amongst sufficient stockholders), for the purpose of issue or transfer upon exercise of the subscription rights evidenced by this Warrant, a sufficient number of shares of authorized but unissued Shares (together with the number of shares of Common Stock issuable upon conversion of such Shares), or other securities and property, when and as required for the exercise of the rights represented by this Warrant.

3. Adjustment of Exercise Price and Number of Shares. The Exercise Price and the number of shares purchasable upon the exercise of this Warrant shall be subject to adjustment from time to time upon the occurrence of certain events described in this Section 3. Whenever the number of Shares purchasable upon the exercise of this Warrant is adjusted as herein provided the Exercise Price payable upon exercise of this Warrant shall be adjusted by multiplying the Exercise Price in effect immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Shares purchasable upon the exercise of this Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Shares so purchasable immediately thereafter.

(a) Conversion of Shares. If all of the outstanding Shares of the Company for which this Warrant is exercisable are converted into shares of Common Stock, the number of Shares purchasable upon exercise of this Warrant immediately prior to such conversion shall be adjusted so that the Holder of this Warrant shall be entitled to receive the number of shares of Common Stock which the Holder would have owned or have been entitled to receive had this Warrant been exercised immediately prior to such conversion and the Shares received thereupon had been simultaneously converted into shares of Common Stock immediately prior to such event.

(b) Dilutive Issuances. The Holder of this Warrant shall be entitled to the benefit of all adjustments in the number of shares of Common Stock of the Company issuable upon conversion of the Shares of the Company which occur after the date of this Warrant and prior to the exercise of this Warrant, including, without limitation, any increase in the number of shares of Common Stock issuable upon conversion as a result of a dilutive issuance of capital stock.

(c) Split, Subdivision or Combination of Shares. If the Company at any time while this Warrant, or any portion hereof, remains outstanding and unexpired shall split, subdivide or combine the Shares, into a different number of securities of the same class, the number of Shares purchasable upon exercise of this Warrant immediately prior thereto shall be adjusted so that the holder of this Warrant shall be entitled to receive the kind and number of Shares or other securities of the Company which the Holder would have owned or have been entitled to receive after the happening of any of the events described above, had this Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Section 3(c) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(d) Reclassification. If the Company, at any time while this Warrant, or any portion hereof, remains outstanding and unexpired by reclassification of securities or otherwise, shall change the Shares into the same or a different number of securities or any other class or

classes, this Warrant shall thereafter represent the right to receive the kind and number of Shares or other securities of the Company which the Holder would have owned or have been entitled to receive after the happening of the event described above, had this Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this Section 3(d) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(e) Cash Distributions. No adjustment on account of cash dividends or interest on the Shares will be made to the Exercise Price under this Warrant.

(f) De Minimus Adjustments. No adjustment in the number of Shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of Shares purchasable upon the exercise of this Warrant; provided, however, that any adjustments which by reason of this Section 3(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest cent and to the nearest one-hundredth of a Share, as the case may be.

(g) Notice of Adjustment. Upon any adjustment of the Exercise Price or any increase or decrease in the number of shares purchasable upon the exercise of this Warrant, the Company shall give written notice thereof, by first class mail postage prepaid, addressed to the registered Holder of this Warrant at the address of such Holder as shown on the books of the Company. The notice shall be signed by the Company's chief financial officer and shall state the Exercise Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of this Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(h) Other Notices. If at any time:

(i) The Company shall declare any cash dividend upon its Shares (or Common Stock issuable upon conversion thereof);

(ii) There shall be any acquisition or capital reorganization or reclassification of the capital stock of the Company;

(iii) There shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company; or

(iv) There shall be an initial public offering of the Company's securities;

then, in any one or more of said cases, the Company shall give, by first class mail, postage prepaid, addressed to the Holder of this Warrant at the address of such Holder as shown on the books of the Company, (a) at least ten (10) days prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend or for determining rights to vote in respect of any such acquisition, reorganization, reclassification, dissolution, liquidation, winding-up or public offering, and (b) in the case of any such acquisition, reorganization, reclassification, dissolution, liquidation, winding-up or public offering, at least

ten (10) days prior written notice of the date when the same shall take place; provided, however, that the Holder shall make a best efforts attempt to respond to such notice as early as possible after the receipt thereof. Any notice given in accordance with the foregoing clause (a) shall also specify, in the case of any such dividend, the date on which the holders of Shares (or Common Stock issuable upon conversion thereof) shall be entitled thereto. Any notice given in accordance with the foregoing clause (b) shall also specify the date on which the holders of Shares (or Common Stock issuable upon conversion thereof) shall be entitled to exchange their Shares (or Common Stock issuable upon conversion thereof) for securities or other property deliverable upon such acquisition, reorganization, reclassification, dissolution, liquidation, winding-up, conversion or public offering, as the case may be.

4. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon the exercise of this Warrant, an amount equal to such fraction multiplied by the then current price at which each Share may be purchased hereunder shall be paid in cash to the Holder.

5. Charges, Taxes and Expenses. Issuance of certificates for Shares upon the exercise of this Warrant shall be made without charge to the Holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or such other name as specified on the Notice of Exercise delivered to the Company.

6. No Rights as Stockholders. This Warrant does not entitle the Holder to any voting rights or other rights as a stockholder of the Company prior to the exercise thereof.

7. Early Termination on Merger, Initial Public Offering, etc. If at any time the Company proposes to merge, reorganize or consolidate with or into any other entity, sell all or substantially all of the assets of the Company, effect any other transaction or series of related transactions in which the holders of the Company's capital stock immediately prior to the consummation of such transaction(s) hold less than fifty percent (50%) of the voting power of the surviving entity (or its parent), or conduct an initial public offering of its capital stock, then the Company shall give the Holder notice of such transaction pursuant to Section 3(h), and if the Warrant has not been exercised by the effective date of the transaction, the Warrant shall terminate.

8. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of this Warrant, if mutilated, the Company will make and deliver a new warrant of like tenor and dated as of such cancellation, in lieu of this Warrant.

9. Miscellaneous.

(a) Issue Date. The provisions of this Warrant shall be construed and shall be given effect in all respects as if it had been issued and delivered by the Company on the date set forth below.

(b) Governing Law. THIS WARRANT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

(c) Restrictions. By acceptance hereof, the Holder acknowledges that the Shares acquired upon the exercise of this Warrant may have restrictions upon their resale imposed by state and federal securities laws, and that certain 2008 Stockholders' Agreement, as amended.

(d) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

(e) Waivers and Amendments. Any provision of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holder.

(f) Assignment. This Warrant may be assigned or transferred by the Holder only with the prior written approval of the Company.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized.

Dated:

EXAGEN DIAGNOSTICS, INC.

By: _____

NOTICE OF EXERCISE

TO: Exagen Diagnostics, Inc.
801 University, S.E., Suite 209
Albuquerque, New Mexico 87106
ATTN: Secretary

1. The undersigned hereby elects to purchase shares of Series D Convertible Preferred Stock (the "Shares") of Exagen Diagnostics, Inc. pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price in full.

2. Please issue a certificate or certificates representing the Shares in the name of the undersigned or in such other name as is specified below:

_____
(Print Name)

Address: _____

_____

3. The undersigned confirms that the Shares are being acquired for the account of the undersigned for investment only and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or selling the Shares.

_____
(Date)

_____
(Signature)

_____
(Print Name)

CERTAIN MATERIAL (INDICATED BY AN ASTERISK) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

LICENSE AGREEMENT

THIS LICENSE AGREEMENT the "*Agreement*") is entered into as of September 13, 2007 ("*Effective Date*") by and between Prometheus Laboratories Inc., a California corporation, having a principal place of business at 9410 Carroll Park Drive, San Diego, California 92121, and its Affiliates ("*Prometheus*"), and Proprius, Inc., a Delaware corporation, having a principal place of business at 12264 El Camino Real, Suite 350, San Diego, California 92130, and its Affiliates ("*Proprius*").

BACKGROUND

WHEREAS, Prometheus has developed Patent Rights and Prometheus Know-how (each as defined below) relating to methotrexate metabolites and pharmacogenetics;

WHEREAS, Proprius has expertise regarding research and development, clinical development, marketing and sale of therapeutics and diagnostics in rheumatologic and autoimmune diseases; and

WHEREAS, Prometheus desires to grant Proprius a license on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the recitals and the mutual covenants and obligations contained herein, Prometheus and Proprius agree as follows:

1. DEFINITIONS

1.1 "Affiliate" of an entity shall mean any entity that controls, is controlled by, or is under common control with such entity. An entity shall be deemed to be in control of another entity if it owns or controls, directly or indirectly, more than fifty percent (50%) of the outstanding voting equity of the other entity (or other equity or ownership voting interest in the event that such entity is other than a corporation).

1.2 "Confidential Information" shall mean all written information and data provided by one Party to the other hereunder and marked "Confidential" or a reasonable equivalent thereof or, if disclosed orally, visually or in some other form, is summarized in a writing identified as "Confidential" or a reasonable equivalent thereof and provided to the other Party within thirty (30) days of such disclosure; *provided, however,* that during the term of this Agreement, the Prometheus Know-how shall be deemed the Confidential Information of both Parties. Notwithstanding the foregoing, Confidential Information of a Party shall not include information that the other Party (the "recipient") can demonstrate:

(a) is known to the recipient and not subject to prior confidentiality obligations to Prometheus (i.e., knowledge of former Prometheus employees), as evidenced by its written records, before receipt thereof under this Agreement;

(b) is disclosed to the recipient without restriction after acceptance of this Agreement by a Third Party who has the right to make such disclosure;

(c) is or becomes part of the public domain through no breach of this Agreement; or

(d) is independently developed, as evidenced by its written records, by or for the recipient by individuals or entities who have not had access to the information disclosed hereunder.

1.3 “Contract Quarter” shall mean a period of three (3) consecutive months ending on March 31, June 30, September 30 or December 31; provided, however, that each of the first and last Contract Quarters during the term of this Agreement may be less than three (3) full consecutive months.

1.4 “Contract Year” shall mean a period of four (4) consecutive Contract Quarters ending on December 31 of any calendar year; provided, however, that the first and last Contract Years during the term of this Agreement may be less than four (4) consecutive Contract Quarters in that the first Contract Year shall begin on the Effective Date, and the last Contract Year shall end upon termination or expiration of this Agreement in accordance with Article 10.

1.5 “FDA” shall mean the United States Food and Drug Administration or its successor entity.

1.6 “Inventors” shall mean the inventors named in the patents and patent applications listed in Exhibit 1.9 hereto.

1.7 “Licensed Product” shall mean any product, product part or service which is made, used, distributed or sold and which, but for the licenses granted in Article 2 of this Agreement, would infringe a Valid Claim in the Patent Rights, in a country in which it is made, used, distributed, sold or imported.

1.8 “Net Sales” shall mean the gross [***] price of Licensed Products sold to a Third Party (other than a Sublicensee, unless such Sublicensee is the end user of such Licensed Products), less the following: (a) credits, allowances, discounts, rebates and chargebacks provided to a Third Party; (b) freight, postage, transportation and insurance costs incurred in delivering Licensed Products (only to the extent such costs are included in such gross invoiced price); (c) cash, quantity and trade discounts actually given to Third Parties; (d) rebates and administrative fees actually paid to group purchasing organizations; (e) sales, use, value-added, excise and other similar taxes to the extent included in such gross invoiced price; and (f) custom duties, surcharges and other governmental charges incurred in connection with the exportation or importation of Licensed Products to the extent such amounts are included in such gross invoiced price. All such amounts set forth above shall be determined in accordance with generally accepted accounting principles (“GAAP”).

Notwithstanding the foregoing, if a Licensed Product is sold or provided as part of a system, package, or combination product or service that contains one or more components that could be sold separately (a “Combination Product”), Net Sales of a Combination Product will be calculated by multiplying the Net Sales from the sale of such Combination Product (determined in accordance with the preceding paragraph) by the fraction *A/B* where “A” is the fair market value of the Licensed Product when supplied or priced separately from the other components of the Combination Product, and “B” is the fair market value of the Combination Product. In the event that no market price is available for the Licensed Product when supplied or priced separately from the other components, fair market value shall be determined in good faith by Proprius and Prometheus taking into account, among other factors as the parties may deem relevant, the number of components in such Combination Product.

For purposes of this Section 1.8, fair market value shall mean the gross sales price to a Third Party in an arm’s-length sale or exchange of consideration for an identical item or service sold or provided in the same quantity and at the same time and place as the sale or exchange for which such gross sales price or value is to be determined.

1.9 “Patent Rights” shall mean the patents and the patent applications listed in Exhibit 1.9, and all provisionals, substitutions, extensions, re-examinations, reissues, renewals, divisions,

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continuations, improvements or continuations-in-part therefor or thereof, and all patents claiming priority to any such patents or patent applications to the extent owned or controlled by Prometheus and all foreign counterparts of the foregoing.

1.10 “Party” shall mean either Prometheus or Proprius and “Parties” shall mean both Prometheus and Proprius.

1.11 “Prometheus Know-how” shall mean all non-patented and unpublished documentation, information and data relating solely to the development of products based solely on the Patent Rights owned or controlled by Prometheus, as of the Effective Date. Prometheus Know-how shall only include research, clinical and manufacturing data and documentation, sample report forms from the clinical studies, case report forms, clinical databases, protocols and completed patient informed consent forms, copies of research notebooks standard operating procedures and laboratory procedures, New York State validation reports, raw clinical data files, marketing materials, clinical experience program data, and animation files, draft sales aids or other promotional material, and market research; all to be provided “as is” without any representation or warranty regarding accuracy or completeness or compliance with laws, regulations or guidance documents and the extent available and transferable.

1.12 “Reasonable Commercial Efforts” shall mean [***]

1.13 “Regulatory Authority” or “Regulatory Authorities” shall mean any federal, state, local or international regulatory agency, department, bureau or other governmental entity, including, but not limited to, the FDA, which is responsible for issuing approvals, licenses, registrations or authorizations necessary for the manufacture, use, storage, import, transport or sale of Licensed Products in a regulatory jurisdiction.

1.14 “Samples” shall mean, to the extent in the possession and control of Prometheus as of the Effective Date, all serum specimens, plasma specimens, blood specimens, red blood cells, leukocytes, DNA or RNA material and lymphoblastoid cells generated from patients and/or healthy human subjects, used by the Inventors in their discovery of, and other research on, the development of products based solely on the Patent Rights.

1.15 “Sublicensee” shall mean a Third Party to which Proprius, its Affiliate or Sublicensee grants a sublicense of its rights under this Agreement.

1.16 “Sublicensee Royalties” shall mean [***]

1.17 “Sublicense Fees” shall mean [***]

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[***]

1.18 “Territory” shall mean the entire world.

1.19 “Third Party” shall mean a natural person, corporation, partnership, joint venture, trust, any governmental authority or other business entity or organization, and any other recognized organization other than the Parties and/or their Affiliates.

1.20 “Trademarks” shall mean “Trexscore” and “Veritrex”.

1.21 “Valid Claim” shall mean a claim of (a) an issued or granted and unexpired patent included in Patent Rights, which claim has not been held invalid or unenforceable by a court or agency of competent jurisdiction from which no further appeal can be taken, or which has not been admitted by the patentee to be invalid or unenforceable; or (b) a pending patent application included in the Patent Rights, so long as such application is being prosecuted and the claim in question has not been abandoned by the owner of the application and provided that such patent application has not been pending for more than [***] from the earliest filing date from which such claim takes priority in the country in question.

2. RIGHTS GRANTED/MATERIAL TRANSFER

2.1 License to Patent Rights and Prometheus Know-how. Subject to the terms and conditions of this Agreement, Prometheus hereby grants to Proprius an exclusive (even as to Prometheus) royalty-bearing right and license under the Patent Rights and Prometheus Know-how, with the right to further sublicense in accordance with this Agreement, to commercialize, develop, research, use, make, have made, sell, offer for sale, have sold and import Licensed Products in the Territory. Provided, however that such right and license shall not include the right to promote any Licensed Products to gastroenterologists or to directly or indirectly, participate in the development or commercialization of any Licensed Product for use in diagnosing or treating any gastrointestinal diseases. Proprius shall have the exclusive right (even as to Prometheus) to publicly disclose or use Prometheus Know-how in support of Proprius’ and its Sublicensees’ development and commercialization efforts related to Licensed Products.

2.2 Sublicensing. [***]

2.3 Material Transfer by Prometheus. Within ninety (90) days of the Effective Date and subject to receipt of any necessary Third Party approvals or consents (which Prometheus does not guaranty or warrant will be obtainable), Prometheus shall provide to Proprius the Samples for use by Proprius solely for technology validation and development purposes with respect to Licensed Products in the Territory. Except as otherwise provided under this Agreement, all Samples will remain the sole

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property of Prometheus, will be used only by Proprius and its Sublicensees in furtherance of the development and commercialization of Licensed Products, and only in a manner consistent with the protocol originally submitted to, and approved by, the respective IRBs of the institutions through which the Samples were collected. Prometheus shall provide to Proprius true and complete copies of each such protocol and a description of the Samples to which such protocol applies. The Samples supplied under this Section 2.3 must be used with prudence and appropriate caution in any experimental work, because not all of their characteristics may be known. THE SAMPLES ARE PROVIDED "AS IS" AND WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE OR ANY WARRANTY THAT THE USE OF THE SAMPLES WILL NOT INFRINGE OR VIOLATE ANY PATENT OR OTHER PROPRIETARY RIGHTS OF ANY THIRD PARTY. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, PROMETHEUS SHALL HAVE NO LIABILITY (INCLUDING BUT NOT LIMITED TO DIRECT, INDIRECT, CONSEQUENTIAL OR EXEMPLARY) TO PROPRIUS RELATING TO THE SAMPLES REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH LIABILITY OR DAMAGES.

2.4 No Implied Rights. Proprius shall have no licenses or other rights other than those expressly granted in this Agreement, and, in particular and without limiting the foregoing, nothing in this Agreement shall be construed to grant Proprius any licenses or other rights in any intellectual property rights, information or data owned or controlled by Prometheus or any of its Affiliates, except as expressly set forth in this Agreement.

2.5 Restrictions on Development and Commercialization of Licensed Products. Notwithstanding any other provision of this Agreement, during the term of this Agreement, Proprius (and its Affiliates and Sublicensees) agrees that it will not, directly or indirectly, market or promote the Licensed Products to gastroenterologists nor will it (or any of its Affiliates or Sublicensees), directly or indirectly, participate in the development or commercialization of any Licensed Product for use in diagnosing or treating any gastrointestinal diseases.

2.6 Right of First Negotiation. If, during the two (2) year period beginning on the First Commercial Sale of a Licensed Product by Proprius, (i) Proprius desires to divest or sublicense all or substantially all of its business relating to the Licensed Products (whether by sale, license or otherwise) to a Third Party, or (ii) a Third Party initiates such discussions with Proprius and Proprius is interested in entertaining such discussions (both (1) and (ii) are collectively referred to as a "***Business Opportunity***"), then Proprius will promptly notify Prometheus in writing thereof, with such notice containing a reasonably complete summary of reasonably available information necessary to evaluate the Business Opportunity; provided, however, that Proprius shall not be obligated to disclose to Prometheus the identity of any such Third Party, the terms proposed by such Third Party (if confidential) or any other confidential or proprietary information of such Third Party. If Prometheus indicates interest in pursuing the Business Opportunity within [***] business days of Prometheus' receipt of Proprius' written notice, the Parties will negotiate in good faith to enter into a definitive agreement. If the Parties are unable to enter into a definitive agreement within [***] days after Proprius' receipt of Prometheus' indication of interest, or if Prometheus does not so indicate an interest in pursuing the Business Opportunity within the [***] business day period, Proprius will be free to execute such Business Opportunity with a Third Party provided that Proprius shall not offer the Business Opportunity to a Third Party on terms more favorable then those offered to Prometheus or on terms worth less to Proprius then those offered by Prometheus for the Business Opportunity. In no event shall Proprius be obligated to enter into any such transaction with Prometheus. Notwithstanding anything in this Agreement to the contrary, any Business Opportunity entered into by Proprius with a Third Party will be subject to Prometheus' rights under this Agreement, including, without limitation, Prometheus' right to receive the payments set forth in Article 5.

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3. LICENSED PRODUCT DEVELOPMENT AND COMMERCIALIZATION

3.1 Development and Clinical Testing Activities. Proprius shall use Reasonable Commercial Efforts to undertake development activities for the Licensed Product, including, but not limited to, conducting or having conducted, and completing or having completed, all clinical studies and other activities required for approvals from the applicable Regulatory Authorities. Proprius shall bear the costs and expenses related to the development of the Licensed Products.

3.2 Regulatory Approvals. Proprius shall use Reasonable Commercial Efforts to submit to and obtain acceptance from the applicable Regulatory Authorities of the appropriate regulatory filing for one or more Licensed Products in the Territory. In addition, and without limiting the generality of the foregoing, Proprius by either Proprius, an Affiliate or a Sublicensee shall use its Reasonable Commercial Efforts to achieve the first commercial sale of a Licensed Product in the Territory *(*"*First Commercial Sale*") on or before December 31, 2008. Proprius shall bear the costs and expenses related to the obtaining of the appropriate regulatory approvals for the Licensed Products.

3.3 Remedies for Failure to use Reasonable Commercial Efforts to Achieve First Commercial Sale. In the event Proprius does not achieve the First Commercial Sale on or before December 31, 2008, the Parties shall discuss in good faith whether a modification of such obligation, including the date, is appropriate. Except as otherwise agreed to by the Parties pursuant to this Section 3.3, if Proprius' failure to achieve the First Commercial Sale continues through March, 31, 2009, then Prometheus shall have the right to terminate this Agreement by written notice thereof to Proprius, as further set forth in Section 10.2.

3.4 Licensed Product Development and Marketing. Proprius shall use Reasonable Commercial Efforts, by itself, an Affiliate or through a Sublicensee, to develop Licensed Products in the United States and in such other regions in the Territory as Proprius deems commercially reasonable, and to market and sell Licensed Products in all regions in the Territory where appropriate regulatory and marketing approvals have been obtained from the applicable Regulatory Authorities. Proprius, at Proprius' own expense, or as applicable, a Sublicensee, at its own expense, shall be responsible for all development and commercial activities related to undertaking the obligations pursuant to this Section 3.4.

3.5 Trademark License: Labeling. All packaging for Licensed Products shall display Proprius' trade dress and a trademark suitable to Proprius which may, but need not, be a Trademark, at Proprius' sole discretion. Prometheus hereby grants to Proprius a royalty-free license to use the Trademarks in connection with the commercialization of Licensed Products in the Territory. All packaging and labeling for Licensed Products shall include all appropriate trademark and patent markings in order to reasonably protect such Trademarks and Patent Rights. Proprius acknowledges Prometheus' exclusive right, title and interest in and to the Trademarks and acknowledges that nothing herein will be construed to grant to Proprius any rights in such Trademarks except as expressly provided herein. Proprius further acknowledges that its use of the Trademarks will not create in Proprius any right, title or interest in the Trademarks, and that all use of the Trademarks and the goodwill generated thereby will inure solely to the benefit of Prometheus. Proprius shall make only claims, representations or warranties directly or indirectly to any Third Party about the Licensed Product that are consistent with the Licensed Product's approval from applicable Regulatory Authorities and other scientific literature. During the Term of this Agreement, Proprius shall be solely responsible for maintaining the Trademarks, including all costs and expenses relating thereto.

3.6 Customer Service and Technical Support. Proprius, at Proprius' own expense, or as applicable, a Sublicensee, at its own expense, shall be responsible for and use Reasonable Commercial Efforts in providing training, customer service and technical support for Licensed Products.

3.7 Export Control Laws. Proprius shall comply with all applicable export laws, restrictions and regulations of the Department of Commerce or other United States or foreign agency or authority, and shall not export, or allow any export or re-export of any Confidential Information or Licensed Products in violation of any such restrictions, laws or regulations.

3.8 Progress Reports. Once every six (6) months prior to the date of the First Commercial Sale and once every Calendar Year, thereafter, Proprius will submit to Prometheus a progress report covering in reasonable detail (i) activities by Proprius related to the development and testing of Licensed Product (or the commercialization of Licensed Products after development), and (ii) the obtaining of regulatory approvals necessary for marketing Licensed Product.

4. REGULATORY COMPLIANCE MATTERS AND COMPLAINTS

4.1 Regulatory Matters. In addition to the obligations set forth in Article 3 of this Agreement, Proprius, at Proprius' own expense, or as applicable, a Sublicensee, at its own expense, shall be responsible for and take all appropriate corrective or other actions regarding all regulatory matters related to the Licensed Products and the Trademarks in the Territory, including responses to inquiries from Regulatory Authorities in accordance with all applicable laws.

4.2 Complaints and Recalls.

(a) Licensed Product Complaints. Proprius, at Proprius' own expense, or as applicable, a Sublicensee at its own expense, shall investigate, respond to and take all appropriate corrective or other actions regarding all complaints associated with the manufacture and/or distribution of Licensed Products which are made, used, distributed or sold by or on behalf of Proprius or any of its Sublicensees in accordance with all applicable laws.

(b) Licensed Product Recalls. Proprius, at Proprius' own expense, or as applicable, a Sublicensee at its own expense, and, subject to an order or directive from a Regulatory Authority, shall be responsible to conduct and to pay for the costs of any recall or withdrawal of Licensed Products made, used, distributed or sold by or on behalf of Proprius or any of its Sublicensees in accordance with all applicable laws. Promptly, in accordance with all applicable laws and if possible, prior to making such recall, Proprius shall advise Prometheus of the situation and any facts relating to the advisability of the recall, destruction or withholding from the market of the Licensed Product in the Territory.

4.3 Record keeping. Proprius (and its Affiliates and Sublicensees) shall keep records of its sales and customers and other records sufficient to adequately administer a recall of each such Licensed Product and reasonably cooperate in any decision to recall, retrieve and/or replace any Licensed Product, in accordance with all applicable laws and regulatory requirements.

4.4 Fines and Penalties. Any fines and/or penalties for failure by Proprius to comply with any requirement or regulation shall be the sole responsibility of Proprius.

5. PAYMENTS

5.1 Up Front Fee. Within sixty (60) days after the Effective Date, Proprius shall make a nonrefundable up front payment to Prometheus of [***] U.S. Dollars (U.S.$[***]) (the "*Up Front Fee*").

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

5.2 Preferred Stock. Within 30 days after the Effective Date, Proprius shall deliver to Prometheus a certificate for 200,000 shares of Proprius Series A Preferred Stock, $0.0001 par value per share *("Series A Preferred Stock"),* registered in the name of Prometheus. In regard to the Preferred Stock, Proprius hereby represents and warrants as follows:

(a) Proprius has duly authorized the issuance of 38,000,000 shares of its Preferred Stock, having the rights, restrictions, privileges and preferences set forth in the Certificate of Amendment attached hereto as Exhibit 5.2 (the "*Certificate of Amendment*") and Proprius has adopted and filed the Certificate of Amendment with the Secretary of State of the State of Delaware.

(b) The authorized capital stock of Proprius (immediately prior to the issuance of the Preferred Stock to Prometheus) consists of 32,000,000 shares of common stock, $0.0001 par value per share (the "*Common Stock*"), of which 3,004,166 shares are issued and outstanding and 1,170,834 shares have been reserved for issuance pursuant to subscription, warrant, option, convertible security or other right (contingent or otherwise), and 38,000,000 shares of preferred stock *("Preferred Stock"),* of which 21,000,000 shares have been designated as Series A Preferred Stock of which 6,105,406 are issued and outstanding. No other shares or series of capital has been designated or is issued or outstanding. All of the issued and outstanding shares of Common Stock and Preferred Stock have been duly authorized and validly issued and are fully paid and nonassessable. Except for the Preferred Stock and as provided in this Agreement, (i) no subscription, warrant, option, convertible security or other right (contingent or otherwise) to purchase or acquire any shares of capital stock of the Company is authorized or outstanding, (ii) Proprius has no obligation (contingent or otherwise) to issue any subscription, warrant, option, convertible security or other such right or to issue or distribute to holders of any shares of its capital stock any evidences of indebtedness or assets of the Company, (iii) Proprius has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or make any other distribution in respect thereof, and (iv) there are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to Proprius. All of the issued and outstanding shares of capital stock of Proprius have been offered, issued and sold by Proprius in compliance with applicable federal and state securities laws.

(c) The issuance and delivery of the shares of Series A Preferred Stock in accordance with this Agreement, and the issuance and delivery of the shares of Common Stock issuable upon conversion of the Preferred Stock, have been duly authorized by all necessary corporate action on the part of Proprius, and all such shares have been duly reserved for issuance. The shares of Series A Preferred Stock when so issued and delivered pursuant to this Agreement, and the shares of Common Stock issuable upon conversion of the Preferred Stock, when issued upon such conversion, will be duly and validly issued, fully paid and non-assessable.

In regard to the issuance of the shares of the Series A Preferred Stock to Prometheus, Prometheus hereby represents and warrants that Prometheus is acquiring the Series A Preferred Stock, and the shares of Common Stock into which the Series A Preferred Stock may be converted, for its own account for investment and not with any present intention of distributing or selling the same, and Prometheus has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for the disposition thereof. Prometheus is an "accredited investor" as defined in Rule 501(a) under the Securities Act.

5.3 Milestone Payments. In addition to the payments described in Sections 5.1 and 5.4 of this Agreement, Proprius shall make the following one-time cash milestone payments to Prometheus within ninety (90) days of the occurrence of the applicable event:

MILESTONE EVENT	PAYMENT
First Commercial Sale by Proprius, its Affiliates or Sublicensees	U.S.$[***]
Achievement of greater than or equal to U.S.$[***] in cumulative Net Sales of all Licensed Products (determined in the aggregate for sales by Proprius, its Affiliates and Sublicensees)	U.S.$[***]
Achievement of greater than or equal to U.S.$[***] in cumulative Net Sales of all Licensed Products (determined in the aggregate for sales by Proprius, its Affiliates and Sublicensees)	U.S.$[***]
Achievement of greater than or equal to U.S.$[***] in cumulative Net Sales of all Licensed Products (determined in the aggregate for sales by Proprius, its Affiliates and Sublicensees)	U.S.$[***]
Achievement of greater than or equal to U.S.$[***] in cumulative Net Sales of all Licensed Products (determined in the aggregate for sales by Proprius, its Affiliates and Sublicensees)	U.S.$[***]

Notwithstanding the foregoing, Proprius shall not be obligated to make payments under this Section 5.3 which total more than [***] U.S. Dollars (U.S.$[***]) in any calendar year (the "*Milestone Payment Cap*"). Any amounts in excess of the Milestone Payment Cap for any calendar year shall be carried forward and paid on March 31 of the next calendar year (subject again, in such calendar year, to the Milestone Payment Cap).

5.4 Royalty Payments to Prometheus. In partial consideration of the license rights granted to Proprius hereunder, Proprius shall pay to Prometheus royalties based on Net Sales of Licensed Products by Proprius and its Affiliates (but not Sublicensees provided that Sublicensees shall be included if Proprius has sublicensed its rights hereunder without having devoted material efforts to the development of Licensed Products and without retaining material development and/or commercialization rights related to the Licensed Products), in countries where a Valid Claim of the Patent Rights covering such Licensed Products exists at the rate of [***] percent ([***]%).

Subject to the termination provisions of Article 10 of this Agreement, Proprius' obligation to pay royalties to Prometheus on Licensed Products covered by a Valid Claim of the Patent Rights in each country shall expire on the date when the last patent containing a Valid Claim in such country expires, lapses or is invalidated.

5.5 Sublicense Fees and Sublicensee Royalties. In addition to the royalties and milestones payable pursuant to Sections 5.3 and 5.4 of this Agreement, Proprius shall pay to Prometheus the following amounts:

(a) If the Sublicensee is [***] or any successor organization to [***] (hereinafter "[***]" shall include such successor organizations), then Proprius shall pay to Prometheus:

(i) [***] percent ([***]%) of any Sublicensee Royalties received by Proprius from [***] or any of its Affiliates or Sublicensees, provided however, that under no circumstances shall such payment to Prometheus by Proprius under this Section 5.5(a)(i) be less then [***] percent ([***]%) of the Net Sales of [***] and its Affiliates or Sublicensees nor shall it be more then [***] percent ([***]%) of the Net Sales of [***] and its Affiliates or Sublicensees; plus

(ii) [***] percent ([***]%) of Sublicense Fees received by Proprius from [***] or any of its Affiliates or Sublicensees.

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(b) In the case of any other Sublicensee:

(i) [***] percent ([***]%) of any Sublicensee Royalties received by Proprius from such Sublicensee or any of its Affiliates or Sublicensees, provided however, that under no circumstances shall such payment to Prometheus by Proprius under this Section 5.5(b)(i) be less then [***] percent ([***]%) of the Net Sales of such Sublicensee and its Affiliates or Sublicensees nor shall it be more then [***] percent ([***]%) of the Net Sales of such Sublicensee and its Affiliates or Sublicensees; plus

(ii) [***] percent ([***]%) of Sublicense Fees received by Proprius from such Sublicensee or any of its Affiliates or Sublicensees.

For the avoidance of doubt, except as specifically set forth above relating to [***] under Section 5.5 (a), in the event that Proprius sublicenses any or all of its rights to any other third party without having devoted material efforts to the development of Licensed Products and without retaining material development and/or commercialization rights related to the Licensed Products, Proprius shall pay to Prometheus a royalty pursuant to Section 5.4 (and not Section 5.5(b)) based upon the Net Sales of any Sublicensee's (or its Affiliates).

5.6 Royalty Reduction. Any royalty payable to Prometheus under Section 5.4 of this Agreement may be reduced up to a maximum of [***] percent ([***]%) of the royalty otherwise due on a Calendar Quarter basis for any and all royalties to the extent, and only to the extent, it is reasonable and necessary for Proprius to pay such royalties to a Third Party in order to manufacture, use or sell a Licensed Product (up to the actual extent of the royalties paid to such Third Party) under a license of intellectual property rights entered into by Proprius with respect to the Licensed Product, provided that under no circumstances shall the royalty rate payable to Prometheus hereunder be reduced below two and one-half percent (2 ½%).

5.7 Terms of Payment.

(a) Within [***] days following the end of each Contract Quarter during the Term, Proprius shall make the payments to Prometheus set forth in Sections 5.4 of this Agreement based on Net Sales during the previous Contract Quarter. Royalty payments due to Prometheus under Section 5.5 shall be due within [***] days following the end of each Contract Quarter during the Term as well.

(b) With each quarterly payment made under this Section 5.7, Proprius shall deliver to Prometheus a full and accurate accounting of all Net Sales by Proprius, and its Affiliates and Sublicensees as well as all Sublicense Fees and Sublicensee Royalties received from Sublicensees and their Affiliates, if any, for the relevant Contract Quarter. Each such report shall include at least the following information: (i) quantity of each Licensed Product sold by Proprius, and its Affiliates and Sublicensees on a country-by-country basis; (ii) gross sales of Licensed Products by Proprius, and its Affiliates and Sublicensees on country-by-country basis; (iii) any deductions from gross sales used to arrive at Net Sales; (iv) the quantity and type of Sublicense Fees and Sublicensee Royalties received from Sublicensees and their Affiliates; and (v) Proprius' computation of the aggregate earned royalties payable to Prometheus under Sections 5.4 and 5.5, respectively.

(c) Within [***] calendar days of the end of each Calendar Quarter, Proprius shall provide Prometheus with its best estimate of all the payments due to Prometheus hereunder for such prior Calendar Quarter from Proprius, its affiliates and its Sublicensees.

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(d) All royalty and milestone and Sublicense Royalties and Sublicense Fee payments due Prometheus shall be made in United States dollars by wire transfer to a bank and account specified by Prometheus in writing. For sales made or Sublicense Fees or Sublicensee Royalties received in currency other than United States dollars, amounts payable under this Agreement shall be converted to United States dollars as would be required for reporting under GAAP. In no event shall the applicable royalties exceed the maximum amount payable under the applicable laws, regulations or administrative rulings of the territory or country which restricts the royalty rate or amount payable on Net Sales in such territory or country.

5.8 Taxation of Royalties. Where any sum due to be paid to Prometheus hereunder is subject to any withholding or similar tax, the Parties shall use reasonable efforts to do all such acts and things and to sign all such documents as will enable them to take advantage of any applicable double taxation agreement or treaty or appeal procedure. In the event there is no applicable double taxation agreement or treaty, or appeal procedure, or if any appeal procedure has been exhausted or if an applicable double taxation agreement or treaty or appeal procedure reduces but does not eliminate such withholding or similar tax, notwithstanding any pending appeal, Proprius shall pay such withholding or similar tax to the appropriate government authority as may be required, deduct the amount paid from the amount due Prometheus and secure and send to Prometheus reasonable evidence of such payment.

5.9 Restrictions on Remittance. If, at any time, legal restrictions prevent the prompt remittance of part or all royalties with respect to any country where Licensed Products are sold, Proprius shall have the right to make such payments by depositing the amount thereof in local currency to Prometheus' account in a bank or other depository institution in such country.

5.10 Late Payments. Any payment, including without limitation, royalty, Sublicense Fees, Sublicensee Royalties, and milestone payments, made by Proprius under this Agreement after the date such payment is due shall bear interest at the lesser of 1 1/2% per month and the maximum rate permitted by applicable law.

6. BOOKS AND RECORDS

6.1 Procedures. Proprius shall keep full and accurate accounting records of Net Sales, Sublicense Fees and Sublicensee Royalties in sufficient detail to determine the amounts payable to Prometheus under Sections 5.3, 5.4 and 5.5. Such records, together with all necessary supporting data, shall be kept at Proprius' offices at the address set forth above or such other address as Proprius may indicate in writing to Prometheus. Upon reasonable notice to Proprius, Prometheus shall have the right during normal business hours to have an independent certified public accounting firm to audit on a confidential basis Proprius' financial records pertaining to Net Sales, Sublicense Fees and Sublicensee Royalties to verify the amounts payable pursuant to this Agreement; provided, however, that such audit shall neither (a) take place more frequently than once in a Contract Year, nor (b) cover records for more than the preceding three (3) Contract Years, nor (c) cover any Contract Year that was previously audited pursuant to this Section 6.1. The accounting firm will disclose to Prometheus only whether the amounts reported by Proprius are correct or incorrect and the specific details concerning any discrepancies. An adjustment in payment shall be made within five (5) business days of demonstration of any underpayment or overpayment. Any underpayment shall include interest as specified in Section 5.10.

6.2 Cost of Audits. The fees and expenses of an audit requested by Prometheus pursuant to Section 6.1 of this Agreement shall be borne by Prometheus; provided, however, that if any audit reveals that Proprius underpaid the royalties, milestone payments, Sublicense Fees or Sublicensee Royalties due under this Agreement as to the period being audited by more than ten percent (10%) of the

amount that was payable for such period, then Proprius shall, in addition to paying any such deficiency, reimburse Prometheus for the cost of such audit.

6.3 Period to be Kept. Proprius shall retain all books and records it is required to maintain under Section 6.1 for [***] from the end of the Contract Year of the Net Sales (or Sublicense Fees or Sublicensee Royalties) to which the books and records pertain.

7. REPRESENTATIONS AND WARRANTIES

7.1 Mutual Warranties. Each of the Parties represents and warrants to the other Party as follows:

(a) It is duly organized and validly existing under the laws of its state of incorporation, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof.

(b) It is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and any person executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action.

(c) This Agreement is legally binding upon such Party and enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity whether enforceability is considered a proceeding at law or equity. The execution, delivery and performance of this Agreement by it does not conflict with any material agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(d) To the best of its knowledge, it has sufficient legal and/or beneficial title and ownership under its intellectual property rights necessary for it to fulfill its obligations under this Agreement.

7.2 Intellectual Property Warranties. As of the effective date, Prometheus represents and warrants to Proprius as follows:

(a) Prometheus is the sole and exclusive owner, with the right to license or sublicense, of all its right, title and interest in and to the Patent Rights with the right to license to Proprius;

(b) To the best of Prometheus' knowledge and belief without independent inquiry, the Patent Rights have not been obtained through any fraudulent activity or misrepresentation;

(c) There are no suits, claims or proceedings pending or, expressly threatened in writing, against Prometheus in any court or by or before any governmental body or agency with respect to the Patent Rights or the Prometheus Know-how or the making, having made, using, selling, offering for sale or importing Licensed Products;

(d) To the best of Prometheus' knowledge without independent inquiry, there are no suits pending or threatened that challenge the validity of any of the patents within Patent Rights, and Prometheus has no actual knowledge of any information or action that may jeopardize the validity, enforcement or ownership of the Patent Rights; and

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(e) Prometheus does not own, control or have rights to any patents or patent applications other than those licensed or sublicensed to Proprius according to the terms of this Agreement, having claims that would restrict Proprius' making, having made, using, selling, offering for sale or importing Licensed Products as such Licensed Products exist on the Effective Date.

7.3 Disclaimer. Except as expressly set forth in this Agreement, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED. ALL OTHER REPRESENTATIONS OR WARRANTIES, EXPRESSED AND IMPLIED, INCLUDING, WITHOUT LIMITATION, NONINFRINGEMENT, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE HEREBY DISCLAIMED.

Without limiting the generality of the foregoing, and except as expressly set forth in this Agreement, Prometheus makes no (a) representation or warranty as to the validity of any patent or other intellectual property rights which are the subject of this Agreement, (b) representation or warranty that anything made, used, imported, offered for sale, sold or otherwise disposed of under any of the Patent Rights or the Prometheus Know-how is or will be free from infringement of patents or other intellectual property rights of Third Parties, or (c) grant, by implication, estoppel, or otherwise, of any license, option, covenant or right other than those which are expressly stated in this Agreement, including without limitation any license under any patent or patent application (or claim thereof) not within the Patent Rights.

8. PATENTS.

8.1 Prosecution of Patent Rights. Proprius, at Proprius' own expense, shall file, prosecute, issue and maintain all the Patent Rights. Proprius shaft provide Prometheus the right to review and comment on draft submissions to any patent office with respect to the Patent Rights reasonably in advance of any applicable due dates. Proprius shall consider in good faith the requests and suggestions of Prometheus with respect to strategies for filing and prosecuting the Patent Rights. In connection with Proprius' performance of its obligations under this Section 8.1, Proprius shall provide written notification to Prometheus of significant activities resulting from Proprius' actions under this Section 8.1 and shall provide Prometheus with reasonable access to and copies of the records related to such activities. Accordingly, Proprius shall provide Prometheus with copies of (a) all actions, notices and other correspondence received from the U.S. Patent and Trademark Office or any foreign equivalent, (b) responses and correspondence to the U.S. Patent and Trademark Office or any foreign equivalent, and (c) the original issued patent documents, certificates or equivalents thereof. In the event Proprius elects or has elected not to pursue patent protection or to continue to prosecute or maintain any patent or patent application of the Patent Rights, Proprius shall so advise Prometheus in writing not less than [***] days prior to any potential loss of rights; then, Prometheus shall have the right, but not the obligation, to assume prosecution or maintenance of such patent or patent application of the Patent Rights. If Prometheus elects to assume maintenance of such patent or if Prometheus elects to assume prosecution of such patent application, then thereafter, the license to such patent-n the region in question shall either revert to a non-exclusive license or be removed from the Patent Rights, in the sole discretion, and upon the written election, of Prometheus.

8.2 Third Party Infringement of Patent Rights. Each Party agrees to bring to the attention of the other Party any Third Party product it discovers or has discovered which relates to any of the Patent Rights, and to cooperate with each other so that each Party can determine whether a Third Party product may infringe a Valid Claim of a Patent Right. To the extent a Party believes a Third Party may infringe the Patent Rights, the Parties shall reasonably cooperate to address such concerns. Notwithstanding such cooperation, in the event of alleged Third Party infringement, Proprius, at its sole discretion, may pursue enforcement within [***] days of obtaining knowledge of

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such alleged infringement. Prior to taking any formal action to enforce the Patent Rights or prior to communicating to the alleged infringing Third Party regarding such alleged infringement, Proprius shall notify Prometheus in writing of Proprius' intentions to so act. [***] In the event Proprius does not pursue enforcement within the [***] day period, Prometheus, at Prometheus' sole cost, upon prior written notice to Proprius, may (but shall be under no obligation to act) pursue such enforcement action, and if Prometheus obtains any awards or settlement, then Prometheus shall retain exclusively all settlements or awards.

8.3 Infringement involving Third Party Patents. If a Third Party commences suit, or threatens to do so, on the basis of a claim that a Licensed Product manufactured, used or sold by or on behalf of Proprius infringes a patent of such Third Party, Proprius shall be responsible for defending such claim at its sole expense, except as expressly provided in Section 11.1.

8.4 Patent Marking. Proprius shall use reasonable efforts to place all appropriate patent and other intellectual property notices, markings and indicia on Licensed Product and marketing literature for Licensed Products as needed to protect the Patent Rights and the rights for damages for infringement thereof.

9. CONFIDENTIALITY AND PUBLIC ANNOUNCEMENTS

9.1 Confidentiality. It is contemplated that in the course of the performance of this Agreement each Party may disclose from time to time Confidential Information to the other Party. Each Party agrees (a) not to use Confidential Information received from the other for any purpose other than the performance of its rights and obligations hereunder, and (b) not to disclose Confidential Information so received to any Third Party, except as is necessary for such performance (provided such disclosure is subject to similar or more restrictive confidentiality obligations as set forth herein) or as is required by a court or governmental authority or with the written consent of the disclosing Party. In the event that such disclosure to a Third Party is required as set forth above, the disclosing Party shall give to the Party from whom the Confidential Information was received the greatest practical prior written notice so as to permit the latter to take all possible action to perfect and/or safeguard its rights in the Confidential Information. The obligations of the Parties relating to Confidential Information shall expire five (5) years after the later of the termination of this Agreement or the expiration of any Patent Rights; provided, however, each of Proprius' and Prometheus' obligations to keep Prometheus Know-how confidential shall not expire so long as such know-how is within the definition of Confidential Information provided in this Agreement.

9.2 Public Announcements. Within a reasonable time following the Effective Date of this Agreement, the Parties will issue a joint press release announcing the existence of this Agreement in the form and substance mutually agreed upon by the Parties. Except as set forth in the preceding sentence, neither Party shall make any public announcement concerning the transactions contemplated herein, or make any public statement which includes the name of the other Party or any of its Affiliates or otherwise use the name of the other Party or any of its Affiliates in any public statement or document, without the written consent of the other Party, which consent shall not be unreasonably withheld; provided, however, that either Party may make such public announcements or disclosures as may be required by regulation, law or judicial order. Except for any regulatory, legal or judicial disclosure obligation, any such public announcement proposed by a Party that names the other Party shall first be provided in draft to the other Party which shall have fifteen (15) business days to review such draft prior to the issue or publication of the disclosure. Except as expressly permitted by this Section 9.2, neither Party shall publish or otherwise disclose the existence of this Agreement, or its terms, without the other

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Party's prior written consent; provided, however, that a Party may disclose the existence and/or terms of this Agreement to such Party's professional advisors and, on a confidential basis and subject to a written confidentiality agreement not less stringent then the confidentiality terms contained herein and of which the other Party is a third party beneficiary, to potential Third Party investors or acquirors or, in the case of Proprius, to potential Sublicensees, in each case in connection with due diligence or similar investigations by such Third Parties.

10. TERM AND TERMINATION

10.1 Term. This Agreement shall commence on the Effective Date and shall remain in effect for the term of any royalty obligations under Sections 5.4 and 5.5 of this Agreement, unless otherwise terminated earlier pursuant to this Article 10.

10.2 Termination by Either Party. Either Party may terminate this Agreement upon written notice to the other Party in the event the other Party (a) materially breaches this Agreement and fails to cure such breach within [***] days after receipt of written notice of breach from the non-breaching Party, or (b) makes a general assignment for the benefit of creditors, has a receiver appointed on its behalf, or files or otherwise becomes subject to bankruptcy or insolvency proceedings which continues unstayed and in effect for a period of [***] days.

10.3 Termination by Prometheus. In addition to the rights set forth under Section 10.2 related to material breach of this Agreement by Proprius, Prometheus may immediately terminate this Agreement as set forth in Section 3.3.

10.4 Termination by Proprius. In addition to the rights set forth under Section 10.2 related to material breach of this Agreement by Prometheus, Proprius may terminate this Agreement with sixty (60) days written notice, without cause.

10.5 Rights Upon Termination.

(a) Upon termination of this Agreement pursuant to Section 10.2 or 10.3 or 10.4: (i) all rights under the licenses granted hereunder shall automatically terminate, and (ii) any sublicenses (but not any liabilities accrued to date) granted hereunder by Proprius to Third Parties shall remain in effect, but shall be assigned to Prometheus provided that: (A) such sublicense was properly granted hereunder, (B) Prometheus shall have no obligation thereunder other than the obligation to grant the license or sublicense to the applicable Third Party(ies) as set forth in such sublicenses, (C) all restrictions and limitations of this Agreement shall apply to the sublicense as though this Agreement continued in effect, (D) Prometheus shall receive all consideration due in connection with the sublicense and, in any event, the payments to Prometheus based upon the sublicense and activity thereunder shall be at least as great as they would have been to Prometheus had the Agreement remained in effect and such actions had been taken by Proprius, and (E) in addition to any termination rights under the sublicense agreement, Prometheus shall be entitled to terminate such sublicense on the same basis as is provided herein for termination of this Agreement.

(b) Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. Except as set forth below or elsewhere in this Agreement, any accrued rights to payment and the obligations and rights of the Parties under Sections 1, 4, 6, 7, 9, 10, 11, and 12 shall survive expiration or termination of this Agreement.

(c) Within thirty (30) days following the termination of this Agreement, except to the extent and for so long as a Party is entitled to retain license rights under this Agreement,

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each Party shall, upon written request, deliver to the other Party any and all Confidential Information, and any copies thereof, of the other Party in its possession, except that the Party will be entitled to retain one (1) copy of all documents in its legal archives. [***]

(d) Upon termination (but not expiration) of this Agreement, Proprius agrees to immediately discontinue the manufacture and sale of the Licensed Products and the use of the Patent Rights and Prometheus Know-how; *provided, however,* unless this Agreement is terminated pursuant to Section 10.2 for a breach by Proprius, that for up to [***] months after such termination, Proprius shall have the right to sell any existing merchantable inventory of Licensed Products as of the date of termination at its normal prices, unless discounted prices were previously allowed or authorized by Proprius. The sale of all such inventory, however, shall be subject to all of the terms and conditions of this Agreement, including the royalty provisions of Article 5.

11. INDEMNIFICATION; INSURANCE AND LIMITATION OF LIABILITY

11.1 Indemnification by Prometheus. Prometheus shall indemnify, defend and hold harmless Proprius and its officers, directors, employees, agents and representatives ("*Proprius Indemnitees*") from and against any and all liabilities, claims, demands, actions, suits, losses, damages, costs and expenses (including reasonable attorneys' fees) based upon or arising out of Third Party claims resulting from Prometheus' negligence, willful or deliberate misconduct, recklessness or breach of any covenant, agreement, representation or warranty made by Prometheus in this Agreement; provided that Prometheus shall not be required to indemnify Proprius or any Proprius Indemnitee to the extent such liabilities, claims, demands, actions, suits, losses, damages, costs and expenses arise from the negligence, willful or deliberate misconduct, or recklessness of a Proprius Indemnitee, Proprius' breach of this Agreement or any other matter for which Proprius is responsible to indemnify Prometheus pursuant to Section 11.2 of this Agreement.

11.2 Indemnification by Proprius. Proprius shall indemnify, defend and hold harmless Prometheus and its officers, directors, employees, agents and representatives ("*Prometheus Indemnitees*") from and against any and all liabilities, claims, demands, actions, suits, losses, damages, costs and expenses (including reasonable attorneys' fees) based upon or arising out of Third Party claims resulting from Proprius' (or its Affiliates' or Sublicensees') negligence, willful or deliberate misconduct, recklessness, or relating to the development or commercialization of Licensed Products or Patent Rights hereunder by Proprius (or its Affiliates or Sublicensees) or breach of any covenant, agreement, representation or warranty made by Proprius (or its Affiliates or Sublicensees) in this Agreement; provided that Proprius shall not be required to indemnify Prometheus or any Prometheus Indemnitee to the extent such liabilities, claims, demands, actions, suits, losses, damages, costs and expenses arise from the negligence, willful or deliberate misconduct, or recklessness of a Prometheus Indemnitee, Prometheus' breach of this Agreement or any other matter for which Prometheus is responsible to indemnify Proprius pursuant to Section 11.1 of this Agreement.

11.3 Conditions of Indemnification. If either Party proposes to seek indemnification from the other under the provisions of this Article 11, it shall notify the other Party within fifteen (15) days of receipt of notice of any such claim or suit and shall cooperate fully with the other Party in the defense of such claims or suits. No settlement or compromise shall be binding on a Party hereto without

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its prior written consent which shall not be unreasonably withheld. Failure to provide such notice will not relieve indemnity obligation except to the extent adversely effected by failure to receive notice.

11.4 Insurance. During the Term, Proprius shall carry occurrence-based liability insurance with policy limits of at least two million dollars ($2,000,000) per occurrence and five million dollars ($5,000,000) annual aggregate. Upon request, Proprius shall provide Prometheus with evidence of such insurance. Proprius shall have Prometheus and its respective Affiliates, directors, officers, employees, scientists and agents named as additional insured parties on any product liability insurance (or professional liability insurance covering services) policies maintained by Proprius, its Affiliates and Sublicensees applicable to the Licensed Products, and shall ensure that such insurance may not be amended, terminated or allowed to expire without thirty (30) days' prior notice to such additional insureds.

11.5 Limitation of Liability. NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION, LOST PROFITS, IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. FOR THE PURPOSE OF CLARITY, NOTHING IN THIS SECTION IS INTENDED TO LIMIT THE INDEMNIFICATION OBLIGATIONS OF ANY PARTY WITH RESPECT TO THE CHARACTERIZATION OF ANY CLAIM BY A THIRD PARTY AS SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES.

12. MISCELLANEOUS

12.1 Entire Agreement. This Agreement, together with the exhibits, constitutes the entire agreement between the Parties concerning the subject matter hereof and supersedes all written or oral prior agreements or understandings with respect thereto. Notwithstanding anything in this Section 12.1 to the contrary, the Confidentiality Agreement between the Parties effective November 4, 2005, shall remain in full force and effect.

12.2 Amendment or Modification. No amendment, modification or release from any provision of this Agreement shall be binding, unless in writing signed by an authorized representative of each Party, and no purchase order or acknowledgment form of a Party shall be binding on the other Party.

12.3 Severability. If any term or provision of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or provision hereof, and this Agreement shall be interpreted and construed as if such term or provision, to the extent the same shall have been held to be invalid, illegal or unenforceable, had never been contained herein.

12.4 Assignment. Neither Party shall assign this Agreement in whole or in part without the prior written consent of the other Party; provided, however, that subject to Section 2.6 herein, either Party may assign this Agreement without such consent to an Affiliate, in connection with the transfer or sale of substantially its entire business to which this Agreement pertains, or in the event of its merger or consolidation with another company; provided, that, for purposes of clarity, intellectual property rights of a party to such transaction other than one of the initial Parties to this Agreement shall not be included in the technology licensed hereunder. The rights and obligations of the Parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties. Any assignment not in accordance with this Agreement shall be void.

12.5 Independent Contractor. It is expressly agreed that Prometheus and Proprius shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency of any kind. Neither Party shall have the authority to make any statement, representations or commitments of any kind on behalf of the other, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party.

12.6 Notices. All notice hereunder shall be in writing and shall be delivered (a) personally, (b) by overnight delivery, delivery prepaid, (c) mailed by express mail service, or (d) given by facsimile, to the following addresses of the respective Parties:

If to Prometheus:

Prometheus Laboratories Inc.
9410 Carroll Park Drive
San Diego, California 92121
Attn: Chief Executive Officer
Facsimile Number: (858) 410-1945

With a copy to:

Legal Department
Prometheus Laboratories Inc.
9410 Carroll Park Drive
San Diego, California 92121
Facsimile Number (858) 410-1945

If to Proprius:

12264 El Camino Real, Suite 350
San Diego, California 92130
Attn: Chief Executive Officer
Facsimile Number: (858) 225-3553

Notices shall be effective upon receipt if personally delivered, on the next business day following deposit with an overnight delivery service, on the second business day following the date of delivery to the express mail service if sent by express mail, or the date of transmission (or next business day if transmitted on a non-business day) if sent by facsimile and the sending machine prints a verification of receipt by the receiving machine. A Party may change its address listed above by notice to the other Party.

12.7 Force Majeure. Any delay in the performance of any of the duties or obligations of either Party under this Agreement caused by an event outside the affected Party's reasonable control shall not be considered a breach of this Agreement, and the time required for performance shall be extended for a period equal to the period of such delay. Such events shall include, without limitation: acts of God; riots; embargoes; labor disputes, including strikes, lockouts, job actions, or boycotts; fires; explosions; earthquakes; floods; shortages of material or energy; or other unforeseeable causes beyond the reasonable control and without the fault or negligence of the Party so affected. The Party so affected shall give prompt notice to the other Party of such cause and shall take whatever reasonable steps are necessary to relieve the effect of such cause as rapidly as possible.

12.8 Governing Law. This Agreement shall be construed, interpreted and governed by the laws of the State of California, without regard to conflicts of law principles and without regard to the United Nations Convention on Contracts for the International Sale of Goods.

12.9 Dispute Resolution. The parties hereto expressly agree that in the event of any dispute, controversy or claim by any party against the other party regarding this Agreement, the prevailing party shall be entitled to reimbursement by the other party to the proceeding of reasonable attorney's fees and costs incurred by the prevailing party. Any dispute, controversy or claim arising hereunder or in any way related to this Agreement shall be resolved by arbitration in the County of San Diego, State of California by JAMS-Endispute. The arbitration shall be conducted by a sole arbitrator appointed by JAMS-Endispute (the "Arbitrator"). The Arbitrator's decision shall be final and binding on all parties. The Arbitrator shall have no authority to award damages for emotional distress, punitive damages or equitable relief. The parties intend that this arbitration provision be irrevocable and be construed as broadly as possible. The arbitration shall be governed by the provisions of California's Arbitration Act, and judgment upon the award rendered by the Arbitrator may be entered by any court having jurisdiction thereof. Notwithstanding the above, to the full extent allowed by law, either Party may bring an action in any court of competent jurisdiction for injunctive relief (or any other provisional remedy) to protect the Parties' rights or enforce the Parties' obligations under this Agreement pending final resolution of any claims related thereto in an arbitration proceeding as provided above. In addition, either Party may bring an action in any court of competent jurisdiction to resolve disputes pertaining to the validity, construction, scope, enforceability, infringement or other violations of patents or other proprietary or intellectual property rights.

12.10 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and its respective assigns and successors in interest.

12.11 Waiver. No waiver or modification of any of the terms of this Agreement shall be valid unless in writing and signed by an authorized representative of the Parties. Failure by either Party to enforce any rights under this Agreement shall not be construed as a waiver of such rights, nor shall a waiver by either Party in one or more instances be construed as constituting a continuing waiver or as a waiver in other instances.

12.12 Exhibits. All exhibits that are attached to this Agreement are incorporated herein by reference.

12.13 Headings. The headings used in this Agreement are for convenience and reference purposes only and shall not affect the meaning or interpretation of this Agreement.

12.14 Counterparts. This Agreement may be executed in two (2) or more original counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each Party has caused this Agreement to be executed on its behalf by its duly authorized officer as of the Effective Date.

PROMETHEUS LABORATORIES INC.	PROPRIUS, INC.
By: /s/ Joseph M. Limber	By: /s/ Michael J. Walsh
Printed Name: Joseph M. Limber	Printed Name: Michael J. Walsh
Title: President, CEO	Title: President & CEO
Date: September 19, 2007	Date: September 13, 2007

Exhibit 1.9

PATENT RIGHTS

MTX PORTFOLIO
CONFIDENTIAL
PATENT PROPERTY STATUS REPORT

TTC Ref Country ATTY(s) Handling	Client’s Ref	Title	Inventor	Application No. Filing Date	Patent No. Issue Date	Status Remarks
[***]		[***]	[***]	[***]		[***]
[***]		[***]	[***]	[***]		[***]
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[***]		[***]	[***]	[***]		[***]

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

CERTAIN MATERIAL (INDICATED BY AN ASTERISK) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

FIRST AMENDMENT
TO LICENSE AGREEMENT

THIS FIRST AMENDMENT, effective as of October 23, 2013 (the "Effective Date"), is to that certain License Agreement dated September 13, 2007, (the "License Agreement") by and between Prometheus Laboratories Inc. ("*Prometheus*") and Cypress Bioscience, Inc. as successor in interest to Proprius, Inc., which was subsequently assigned to Exagen Diagnostics, Inc. ("*Exagen*"). Prometheus and Exagen are each sometimes referred to individually as a "*Party*" and together as the "*Parties*." All capitalized terms not defined herein shall have the meaning ascribed to them in the License Agreement.

WHEREAS, Prometheus and Exagen wish to amend the License Agreement with regard to development and clinical testing activities, marketing, milestones and royalties as described below and otherwise amend the License Agreement on the terms set forth herein;

NOW, THEREFORE, the Parties hereby agree to the following:

1. All references to Proprius in the Agreement shall be understood to reference Exagen.

2. Section 3.1 (Development and Clinical Testing Activities) shall be deleted in its entirety and replaced with the following:

3.1 Development and Clinical Testing Activities. Exagen shall use Reasonable Commercial Efforts to undertake development activities for the Licensed Product, including, but not limited to, conducting or having conducted, and completing or having completed: (a) those three (3) clinical studies described on Exhibit 3.1 hereto; and (b) a dossier to be used for communications with managed care entities that explains the advantageous pharmacoeconomics associated with use of the Licensed Product no later than March 30, 2014. Exagen shall bear the costs and expenses related to all development activities set forth above of the Licensed Products. Exagen acknowledges and agrees that these development activities are critical to the commercial success of the Licensed Product and agrees that should Exagen fail to timely complete the dossier described in section (b) of this section or to timely accomplish those three (3) clinical studies described on Exhibit 3.1, Exagen will pay Prometheus a one-time payment of [***]. In addition, if applicable, Exagen shall use Reasonable Commercial Efforts to undertake any other development activities for the Licensed Product, required for approvals from the applicable Regulatory Authorities. Exagen shall bear all costs and expenses related to the development of the Licensed Products.

3. Section 3.4 (Licensed Product Development and Marketing) shall be deleted in its entirety and replaced with the following:

3.4 Licensed Product Development and Marketing. Exagen shall use Reasonable Commercial Efforts, by itself, an Affiliate or through a Sublicensee, to develop, market and sell Licensed Products in the United States, Exagen shall also use Reasonable Commercial Efforts to develop Licensed Products in such other regions in the Territory as

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Exagen deems commercially reasonable, and to market and sell Licensed Products in all regions in the Territory where appropriate regulatory and marketing approvals have been obtained from the applicable Regulatory Authorities. Exagen, at Exagen's own expense, or as applicable, a Sublicensee, at its own expense, shall be responsible for all development and commercial activities and expenses related to undertaking the obligations pursuant to this Section 3.4. For the avoidance of doubt, Reasonable Commercial Efforts to commercialize the Licensed Products shall include a compensation structure for the applicable members of Exagen's Sales Force that are responsible for detailing the Licensed Products (each a "*Sales Representative*") with a variable incentive compensation component based on the Promotion of the Licensed Products, as described below:

(a) At least [***] of the annual targeted incentive compensation percentage for each Sales Representative for the first (1st) year beginning January 01, 2014 shall be based on his/her performance related to minimum Details and minimum Sales Achievement of the Licensed Product, where a "*Detail*" is defined as "an interactive face-to-face visit in the Territory by a Sales Representative with a physician or his or her legally empowered designee, during which the indicated uses and other relevant characteristics of the Licensed Products may be described by such Sales Representative in a fair and balanced manner consistent with Applicable Law; however, incidental contacts between such sales representatives and a physician will not constitute a Detail;" and "*Sales Achievement*" is defined as actual sales of Licensed Products compared to commercially reasonable sales goals prescribed for each individual geographic territory.

(b) At least [***] of the incentive compensation percentage for each Sales Representative for the second (2nd) year (January 01, 2015) following the Effective Date and for all years thereafter in which there exists a Valid Claim on a Licensed Product shall be based on his/her performance related to the Detailing of the Product.

4. Section 5.3 Milestone Payments shall be deleted in its entirety and replaced with the following:

5.3 Milestone Payments. In addition to the payments described in Sections 5.1 and 5.4 of this Agreement, Exagen shall make the following one-time cash milestone payment to Prometheus within ninety (90) days of the occurrence of the event:

MILESTONE EVENT	PAYMENT
Achievement of greater than or equal to U.S[***] in cumulative Net Sales of all Licensed Products (determined in the aggregate for sales by Exagen, its Affiliates and Sublicensees)	U.S[***]

For the avoidance of doubt, the License Agreement is amended to remove the concept of a Milestone Payment Cap, and any reference to that term or concept is hereby deleted, including, but not limited to the reference in Section 5.3.

5. Section 5.4 Royalty Payments to Prometheus shall be deleted in its entirety and replaced with the following:

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5.4 Royalty Payments to Prometheus. In partial consideration of the license rights granted to Exagen hereunder, Exagen shall pay to Prometheus royalties based on Net Sales of Licensed Products by Exagen and its Affiliates and its sublicenses in countries where a Valid Claim of the Patent Rights covering such Licensed Products exists at the royalty rates set forth below:

Net Sales	Royalty Rate
On Annual Net Sales in a calendar year less than [***]	[***]
On Annual Net Sales in a calendar year equal to or greater than [***] and less than [***]	[***]
On Annual Net Sales in an calendar year equal to or greater than [***]	[***]

Subject to the termination provisions of Article 10 of this Agreement, Exagen's obligation to pay royalties to Prometheus on Licensed Products covered by a Valid Claim of the Patent Rights in each country shall expire on the date when the last patent containing a Valid Claim in such country expires, lapses or is invalidated.

6. Except as expressly amended in this First Amendment, all terms and provisions of the License Agreement shall remain in full force and effect.

In witness whereof, the parties have executed this First Amendment as of the date first set forth above.

EXAGEN DIAGNOSTICS, INC.

/s/ Ron Rocca
Name: Ron Rocca
Title: President and CEO

PROMETHEUS LABORATORIES INC.

/s/ Lisa A. Miller
Name: Lisa A. Miller
Title: President and CEO

Approved by the Legal Dept. of Prometheus Laboratories Inc.:

Approved by the Finance Dept. of Prometheus Laboratories Inc.:

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Exhibit 3.1
Clinical Studies

Avise PG participating Clinical Trials

Sponsor	Title	Purpose	Subjects/ Timeline	Exagen Role	Comments
University of Alabama at Birmingham	Treatment Efficacy and Toxicity in Rheumatoid Arthritis Database and Repository	To stimulate collaborative efforts of federal funding agencies, voluntary health agencies, professional organizations and industry partners to enable creation of a large, sustainable **database and repository** to better understand the molecular basis of **treatment** and rapidly accelerate translational research in RA.	N=200 February 2010 to August 2012	Provide methotrexate polyglutamate concentration testing.	Exagen performed MTXPG testing from February to June 2013
Pfizer Inc.	A Randomized, Double-blind, Placebo-controlled Study of the Safety and	The first 12 weeks of this study will compare the efficacy of etanercept 50 mg once-	N=168 August 2013 to May 2014	Provide methotrexage polyglutamate concentration testing.	

Efficacy of Etanercept in Subjects With Rheumatoid Arthritis Who Have Had an Inadequate Response to Adalimumab or Infliximab Plus Methotrexate	weekly to placebo in subjects with rheumatoid arthritis who have not responded well to infliximab or adalimumab plus methotrexate. This comparison will be performed for all subjects and separately for subjects who are anti-drug antibody positive for one of these medications. From week 12 to week 24, all subjects will receive etanercept 50 mg once-weekly. The effect of anti-drug antibody status on the efficacy of etanercept as well as the safety profile of etanercept in these subjects will also be evaluated

		throughout the study.			
Keio University	**MAGIK** Study: **M**ethotrexate as an **A**nchor drug **I**n Japanese Rheumatoid arthritis monitored by erythrocyte polyglutamate concentration in **K**eio Rheumatology Expert Meeting.	A proportion of Japanese patients with rheumatoid arthritis can be treated quite will with rather low dose methotrexate (sometimes 6-8mg/week). We suppose that the MTXPG concentration can reach the point at which rheumatoid arthritis should be controlled (say at 60 as you have reported) with lower MTX dose in Japanese than in Caucasians. We'd like to prove this and establish the optimal usage in Japanese patients.	N=100 September 2012- end of 2014.	Provide methotrexage polyglutamate concentration testing.	50 subjects have been enrolled.

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ORGENTEC
LICENSE AGREEMENT

This License Agreement (the "***Agreement***") is entered Into as of February 19, 2008 (the "***Effective Date***") by and between **ORGENTEC DIAGNOSTIKA GMBH**, having an address of Carl-Zeiss-Strasse 49, 55129 Mainz, Germany ("***ORGENTEC***"), and **PROPRIUS, INC.**, a Delaware corporation, having an address of 12264 El Camino Real, Suite 350, San Diego, California 92130, USA ("***Proprius***").

RECITALS

WHEREAS, ORGENTEC owns certain patent rights and know-how relating to rheumatology diagnostics and rheumatology treatment;

WHEREAS, Proprius is engaged in the research and development of personalized medicine solutions in rheumatology and autoimmune diseases; and

WHEREAS, Proprius wishes to obtain, and ORGENTEC is willing to grant to Proprius, a license to develop and commercialize Initial Products (as defined below), subject to the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

1.1 "**Additional Product**" shall mean any Licensed Product other than an Initial Product.

1.2 "**Affiliate**" shall mean any company or entity controlled by, controlling, or under common control with a party hereto and shall include any company more than 50% of whose voting stock or participating profit interest is owned or controlled, directly or indirectly, by a party, and any company which owns or controls, directly or indirectly, more than 50% of the voting stock of a party.

1.3 "**Combination Product**" shall mean an Initial Product that includes at least one additional marker that is not covered by the Patent Rights.

1.4 "**Confidential Information**" shall have the meaning provided in Section 7.1.

1.5 "**Control**" shall mean, with respect to any Information, patent right or other intellectual property right, possession by a party of the ability (whether by ownership, license or otherwise) to grant access, a license or a sublicense to such Information, patent right or intellectual property right without violating the terms of any agreement or other arrangement with any Third Party.

1.6 "**Field**" shall mean any and all diagnostic and prognostic applications, including, without limitation, diagnosis, prognosis and monitoring of rheumatoid arthritis. For the avoidance of doubt, the Field excludes all therapeutic applications.

1.7 "**Information**" shall mean all kind of information of whatever form, including without limitation, all tangible and intangible (a) techniques, technology, practices, trade secrets, inventions (whether patentable or not), methods, knowledge, know-how, skill, experience, test data and results (including pharmacological, toxicological and clinical test data and results), analytical and quality control data, results or descriptions, software and algorithms and (b) compositions of matter, cells, cell lines, assays, animal models and physical, biological or chemical material.

1.8 "**Initial Product**" shall mean a Licensed Product that includes ORGENTEC's Anti-MCV (autoantibodies against mutated citrullinated Vimentin) ELISA technology in 96-well titer plate format, including all improvements to such technology.

1.9 "**Invention**" shall have the meaning provided in Section 5.1.

1.10 "**Inventor(s)**" shall mean the inventor(s) named in the Patent Rights.

1.11 "**Joint Invention**" shall have the meaning provided in Section 5.1.

1.12 "**Know-How**" shall mean all non-patented and unpublished Information (including documentation thereof) relating to Licensed Products and Controlled by ORGENTEC as of the Effective Date, including, but not limited to, research, clinical and manufacturing data and documentation, sample report forms from the clinical studies, case report forms, clinical databases, protocols, completed patient informed consent forms, copies of laboratory notebooks, standard operating procedures and laboratory procedures.

1.13 "**Licensed Product**" shall mean any product, product part or service, the making, using, importing or selling of which would, but for this license, infringe a Valid Claim in the Patent Rights in a country in which it is made, used, imported, or sold.

1.14 "**Licensed Technology**" shall mean the Patent Rights and Know-How.

1.15 "**Net Sales**" shall mean the gross amounts [***] by Proprius and its Affiliates (but not their respective Sublicenses) for sales of Initial Products to Third Parties that are not Affiliates or Sublicenses of the selling party (unless such Affiliate or Sublicense is the end user of such Initial Product, in which case the amount billed therefor shall be deemed to be the amount that would be billed to a Third Party end user in an arm's-length transaction), less the following items, as allocable to such initial Products: (i) discounts (including cash and quantity discounts), chargeback payments and rebates granted to managed healthcare organizations or to federal, state or local governments (or their respective agencies, purchasers and reimbursers) or to trade customers, in each case, as determined in accordance with Proprius' or its Affiliate's normal accounting procedures, consistently applied; (ii) credits or allowances additionally granted upon returns, rejections or recalls; (iii) freight, shipping and Insurance charges actually allowed or paid for by Proprius or Its Affiliates for delivery of Initial Products; and (iv) taxes, duties or other governmental tariffs (other than income taxes) levied on,

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absorbed or otherwise imposed on sales of Initial Products at the cost of Proprius or its Affiliates, Proprius and its Affiliates shall be solely responsible for the risk associated with collection of accounts receivable for Initial Products.

In the case of any Combination Product, Net Sales for such Combination Product for the purpose of determining royalties shall be calculated by multiplying actual Net Sales of such Combination Product by the fraction A/(A+B) where A is the cost of goods of the Initial Product portion of the Combination Product without any other component(s) of the Combination Product, and B is the cost of goods of the other component(s) in the Combination Product.

1.16 "**New MCV IP**" shall have the meaning provided in Section 5.1(a).

1.17 "**Patent Rights**" shalt mean: (a) the patent(s) and patent application(s) listed in ***Exhibit A*** attached hereto, together with any and all applications, provisionals, continuations, continuations-in-part, divisionals, re-issues, additions, renewals or extensions thereof and any patents issuing therefrom, or claiming priority to said applications, together with all embodiments and applications of the patents including, but not limited to its use in, and on all testing platforms and systems; and (b) all improvements made by ORGENTEC to the inventions claimed in the patent(s) and patent application(s) listed in ***Exhibit A*** attached hereto during the Term.

1.18 "**Kits**" shall have the meaning provided in Section 2.7.

1.19 "**Proprius Invention**" shall have the meaning provided in Section 5.1.

1.20 "**Samples**" shall mean, to the extent Controlled by ORGENTEC as of the Effective Date, and related to the subject matter of this Agreement, all serum specimens, blood specimens, DNA material and lymphoblastoid cells generated from patients and/or healthy subjects, which specimens, material or cells were used by the Inventor(s) in the discovery of, or other research and development with respect to, the Initial Products.

1.21 "**Sublicenses**" shall mean any Third Party to which Proprius or its Affiliate grants a sublicense of its license under the Licensed Technology.

1.22 "**Sublicense Revenue**" shall mean: [***]

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1.23 "**Term**" shall have the meaning provided in Section 8.1.

1.24 "**Territory**" shall mean Mexico and the United States of America.

1.25 "**Third Party**" shall mean any entity other than ORGENTEC or Proprius or any of their respective Affiliates.

1.26 "**Valid Claim**" shall mean a claim of an issued and unexpired patent, which claim has not been held invalid or unenforceable, or a claim of a pending patent application. Notwithstanding the foregoing, if a claim of a pending patent application shall not have issued within [***] after the earliest filing date from which such claim takes priority, such claim shall not constitute a Valid Claim unless and until a patent issues with such claim.

2. LICENSE; RIGHT OF FIRST NEGOTIATION

2.1 License Grant. Subject to the terms and conditions of this Agreement, ORGENTEC hereby grants to Proprius an exclusive, royalty-bearing license, including the right to sublicense through multiple tiers of sublicense, under the Licensed Technology solely to commercialize, develop, research, use, make, have made, sell, offer for sale, have sold and import Initial Products in the Field in the Territory. Notwithstanding the exclusivity of the foregoing license, ORGENTEC reserves the right to practice the Licensed Technology in the Field in the Territory to the extent necessary to perform its obligations under Section 2.7

2.2 Right of First Negotiation. Subject to the terms and conditions of this Agreement, ORGENTEC hereby grants to Proprius the right of first negotiation to obtain a license with respect to one or more Additional Products in the Field in the Territory in accordance with this Section 2.2. If, during the Term, ORGENTEC proposes to introduce (either directly or through an Affiliate or Third Party licensee or distributor) in the Territory any Additional Product, then ORGENTEC shall promptly notify Proprius thereof in writing of such intent and shall provide to Proprius any and all available scientific data, patent filings and other relevant information regarding such Additional Product ("***Diligence Information***"). At any time during the 30-day period commencing on the date of such notice, provided that all available Diligence Information regarding an Additional Product has been provided within [***] days following such notice (the "***Review Period***"), Proprius, at its sole discretion, may exercise its right of first negotiation with respect to such Additional Product by delivering written notice of exercise to ORGENTEC. If Proprius exercises such right of first negotiation prior to expiration of the Review Period, the parties shall negotiate in good faith for up to an additional [***] days (the "***Negotiation Period***") regarding the terms upon which ORGENTEC would exclusively license such Additional Product to Proprius in the Field in the Territory. Until the expiration of the Negotiation Period with respect to an Additional Product, ORGENTEC shall negotiate exclusively with Proprius regarding the grant of a license with respect to such Additional Product. If Proprius does not exercise its right of first negotiation with respect to an Additional Product prior to expiration of the Review Period, or if Proprius exercises such right of first negotiation with respect to an Additional Product but the Negotiation Period expires without the parties having entered into a definitive written license agreement with respect to such Additional Product, then ORGENTEC shall be free to offer such Additional Product to, and to negotiate and enter into a license with, any Third Party with respect to such Additional Product in the Field in the Territory, except that ORGENTEC shall not license such Additional Product to any Third

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Party on terms more favorable to such Third Party than those offered to Proprius without first offering such license to Proprius on such more favorable terms for a period of at least 30 days.

2.3 Transfer of Samples. Within 90 days after the Effective Date, ORGENTEC shall, if available and to the extent permitted by applicable laws and commercially reasonable, the protocols approved by the respective IRBs/ Ethic Committees of the institutions through which the Samples were collected, and any informed consents obtained by ORGENTEC from Sample donors, transfer (or cause to be transferred) the Samples to Proprius. ORGENTEC hereby grants to Proprius, to the extent permitted by applicable laws an exclusive license, including the right to grant sublicenses, to use the transferred Samples for technology validation purposes with respect to initial Products in the Field in the Territory. As between the parties, Proprius shall be solely responsible for the costs of any such technology validation activities including the transfer of the samples. Concurrently with the transfer of any such Samples, ORGENTEC shall provide Proprius with copies of the protocols approved by the respective IRBs/ Ethic Committees of the Institutions through which the Samples were collected.

2.4 Technology Transfer; Consultation with Inventor(s). Promptly following the Effective Date and from time to time as necessary thereafter, ORGENTEC shall provide to Proprius true and complete copies of all written materials in ORGENTEC's possession and Control relating to processes and methods for employing and practicing the Licensed Technology in the Field. In addition, at Proprius' request from time to time, ORGENTEC shall allow Proprius reasonable access to the Inventor(s) for consultation regarding the practice of the Licensed Technology. The contact to the Inventor(s) shall be coordinated through a designated officer of Orgentec or Dr. Becker or Dr. Berg, who will act as intermediates between Proprius and Inventor(s) to answer any questions or help in Technology Transfer or relating to questions on processes and methods for employing and practicing the Licensed Technology in the Field. Should the communication through a designated office of Orgentec or Dr. Becker or Dr. Berg be deemed insufficient or inefficient by both parties, a reasonable, supervised, direct contact with the Inventor(s) would be made available to Proprius. For the avoidance of doubt, to the extent that the Inventors are not employees of ORGENTEC, it shall be subject to the Inventors' free discretion to accept such request for consultation.

2.5 Diligence Obligations.

(a) Subject to Section 2.5(b) below, Proprius agrees to use commercially reasonable efforts (directly and/or through one or more Affiliates and Sublicenses) to bring one or more initial Products to market in the Field in the Territory and, following first commercial sale, to promote such Initial Product(s) in the Field in the Territory during the Term. Without limiting the generality of the foregoing (but subject to Section 2.5(b)), Proprius shall achieve first commercial sale of an Initial Product by December 31, 2008. If, despite its commercially reasonable efforts, Proprius fails to achieve first commercial sale of an Initial Product by December 31, 2008, the parties shall discuss in good faith an appropriate extension of such deadline and/or other modification of such diligence milestone. If the parties are unable to reach mutual agreement on such extension or modification, ORGENTEC shall have the right to convert Proprius' license under Section 2.1 to a co-exclusive license upon written notice to Proprius.

(b) Proprius' diligence obligations under Section 2.5(a) are subject to ORGENTEC using commercially reasonable efforts to obtain U.S. Food and Drug Administration clearance or approval of its Anti-MCV (autoantibodies against mutated citrullinated vimentin) E LISA technology by December 31, 2009. Proprius shall, if available and to the extent permitted by applicable laws and commercially reasonable, the protocols approved by the respective IRBs/ Ethic Committees of the institutions through which samples were collected, and any informed consents obtained by Proprius from sample donors, transfer (or cause to be transferred) available patient samples to ORGENTEC to support the FDA approval process. Proprius hereby grants to ORGENTEC, to the extent permitted by applicable laws a non-exclusive license, to use the transferred samples for FDA approval purposes for Initial Products or Additional Products In the Field in the Territory.

Should ORGENTEC not act diligently to achieve the FDA approval before or no later then December 31, 2009, Proprius has the right, at its own discretion, to solely oversee and manage the FDA approval. In such case ORGENTEC would continue to carry the costs for the FDA approval process.

2.6 Disclosure Regarding Proprius Efforts. At ORGENTEC's written request, Proprius shall provide ORGENTEC with an bi-annual written progress report summarizing in reasonable detail Proprius' and its Affiliates' and Sublicenses' activities related to the development and Commercialization of Initial Products in the Field in the Territory.

2.7 Supply. ORGENTEC shall supply Proprius with ORG 548 Anti-MCV 96-well titer plates and associated reagents ("***Plates***"). During the Term, ORGENTEC agrees to sell and supply to Proprius such quantities of **Kits** as may be set forth on purchase orders placed by Proprius in accordance with this Section 2.7. Proprius shall order **Kits** by submitting written purchase orders to ORGENTEC specifying the quantity of **Kits** ordered, the desired shipment date for such Plates and any relevant shipping instructions. Proprius shall submit each purchase order to ORGENTEC at least 30 days in advance of the desired shipment date specified in such purchase order. ORGENTEC shall make each shipment of **Kits** in the quantity and on the shipment date specified for it on Proprius' purchase order, via the mode(s) of transportation and to the destination specified on such purchase order. Any shipment shall be delivered [EXW](Incoterms 2000). Any purchase orders for **Kits** submitted by Proprius to ORGENTEC shall reference this Agreement and shall be governed exclusively by the terms contained herein. The parties hereby agree that the terms and conditions of this Agreement shall supersede any term or condition in any order, confirmation or other document furnished by Proprius or ORGENTEC that is in any way inconsistent with these terms and conditions, ORGENTEC agrees to use its commercially reasonable efforts to ensure that **Kits** ordered by Proprius hereunder shall be delivered on the scheduled delivery dates set forth in the relevant purchase orders. Promptly upon receipt of a shipment, Proprius shall inspect such shipment. Proprius shall notify ORGENTEC in writing and may reject any portion of any shipment of Plates if such portion of any shipment does not conform to the applicable specifications established by ORGENTEC for the Plates, as in effect from time to time. If Proprius does not notify ORGENTEC of any such deficiency of the shipment within 7 days upon receipt, the shipment shall be deemed approved, except for such deficiencies that were not apparent at the time of the inspection. The initial approval is however based on a visual inspection of the plates/kits and a standard QC check to assure performance specifications of a limited sample of the purchased goods are met. Any change in or loss of performance compared to the product

specifications over time on the rest of the purchased plates/kits would fall under ORGENTEC'S product warranty. In case of a presumed lack of performance, Proprius would, if available and to the extent permitted by applicable laws and commercially reasonable provide ORGENTEC with patient samples, which seem to have resulted in questionable or wrong results, so that ORGENTEC can use them for their internal QC of the product which did not fulfill the Proprius QC or performance specifications.

If the total available supply of **Kits** is insufficient to meet the requirements of Proprius and ORGENTEC's other customers, ORGENTEC shall be under no obligation to meet the order by Proprius but agrees that, in allocating the available supply of **Kits** while such shortage is in effect, ORGENTEC will give Proprius the same "high" priority that ORGENTEC extends to any of its other comparable customers for **Kits**.

2.8 Territory. ORGENTEC shall not, directly or indirectly, and shall not cause, authorize or permit any of its Third Party licensees and distributors to: (a) engage in any advertising, promotion or marketing activities with respect to Initial Products in the Territory; (b) actively solicit orders for Initial Products from any prospective purchaser with its principal place of business located in the Territory; or (c) deliver or tender any Initial Products in the Territory. ORGENTEC shall not sell or deliver Initial Products to any Third Party licensee or distributor if ORGENTEC knows or has actual reason to believe that such Third Party licensee or distributor intends to resell or distribute such Initial Products in the Territory.

3. FEES AND PAYMENTS

3.1 Upfront Fees. Proprius shall pay the following upfront fees to ORGENTEC:

(a) Fifty thousand U.S. dollars (US$50,000) within 45 days after the Effective Date; and

(b) Fifty thousand U.S. dollars (US$50,000) within 45 days after ORGENTEC notifies Proprius in writing of the issuance of the first U.S. patent within the Patent Rights.

The upfront fees paid by Proprius pursuant to this Section 3.1 shall be fully creditable toward amounts payable under Section 3.2.

3.2 Supply; Transfer Price. The transfer price for **Kits** supplied pursuant to Section 2.7 shall be [***] U.S. dollars (US$[***]) per Plate. ORGENTEC shall invoice Proprius for the transfer price of Plates ordered by Proprius no earlier than the date of shipment to Proprius, and each such invoice shall be due and payable within 30 days of receipt. Any increases in transfer price commencing after January 1, 2009 should be given with a 3 month notice before a given calendar year and shall not be higher than the average German inflation rate of the ending calendar year.

3.3 Royalties. Proprius shall pay to ORGENTEC a royalty of [***] percent ([***]%) of Net Sales of initial Products by Proprius and its Affiliates. Royalties under this Section 3.3 shall be payable on an Initial Product-by-Initial Product and country-by-country basis

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until the expiration of the last to expire of the Patent Rights containing a Valid Claim claiming the manufacture, use or sale of such Initial Product in such country.

3.4 Payments on Sublicense Revenue. Proprius shall pay to ORGENTEC [***] percent ([***]%) of Sublicense Revenue received by Proprius from Sublicenses.

3.5 Third Party Royalties. If Proprius is obligated or, following a claim or request by such Third Party, deems it reasonably necessary to pay royalties or other compensation to any Third Party that holds a patent(s) or patent application(s) that is (or are) in the reasonable judgment of Proprius, infringed by the manufacture, use or sale of an Initial Product in the Field In the Territory, Proprius may deduct [***] percent ([***]%) of such compensation actually paid to such Third Party(ies) from the royalties payable to ORGENTEC under Section 3.3; *provided, however*, that in no event shall the royalty payable to ORGENTEC under Section 3.3 be reduced to less than [***] percent ([***]%) of Net Sales of Initial Products in any calendar quarter. Within 7 days after Proprius has gained actual knowledge of such claim or request by a Third Party, Proprius shall notify ORGENTEC in writing of any such claim or request.

4. PAYMENT; RECORDS; AUDITS

4.1 Payment; Reports. Royalties and Sublicense Revenues shall be calculated and reported for each calendar quarter. All payments due to ORGENTEC under Sections 3.3 and 3.4 shall be paid within [***] days after the end of each calendar quarter. Each payment shall be accompanied by a report of Net Sales of Initial Products by Proprius and its Affiliates and Sublicense Revenue received from Sublicenses in sufficient detail to permit confirmation of the accuracy of the payment made, including, without limitation and on a country-by-country basis, the number and type of Initial Products sold, the gross sales and Net Sales of such Initial Products, consideration paid to Third Parties as described in Section 3.5, the amount and type of Sublicense Revenue received, the amounts payable to ORGENTEC hereunder, the method used to calculate such payments, and the exchange rates used.

4.2 Exchange Rate; Manner and Place of Payment. All payments hereunder shall be payable in U.S. dollars. With respect to Net Sales Invoiced in a currency other than dollars, the Net Sales shall be calculated using the average of the exchange rate (local currency per US$1) published in *The Wall Street Journal*, Western Edition, on the last business day of each month during the applicable calendar quarter. All payments owed under this Agreement shall be made by wire transfer free of any costs and charges and in immediately available funds to a bank and account designated in writing by ORGENTEC, unless otherwise specified in writing by ORGENTEC.

4.3 Income Tax Withholding. ORGENTEC will pay any and all taxes levied on account of any payments made to it under this Agreement. If any taxes are required to be withheld by Proprius, Proprius shall (a) promptly provide ORGENTEC with the respective tax order (b) deduct such taxes from the payment to ORGENTEC, (c) timely pay the taxes to the proper taxing authority, and (d) send proof of payment to ORGENTEC and certify its receipt by the taxing authority within 30 days following such payment.

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4.4 Audits. During the Term and for a period of three (3) years thereafter, Proprius shall keep, and shall require its Affiliates and Sublicenses to keep, complete and accurate records pertaining to the sale or other disposition of Initial Products and the receipt of Sublicense Revenue in sufficient detail to permit ORGENTEC to confirm the accuracy of all payments due hereunder. ORGENTEC shall have the right, no more than **twice** per calendar year, to cause an independent, certified public accountant reasonably acceptable to Proprius to audit such records to confirm Net Sales, royalties, Sublicense Revenue and related payments due hereunder for a period covering not more than the preceding three (3) years. Such audits may be exercised during normal business hours upon reasonable prior written notice to Proprius. In no event shall any given year be subject to audit more than one time. Prompt adjustments shall be made by the parties to reflect the results of such audit. ORGENTEC shall bear the full cost of such audit unless such audit discloses an underpayment by Proprius of more than [***]% of the amount of royalties or other payments due under this Agreement, in which case, Proprius shall bear the full cost of such audit and shall promptly remit to ORGENTEC the amount of any underpayment.

5. INTELLECTUAL PROPERTY

5.1 Inventions. Inventorship of inventions (whether or not patentable) made in whole or in part by Proprius personnel in practicing the license granted hereunder ("***Inventions***") shall be determined In accordance with the rules of inventorship under U.S. patent laws.

(a) Proprius shall solely own all Inventions made solely by Proprius personnel, including all patent and other intellectual property rights therein (collectively, "***Proprius Inventions***"), and ORGENTEC shall have no right or license with respect to Proprius Inventions; *provided*, *however*, that if Proprius generates or reduces to practice any Invention based solely on the inventions claimed in the Patent Rights ("***New MCV IP***"), Proprius shall promptly disclose such New MCV IP to ORGENTEC in writing and, at ORGENTEC's written request made within 30 days after such disclosure, shall discuss in good faith the grant to ORGENTEC of a non-exclusive, royalty-free license to use such New MCV IP for specified applications outside the Field in Europe (such applications to be mutually agreed in writing by the parties). In any event Proprius herewith grants ORGENTEC a non-exclusive, royalty-free license, without the right to sublicense, to use such New MCV IP for research purposes.

(b) The parties shall jointly own all Inventions jointly made by Proprius personnel and ORGENTEC personnel, including all patent and other intellectual property rights therein (collectively, "***Joint inventions***"). Each party shall be entitled to practice, and to grant licenses under its interest in, Joint Inventions throughout the world, without the consent of and without accounting to the other party; *provided*, *however*, that ORGENTEC hereby grants to Proprius, during the Term, an exclusive, royalty-bearing license, including the right to sublicense through multiple tiers of sublicense, under ORGENTEC's interest in Joint Inventions solely to commercialize, develop, research, use, make, have made, sell, offer for sale, have sold and import Initial Products in the Field in the Territory and Proprius hereby grants to ORGENTEC such license with respect to Initial Products in the Field outside the Territory.

5.2 Patent Prosecution and Maintenance. ORGENTEC shall be solely responsible for prosecution and maintenance of the Patent Rights at its sole expense. With respect to any

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patent rights in Joint Inventions, ORGENTEC shall be solely responsible for prosecution and maintenance, provided that ORGENTEC shall Inform Proprius about any actions it may take in this respect and that any commercially reasonable costs incurred in connection with such patent rights shall be shared by the parties at the ratio of their respective interest therein. ORGENTEC shall keep Proprius regularly and fully informed of progress with regard to the preparation, filing, prosecution and maintenance of Patent Rights in the Territory and shall consider in good faith the requests and suggestions of Proprius with respect to strategies for filing and prosecuting Patent Rights in the Territory. In the event that ORGENTEC desires to abandon any Patent Right in the Territory, ORGENTEC shall provide reasonable prior written notice to Proprius of such intention to abandon, which notice shall, in any event, be given no later than 60 days prior to the next deadline for any action that may be taken with respect to such Patent Right with the U.S. Patent & Trademark Office or any foreign patent office, and Proprius shall have the right, at its expense, to prepare, file, prosecute, and maintain such Patent Right in the Territory.

5.3 Disclosure of ORGENTEC Improvements. if ORGENTEC generates or reduces to practice any new invention or know-how constituting an improvement to any invention claimed in the patent(s) and patent application(s) listed in ***Exhibit A*** attached hereto, ORGENTEC shall promptly disclose such improvement to Proprius in writing.

5.4 Infringement by Third Parties. Proprius and ORGENTEC shall promptly notify the other in writing of any alleged or threatened infringement of any Patent Right in the Field in the Territory of which they become aware. Proprius shall have the first right, but not the obligation, to bring and control any action or proceeding with respect to infringement of any Patent Right in the Field in the Territory at its own expense and by counsel of its own choice, and ORGENTEC shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. If Proprius fails to bring an action or proceeding within (a) 90 days following the notice of alleged infringement or (b) 10 business days before the time limit, if any, set forth in the appropriate laws and regulations for the filing of such actions, whichever comes first, ORGENTEC shall have the right to bring and control any such action at its own expense and by counsel of its own choice, and Proprius shall have the right, at its own expense, to be represented in any such action by counsel of its own choice. In the event a party brings an infringement action in the Field in the Territory in accordance with this Section 5.4, the other party shall cooperate fully, including, if required to bring such action, the furnishing of a power of attorney or being named as a party. Neither party shall have the right to settle any patent infringement litigation under this Section 5.4 relating to any Patent Right in the Field in the Territory without the prior written consent of such other party, which shall not be unreasonably withheld, conditioned or delayed. [***]

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6. REPRESENTATIONS AND WARRANTIES

6.1 Mutual Representations and Warranties. Each party represents and warrants to the other that: (a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof; (b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action; and (c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

6.2 ORGENTEC Representations and Warranties. ORGENTEC hereby represents and warrants to Proprius as of the Effective Date that: (a) ORGENTEC has sufficient rights in the patents and patent applications listed on ***Exhibit A*** hereto to grant the license and other rights it purports to grant to Proprius hereunder; (b) other than the patents and patent applications listed on ***Exhibit A*** hereto, ORGENTEC does not Control any other patent rights that would be infringed by the practice of the Licensed Technology in the Field in the Territory; (c) ORGENTEC is not aware of any action, suit or inquiry or investigation instituted by or before any court or governmental agency that questions or threatens the validity or enforceability of any of the Patent Rights; (d) ORGENTEC has not received any notice from any Third Party alleging that the practice of the Licensed Technology in the Field in the Territory infringes the intellectual property rights of such Third Party; and (e) ORGENTEC has not licensed, assigned or otherwise transferred any of its interest in the patents and patent applications listed on ***Exhibit A*** hereto in the Territory to any Third Party.

6.3 Disclaimer. Except as expressly set forth herein, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED "AS IS," AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES.

6.4 Limitation of Liability. EXCEPT FOR PAYMENTS UNDER ARTICLE 3 OR LIABILITY FOR BREACH OF ARTICLE 7, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER; *provided*, *however*, that this Section 6.4 shall not be construed to limit either party's indemnification obligations under Article 9.

7. CONFIDENTIALITY

7.1 Confidential Information. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the parties, the parties agree that, during the Term and for five (6) years thereafter, the receiving party shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as expressly provided for in this Agreement any Information furnished to it by the other party pursuant to this Agreement (collectively, "***Confidential Information***"). Each party may use such Confidential Information only to the extent required to accomplish the purposes of this Agreement. Each party will use at least the same standard of care as it uses to protect proprietary or confidential information of its own to ensure that its employees, agents, consultants and other representatives do not disclose or make any unauthorized use of the Confidential Information. Each party will promptly notify the other upon discovery of any unauthorized use or disclosure of the Confidential Information.

7.2 Exceptions. Confidential Information shall not include any information which the receiving party can prove by competent written evidence: (a) is now, or hereafter becomes, through no act or failure to act on the part of the receiving party, generally known or available; (b) is known by the receiving party at the time of receiving such information, as evidenced by its records; (c) is hereafter furnished to the receiving party by a Third Party, as a matter of right and without restriction on disclosure; or (d) is independently discovered or developed by the receiving party without the use of Confidential Information belonging to the disclosing party.

7.3 Authorized Disclosure. Each party may disclose Confidential Information belonging to the other party to the extent such disclosure is reasonably necessary in the following instances:

(a) filing, prosecuting, maintaining, enforcing or defending Patent Rights as permitted by this Agreement;

(b) prosecuting or defending litigation;

(c) complying with applicable court orders or governmental regulations;

(d) conducting development and/or commercialization of initial Products in accordance with the license granted under Section 2.1 and making regulatory filings with respect thereto; and

(e) disclosure to Affiliates, Sublicenses, employees, consultants, agents or other Third Parties in connection With due diligence or similar investigations by such Third Parties, and disclosure to potential Third Party investors in confidential financing documents, provided, in each case, that any such Affiliate, Sublicenses, employee, consultant, agent or Third Party agrees to be bound by reasonable obligations of confidentiality and non-use with respect to the disclosed Confidential Information.

Notwithstanding the foregoing, in the event a party is required to make a disclosure of the other party's Confidential information pursuant to Section 7.3(b) or (c), it will, except where impracticable, give reasonable advance notice to the other party of such disclosure and use efforts to secure confidential treatment of such information at least as diligent as such party

would use to protect its own confidential information, but in no event less than reasonable efforts. In any event, the parties agree to take all reasonable action to avoid disclosure of Confidential Information hereunder. The parties will consult with each other on the provisions of this Agreement to be redacted in any filings made by Proprius with the Securities and Exchange Commission or as otherwise required by law.

7.4 Publications. Proprius shall have the right to initiate, control and publish studies in the Territory. ORGENTEC shall have the right to initiate, control and publish studies in the outside the Territory. If an ORGENTEC study is to be published in the Territory or if a Proprius study is to be published outside the Territory or if both parties initiate a joint study, both parties shall have the right to review and comment on any material proposed for disclosure or publication by the other party, such as by oral presentation, manuscript or abstract, which utilizes Licensed Technology and/or includes Confidential Information of the other party. Before any such material is submitted for publication, the party proposing publication shall deliver a complete copy to the other party for review at least [***] days prior to submitting the material to a publisher or initiating any other disclosure. The reviewing party shall review any such materiel and give its comments to the publishing party within [***] days of the delivery of such material to the reviewing party. With respect to oral presentation materials and abstracts, the reviewing party shall make reasonable efforts to expedite review of such materials and abstracts, and shall return such items as soon as practicable to the publishing party with appropriate comments, if any, but in no event later than [***] days from the date of delivery to the reviewing party. The publishing party shall comply with the reviewing party's requests to delete references to the reviewing party's Confidential Information in any such material and agrees to delay any submission for publication or other public disclosure for a period of up to an additional [***] days for the purpose of allowing the preparation and filing of appropriate patent applications.

7.5 Publicity. It is understood that each party may desire or be required to issue press releases relating to this Agreement or activities thereunder. The parties agree to consult with each other reasonably and in good faith with respect to the text and timing of such press releases prior to the issuance thereof, provided that a party may not unreasonably withhold consent to such releases, and that either party may issue such press releases as it determines, based on advice of counsel, are required to comply with laws or regulations or for appropriate market disclosure. In addition, each party shall be free to disclose, without the other party's prior written consent, the existence of this Agreement, the identity of the other party and those terms of this Agreement which have already been publicly disclosed in accordance herewith.

8. TERM AND TERMINATION

8.1 Term. The term of this Agreement (the "***Term***") shall commence on the Effective Date and, unless this Agreement is earlier terminated pursuant to Section 8.2 or 8.3, shall continue until the expiration of the last to expire of the Patent Rights.

8.2 Termination for Cause. Each party shall have the right to terminate this Agreement upon [***] prior written notice to the other upon or after the material breach of any provision of this Agreement by the other party if the breaching party has not cured such breach within the [***] period following written notice of termination by the non-breaching party.

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8.3 Termination Without Cause. Proprius shall have the right to terminate this Agreement for any reason or for no reason upon 90 days' prior written notice to ORGENTEC.

8.4 Effect of Termination; Surviving Obligations.

(a) Upon termination of this Agreement by either party pursuant to Section 8.2 or 8.3:

(i) the license granted to Proprius under Section 2.1 and Section 5.1(b) shall automatically terminate and revert to ORGENTEC; and

(ii) any sublicenses granted under Section 2.1 and Section 5.1. (b) by Proprius shall remain in effect but shall be offered by Proprius to ORGENTEC, who shall have the unilateral right — subject to any potentially necessary consent of the sublicense — to request the assignment of such sublicenses from Proprius.

(b) Upon the expiration (but not termination) of the Term of this Agreement, the license granted by ORGENTEC to Proprius under Section 2.1 shall remain in effect in accordance with its terms but shall become non-exclusive, fully-paid, royalty-free, irrevocable and perpetual.

(c) Expiration or termination of this Agreement shall not relieve the parties of any obligation accruing prior to such expiration or termination. Except as set forth below or elsewhere in this Agreement, the obligations and rights of the parties under Sections 6.3, 6.4, 8.4, 8.5 and 8.6 and Articles 4, 7, 9 and 10 of this Agreement shall survive expiration or termination of this Agreement.

(d) Within 30 days following the expiration or termination of this Agreement, each party shall deliver to the other party any and all Confidential Information of the other party in its possession, except that each party may retain one archival copy of the other party's Confidential Information solely for purposes of monitoring compliance with its obligations hereunder.

8.5 Exercise of Right to Terminate. The use by either party hereto of a termination right provided for under this Agreement shall not give rise to the payment of damages or any other form of compensation or relief to the other party with respect thereto.

8.6 Damages; Relief. Subject to Section 8.5 above, termination of this Agreement shall not preclude either party from claiming any other damages, compensation or relief that it may be entitled to upon such termination. For the avoidance of doubt, the parties agree that any compensation claims pursuant to Section 89b of the German Commercial Code (*HGB*) shall be excluded.

9. INDEMNIFICATION

9.1 Indemnification by Proprius. Proprius hereby agrees to save, defend and hold Orgentec and its Affiliates and their respective directors, officers, employees and agents (each, an "***Orgentec Indemnitee***") harmless from and against any and all claims, suits, actions,

demands, liabilities, expenses and/or loss, including reasonable legal expense and attorneys' fees (collectively, "***Losses***"), to which any Orgentec Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise directly or indirectly out of: (i) the development, manufacture, labeling, packaging, use, handling, shipment, storage, distribution, sale or other disposition of any Initial Product by Proprius, its Affiliates or any of their respective Sublicenses; (ii) the gross negligence or willful misconduct of any Proprius Indemnitee (defined below); or (iii) the breach by Proprius of any warranty, representation, covenant or agreement made by Proprius in this Agreement; except, in each case, to the extent such Losses result from the gross negligence or willful misconduct of any Orgentec Indemnitee or the breach by Orgentec of any warranty, representation, covenant or agreement made by Orgentec in this Agreement.

9.2 Indemnification by Orgentec. Orgentec hereby agrees to save, defend and hold Proprius and its Affiliates and their respective directors, officers, employees and agents (each, a "***Proprius Indemnitee***") harmless from and against any and all Losses to which any Proprius Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise directly or indirectly out of: (I) the gross negligence or willful misconduct of any Orgentec Indemnitee; or (ii) the breach by Orgentec of any warranty, representation, covenant or agreement made by Orgentec in this Agreement; except, in each case, to the extent such Losses result from the gross negligence or willful misconduct of any Proprius Indemnitee or the breach by Proprius of any warranty, representation, covenant or agreement made by Proprius in this Agreement.

9.3 Control of Defense. Any entity entitled to indemnification under this Article 9 shall give notice to the indemnifying party of any Losses that may be subject to indemnification, promptly after learning of such Losses, and the indemnifying party shall assume the defense of such Losses with counsel reasonably satisfactory to the indemnified party. If such defense is assumed by the indemnifying party with counsel so selected, the indemnifying party will not be subject to any liability for any settlement of such Losses made by the indemnified party without its consent (but such consent will not be unreasonably withheld or delayed), and will not be obligated to pay the fees and expenses of any separate counsel retained by the indemnified party with respect to such Losses.

10. GENERAL PROVISIONS

10.1 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of Germany, excluding its conflicts of laws principles. The parties expressly consent to the exclusive personal jurisdiction and venue of the competent courts of Mainz, Germany, for any lawsuit filed by either party against the other arising from or related to this Agreement.

10.2 Entire Agreement; Modification. This Agreement (including the Exhibit hereto) is both a final expression of the parties' agreement and a complete and exclusive statement with respect to all of its terms. This Agreement supersedes all prior and contemporaneous agreements and communications, whether oral, written or otherwise, concerning any and all matters contained herein. This Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by the parties to this Agreement. Waiver of such written form requirement may only be in writing.

10.3 Relationship Between the Parties. The parties' relationship, as established by this Agreement, is solely that of independent contractors. This Agreement does not create any partnership, joint venture, agency or similar business relationship between the parties. Neither party is a legal representative of the other party, and neither party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other party for any purpose whatsoever.

10.4 Non-Waiver. The failure of a party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement shall neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a party of a particular provision or right shalt be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by such party.

10.5 Assignment. This Agreement may not be assigned or otherwise transferred by a party without the written consent of the other party; *provided, however*, that, either party may, without such consent, assign this Agreement in connection with the transfer or sale of all or substantially all of its business related to this Agreement, including, without any limitation, through any merger, consolidation, sale of stock, sale of assets or similar transaction. Any purported assignment in violation of the preceding sentence shall be void. Any permitted assignee shall assume all obligations of its assignor under this Agreement, provided that no assignment shall relieve the assigning party of responsibility for the performance of any accrued obligation that such party then has hereunder.

10.6 No Third Party Beneficiaries. This Agreement is neither expressly nor impliedly made for the benefit of any party other than those executing it.

10.7 Severability. If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, such adjudication shall not affect or impair, in whole or in part, the validity, enforceability or legality of any remaining portions of this Agreement. All remaining portions shall remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part.

10.8 Notices. Any notice to be given under this Agreement must be in writing and delivered either in person, by any method of mail (postage prepaid) requiring return receipt, or by overnight courier or facsimile confirmed thereafter by any of the foregoing, to the party to be notified at its address(es) given below, or at any address such party has previously designated by prior written notice to the other. Notice shall be deemed sufficiently given for all purposes upon the earliest of: (a) the date of actual receipt; (b) if mailed, seven days after the date of postmark; or (c) if delivered by ovnight courier, the second business day the overnight courier regularly makes deliveries.

If to Proprius, notices must be addressed to:

Proprius, Inc.
12264 El Camino Real, Suite 350
San Diego, CA 92130
USA
Attention: Chief Executive Officer
Facsimile: +1 (858) 225-3553

If to ORGENTEC, notices must be addressed to:

ORGENTEC Diagnostika GmbH
Carl-Zeiss-Strasse 49
55129 Mainz
Germany
Attention: Chief Executive Officer
Facsimile: +49-6131-925858

10.9 Force Majeure. Each party shall be excused from liability for the failure or delay in performance of any obligation under this Agreement except for any payment obligations hereunder by reason of any event beyond such party's reasonable control including but not limited to Acts of God, fire, flood, explosion, earthquake, or other natural forces, war, civil unrest, accident, destruction or other casualty, any lack or failure of transportation facilities, any lack or failure of supply of raw materials, any strike or labor disturbance, or any other event similar to those enumerated above. Such excuse from liability shall be effective only to the extent and duration of the event(s) causing the failure or delay in performance and provided that the party has not caused such event(s) to occur. Notice of a party's failure or delay in performance due to force majeure must be given to the other party within 10 days after its occurrence. All delivery dates under this Agreement that have been affected by force majeure shall be tolled for the duration of such force majeure. In no event shall any party be required to prevent or settle any labor disturbance or dispute.

10.10 Interpretation.

(a) **Headings**. The headings of clauses contained in this Agreement preceding the text of the articles, sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction.

(b) **Singular & Plural**. All references in this Agreement to the singular shall include the plural where applicable.

(c) **Articles, Sections & Subsections**. Unless otherwise specified, references in this Agreement to any article shall include all sections, subsections, and paragraphs in such article; references in this Agreement to any section shall include all subsections and paragraphs in such sections; and references in this Agreement to any subsection shall include all paragraphs in such subsection.

(d) **Ambiguities**. Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either party, irrespective of which party may be deemed to have caused the ambiguity or uncertainty to exist.

(e) **English Language**. This Agreement has been prepared in the English language and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the parties regarding this Agreement shall be in the English language.

10.11 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original document, and all of which, together with this writing, shall be deemed one instrument.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have duly executed this **LICENSE AGREEMENT** as of the Effective Date.

ORGENTEC DIAGNOSTIKA GMBH

By: /s/ Wigbert Berg

Name: Wigbert Berg

Title: CEO

PROPRIUS, INC.

By: /s/ Michael J. Walsh

Name: Michael J. Walsh

Title: President & CEO

Exhibit A

PATENT RIGHTS

[***]

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 10.8

ASSET PURCHASE AGREEMENT

between:

CYPRESS BIOSCIENCE, INC.,
a Delaware corporation

and

CELLATOPE CORPORATION,
a Delaware corporation

Dated as of February 9, 2009

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT ("***Agreement***") is made and entered into as of February 9, 2009, by and among: **CYPRESS BIOSCIENCE, INC.,** a Delaware corporation ("***Cypress***"); and **CELLATOPE CORPORATION,** a Delaware corporation ("***Cellatope***"). Each of Cypress and Cellatope is sometimes referred to herein as a "***party***" and together Cypress and Cellatope are sometimes referred to herein as the "***parties***." Certain other capitalized terms used in this Agreement are defined in **Exhibit A**.

RECITALS

WHEREAS, Cellatope wishes to sell and transfer the Acquired Assets to Cypress, and Cypress wishes to purchase and acquire the Acquired Assets from Cellatope, including the assumption of certain specified Liabilities relating to the Acquired Assets;

WHEREAS, as an inducement to Cypress to enter into this Agreement, Cypress has entered into Consulting Agreements with Edward L. Erickson and Daniel Graziano in the form attached hereto as **Exhibit B** (each a "***Consulting Agreement***") concurrent with the execution of this Agreement, which agreements will become effective immediately following the Closing;

WHEREAS, as an inducement to Cypress to enter into this Agreement, the stockholders of Cellatope set forth on **Exhibit C** have entered into an agreement with Cypress in the form attached hereto as **Exhibit D** (a "***Voting Agreement***") concurrent with the execution of this Agreement, pursuant to which each such Person has agreed, among other things, to vote the shares of Cellatope Capital Stock owned by such Person to approve this Agreement and the transactions contemplated hereby;

WHEREAS, as an inducement to Cypress to enter into this Agreement, Cellatope, Cypress and Innovation Works, Inc., a Pennsylvania not-for-profit corporation ("***Innovation Works***") have entered into a letter agreement concurrent with the execution of this Agreement and in the form attached hereto as **Exhibit E** (the "***Innovation Works Agreement***"), which Innovation Works Agreement shall become effective in connection with the Closing; and

WHEREAS, the Boards of Directors of each of Cypress and Cellatope deem it advisable and in the best interest of such Entity and its respective stockholders that Cypress acquire the Acquired Assets.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual representations, warranties and covenants herein contained, and on the terms and subject to the conditions herein set forth, the parties hereto hereby agree as follows:

1. PURCHASE AND SALE OF ASSETS; RELATED TRANSACTIONS

1.1 Sale of Assets.

(a) Cellatope shall sell, assign, transfer, convey and deliver to Cypress, and shall cause each of its Affiliates to sell, assign, transfer, convey and deliver to Cypress, at the Closing of the sale and purchase of the Acquired Assets as set forth in this Agreement, all of its or their rights, title and interest in and to the Acquired Assets, free and clear of any Encumbrances, on the terms and subject to the conditions set forth in this Agreement. For purposes of this Agreement, "***Acquired Assets***" shall consist of:

(i) the Acquired Technology;

(ii) all documentation in the possession or Control of Cellatope or its Affiliates as of the Closing Date regarding the Acquired Technology, whether in written, graphic or electronic form and however embodied;

(iii) to the extent in the possession or Control of Cellatope and/or its Affiliates as of the Closing Date:

(1) any and all worldwide regulatory documentation regarding the Technology or a Lupus Monitoring Product, including, without limitation, complete copies of all existing regulatory approvals or filings for the Technology or any Lupus Monitoring Product, all supplements thereto and all other regulatory files and correspondence with any Governmental Body relating to the Technology or any Lupus Monitoring Product;

(2) any and all research and development data and information related to the Technology or any Lupus Monitoring Product, whether in written, graphic or electronic form and however embodied, including, without limitation, safety data, clinical trial protocols, draft and final study reports, case report forms, laboratory notebooks and records, and data for the Technology or any Lupus Monitoring Product;

(3) any and all manufacturing protocols, batch or other manufacturing records and current standard operating procedures for manufacture of the Technology or any Lupus Monitoring Product, including, without limitation, quality analysis and quality control methodologies and standards;

(4) any and all inventory (including in each case, without limitation, work-in-process and in-transit inventory) of the Technology or any Lupus Monitoring Product (the "***Inventory***"), and any rights of Cellatope or any of its Affiliates to any warranties received from manufacturers with respect to such Inventory. **Schedule 1.1(a)(iii)(4)** attached hereto sets forth a description of the Inventory in the possession or control of Cellatope or any of its Affiliates as of the date of this Agreement and the location(s) at which such Inventory is stored; and

(5) any and all equipment, materials, prototypes, tools, supplies, vehicles, furniture, fixtures, improvements, components and other tangible assets of

Cellatope used in connection with the Technology or any Lupus Monitoring Product, as set forth on **Schedule 1.1(a)(iii)(5)** (together with the Inventory, the "***Acquired Fixed Assets***");

(iv) the Acquired Contracts (as set forth on **Schedule 1.1(a)(iv)** attached hereto);

(v) all Government Authorizations held by Cellatope or any of its Affiliates in connection with the Acquired Technology (including the Governmental Authorizations identified in Part 3.8 of the Cellatope Disclosure Schedule);

(vi) all claims and causes of action of Cellatope or any of its Affiliates against other Persons (regardless of whether or not such claims and causes of action have been asserted by Cellatope), and all rights of indemnity, warranty rights, rights of contribution, rights to refunds, rights of reimbursement and other rights of recovery possessed by Cellatope or any of its Affiliates with respect to the Acquired Technology (regardless of whether such rights are currently exercisable); and

(vii) to the extent not included in clauses (i) through (vi) above, any and all right, title or interest of Cellatope or any of its Affiliates in or to the Technology or any Lupus Monitoring Product or any method of making or using the Technology or any Lupus Monitoring Product.

(b) Notwithstanding anything herein to the contrary, all the assets of Cellatope not included in the Acquired Assets, including without limitation the assets listed on **Schedule 1.1(b)** (the "***Excluded Assets***") shall not be sold or transferred hereunder, shall be excluded from the definition of Acquired Assets and shall remain the property of Cellatope.

(c) Cellatope agrees to, and shall cause its Affiliates to, execute all assignment and other documents, testify and take all other actions necessary or appropriate to transfer, effect, confirm, perfect, record, preserve, protect and enforce Cypress' rights, title and interests in the Acquired Assets and to obtain, maintain, enforce or defend Cypress' Patent and other Intellectual Property Rights in any of the Acquired Assets throughout the world (including all rights and powers arising or accrued from such Intellectual Property including the right to sue for damages and other remedies and to have the benefit of any remedy obtained on any supposed infringement of such Intellectual Property before the date of the assignment or transfer and including, without limitation, making relevant inventors of the Acquired Technology available to Cypress), at the reasonable request and expense (to the extent of any out-of-pocket costs incurred by Cellatope or any of its Affiliates) of Cypress. From and after the Closing Date, Cypress shall be solely responsible for the preparation, filing, prosecution, maintenance, enforcement and defense (and, except to the extent set forth in Section 10 hereof, the costs related thereto) of the Acquired Technology. If Cellatope or any of its Affiliates has any rights to the Acquired Technology that cannot be transferred to Cypress, then, except as expressly set forth in Section 2.2(c) below, Cellatope unconditionally and irrevocably waives, and shall cause its Affiliates to unconditionally and irrevocably waive, the enforcement of such rights and all claims and causes of action of any kind against Cypress with respect to such rights, Cellatope agrees, and shall cause its Affiliates to agree, at Cypress' request and expense, to consent to and join in any action to enforce such rights. If Cellatope or any of its Affiliates has any right to Acquired

Technology that cannot be assigned to Cypress or waived by Cellatope or such Affiliates, then, except as expressly set forth in Section 2.2(c) below, Cellatope unconditionally and irrevocably grants, and shall cause its Affiliates to unconditionally and irrevocably grant, to Cypress during the term of such rights, an exclusive, irrevocable, perpetual, worldwide, fully paid and royalty-free license, with rights to sublicense through multiple levels of sublicensees, to reproduce, create derivative works of, distribute, publicly perform and publicly display by all means now known or later developed, such rights.

(d) On or after the Closing Date (as requested by Cypress), Cellatope shall, and shall cause its Affiliates to: (a) execute and deliver to Cypress such bills of sale, endorsements, assignments and other documents as may (in the reasonable judgment of Cypress or its counsel) be necessary or appropriate to sell, assign, transfer, convey and deliver to Cypress good and valid title to the Acquired Assets free and clear of any Encumbrances, including, without limitation, assignment agreements with respect to the Acquired Patents and the Acquired Trademarks in the forms set out in **Exhibit F, Exhibit G** and **Exhibit O,** respectively, hereto; (b) deliver, or cause to be delivered, to Cypress or its designee all tangible items included in the Acquired Assets including all Information comprising Acquired Technology or, in the case of documents, complete and accurate copies thereof; and (c) deliver, or cause to be delivered, to Cypress or its designee complete and accurate copies of all Patents included in the Acquired Patents, other documentation in the possession or Control of Cellatope or any of its Affiliates regarding the Acquired Patents, a full, up-to-date, prosecution file wrapper for all Patents included in the Acquired Patents and any correspondence between Cellatope or any of its Affiliates and the U.S. Patent & Trademark Office or any foreign patent office with respect to the Acquired Patents.

(e) Following the Closing, the parties shall cooperate with each other to identify any assets that were not transferred as part of the Acquired Assets at the Closing but that, pursuant to the provisions of this Agreement, were required to be transferred (the "***Nontransferred Assets***"). To the extent any Nontransferred Assets are identified and Cellatope or any of its Affiliates, as applicable, is legally and contractually permitted to transfer such assets, Cellatope shall, and shall cause its Affiliates to, at no cost to Cypress, promptly take all actions to transfer such Nontransferred Assets to Cypress. In the event Cellatope or any of its Affiliates, as applicable, is required to obtain the Consent of any Person prior to the transfer of any Nontransferred Asset, then Cellatope shall, and shall cause its Affiliates to, at its or their own expense, use its commercially reasonable efforts to promptly obtain such Consent, and upon obtaining such Consent, shall promptly transfer such Nontransferred Asset to Cypress. In the event Cellatope or any of its Affiliates, as applicable, is unable to obtain such Consent, then Cellatope and Cypress shall discuss in good faith an appropriate resolution for the transfer of the economic benefit of such Nontransferred Asset to Cypress.

1.2 Assumption of Liabilities.

(a) For purposes of this Agreement "***Assumed Liabilities***" shall mean only the following liabilities of Cellatope:

(i) the obligations of Cellatope under the Acquired Contracts, but only to the extent such obligations (A) arise after the Closing Date, (B) do not arise from or relate to

any breach by Cellatope of any provision of any of such Acquired Contracts prior to or as of the Closing Date, (C) do not arise from or relate to any event, circumstance or condition occurring or existing on or prior to the Closing Date that, with notice or lapse of time, would constitute or result in a breach of any of such Acquired Contracts, and (D) do not arise from the failure to obtain any required Consent from any third party, if any, in connection with the assignment and transfer of such Acquired Contracts to Cypress pursuant to this Agreement;

(b) For purposes of this Agreement, all Liabilities not expressly included in the definition of Assumed Liabilities are referred to as "***Excluded Liabilities***."

1.3 Closing; Closing Date. The consummation of the Transactions (the "***Closing***") shall take place at the offices of Cooley Godward Kronish L.L.P, 4401 Eastgate Mall, San Diego, California 92121 at 10:00 a.m. Pacific Time on a date to be mutually agreed upon by Cypress and Cellatope which shall not be more than three business days after the date on which the last of the conditions set forth in Sections 7 and 8 (other than conditions which by their terms must be satisfied as of the Closing Date) has been satisfied or waived, or such other time and/or place as may be mutually agreed upon by Cypress and Cellatope, The date on which the Closing actually takes place is referred to in this Agreement as the "***Closing Date***."

2. CONSIDERATION

2.1 Closing Consideration.

(a) Subject to Section 2.3, as consideration for the sale of the Acquired Assets to Cypress, at the Closing, Cypress shall pay to Cellatope $2,000,000 in cash via wire transfer to an account designated by Cellatope in writing to Cypress not less than two business days prior to the Closing (the "***Closing Consideration***").

(b) Cellatope shall bear and pay, and shall reimburse Cypress and Cypress' Affiliates for, any sales, use, transfer or similar Taxes, or documentary charges, recording fees or similar charges, fees or expenses that may become payable in connection with (i) the sale of the Acquired Assets to Cypress pursuant to this Agreement and (ii) any of the other transactions contemplated by this Agreement or any of the Related Agreements to which Cellatope is a party ((i) and (ii) collectively, the "***Transactions***"), other than recording fees and similar costs (including attorneys and patent agent fees) related to filing the assignment of any Acquired Patents or Acquired Trademarks with the United States Patent and Trademark Office.

(c) The consideration referred to in Section 2 shall be allocated among the Acquired Assets in accordance with **Exhibit H** attached hereto. The allocation prescribed by such schedule shall be conclusive and binding upon Cypress and Cellatope for all purposes, and no party shall file any Tax Return or other document with, or make any statement or declaration to, any Governmental Body that is inconsistent with such allocation.

2.2 Milestone Consideration.

(a) Subject to Section 2.2(e) and Section 10.6, Cypress shall be obligated to pay to Cellatope $3,000,000 (as such amount may be offset pursuant to the provisions of Section 2.2(e) and Section 10.6, the "***Milestone Consideration***") upon the First Commercial Sale by

Cypress, any of its Affiliates or any Licensee of a Product for monitoring of Systemic Lupus Erythematosus (a "***Lupus Monitoring Product***") (the "***Milestone***"), with any such payment to be made in accordance with the provisions of Section 2.2(d). For avoidance of doubt, only a Product for monitoring of Systemic Lupus Erythematosus, and not any Product designed for diagnosis of Systemic Lupus Erythematosus without a monitoring function, shall constitute a Lupus Monitoring Product. Upon the achievement of the Milestone, Cypress shall notify Cellatope in writing (the "***Milestone Notice***") within 10 business days that the Milestone has been achieved and the date on which it was achieved. Within 20 business days of achievement of the Milestone, Cypress shall pay to Cellatope the Milestone Consideration in cash, as may be reduced pursuant to the terms of Section 2.2(e) and Section 10.6, by wiring or causing to be wired the Milestone Consideration to an account designated by Cellatope for such purpose in writing not less than two business days prior to the date on which the Milestone Consideration is to be paid.

(b) Cypress shall act in good faith and use commercially reasonable efforts to cause the Milestone to be achieved; *provided, however,* that the obligation of Cypress to use commercially reasonable efforts to achieve the Milestone shall not require that the Milestone ever be achieved if doing so, in any case, would require Cypress to use more than commercially reasonable efforts and, *provided, further,* that a termination of development by Cypress of all Lupus Monitoring Products pursuant to Section 2.2(c) below shall not be deemed a failure by Cypress to use, or otherwise violate Cypress' obligations to use, commercially reasonable efforts to develop a Lupus Monitoring Product, The parties acknowledge and agree that Cypress may terminate development of all Lupus Monitoring Products at any time if achieving the Milestone would require Cypress to use more than commercially reasonable efforts to do so, and that any such termination may occur without requiring that Cypress also terminate the Amended Pittsburgh License in accordance with Section 2.2(c) below. Cypress shall provide notice to Cellatope of its determination to terminate development of all Lupus Monitoring Products because achieving the Milestone would require Cypress to use more than commercially reasonable efforts to do so within 15 days of making such determination, including reasonable details supporting such determination and, in such case, Cypress shall comply with the provisions of Section 2.2(c)(ii) below. The parties further acknowledge and agree that nothing in this Agreement shall prohibit Cypress from engaging in a change of control-type transaction or a sale or license of all or any of the Acquired Assets, *provided* that in the event that Cypress desires to consummate a Change of Control after the Closing Date while the Milestone has not been attained but remains eligible to be attained, Cypress shall cause the Entity acquiring Cypress (or acquiring substantially all of its assets) with respect to a Change of Control (the "***Acquirer***") to assume Cypress' obligations under Section 2.2 of this Agreement, subject to all of the limitations and qualifications contained in Section 2.2 of this Agreement (including that such Acquirer use commercially reasonable efforts and the right of such Acquirer to terminate development of all Lupus Monitoring Products). With respect to any Change of Control, Cypress shall not consummate such Change of Control unless (i) Cypress remains liable for Cypress' payment obligations with respect to the Annual Payments and the Milestone Consideration and the Acquirer otherwise assumes Cypress' obligations in Section 2.2 in a form and substance reasonably acceptable to Cellatope *(provided,* that Cellatope's prior acceptance or approval shall not be required if such assumption is unqualified), in which case the parties acknowledge and agree that, following any such assumption (unless Cypress is merged with the Acquirer and remains the surviving Entity or becomes a subsidiary of the Acquirer), Cypress

shall have no further liability or obligation, whether primarily or secondarily, with respect to the obligations in Section 2.2 hereunder, except for the payment obligations with respect to the Annual Payments and the Milestone Consideration or (ii) the Acquirer is an Applicable Public Company and assumes Cypress' obligations under Section 2.2 of this Agreement in a form and substance reasonably acceptable to Cellatope *(provided,* that Cellatope's prior acceptance or approval shall not be required if such assumption is unqualified), in which case the parties acknowledge and agree that, following any such assumption (unless Cypress is merged with the Acquirer and remains the surviving Entity or becomes a subsidiary of the Acquirer), Cypress shall have no further liability or obligation, whether primarily or secondarily, with respect to the obligations in Section 2.2 hereunder, including the payment obligations with respect to the Annual Payments and the Milestone Consideration.

(i) For purposes of this Section 2.2(b), "commercially reasonable efforts" means the use of efforts, expertise and resources normally used by Cypress for other product candidates, which, as compared with the Product candidates for Lupus Monitoring Products acquired by Cypress in connection with the Transactions (the "***Lupus Monitoring Product Candidates***"), are of similar market potential at a similar stage in their development, taking into account all reasonable relevant factors affecting the cost, risk and timing of development and the total potential of the Lupus Monitoring Product Candidates, all as measured by the facts and circumstances at the time such efforts are due.

(ii) Cellatope may allege that Cypress is not using commercially reasonable efforts to achieve the Milestone at any time by providing written notice to Cypress to such effect, including reasonable details supporting such allegation, and setting forth specific reasonable actions that Cellatope requests that Cypress take with respect to its efforts to achieve the Milestone. If Cellatope provides any such notice, each party shall appoint an executive officer or other authorized person to discuss, and attempt to resolve, the alleged failure to perform to both parties' satisfaction. These Persons shall, by phone or in person, discuss the alleged failure to perform in good faith within 15 days after Cellatope provides the applicable notice. If, within 30 days after Cellatope provides the applicable notice, the two executive officers have not reached a mutually acceptable resolution to the alleged failure to perform, Cellatope may submit the matter to arbitration conducted by one arbitrator mutually agreeable to Cypress and Cellatope, In the event that, within 30 days after submission of any dispute to arbitration, Cypress and Cellatope cannot mutually agree on one arbitrator, then the parties shall arrange for the American Arbitration Association to designate a single arbitrator in accordance with the rules of the American Arbitration Association. Any such arbitration shall be held in San Diego County, California, under the rules and procedures then in effect of the American Arbitration Association. The arbitrator shall determine how all expenses relating to the arbitration shall be paid, including the respective expenses of each party, the fees of the arbitrator and the administrative fee of the American Arbitration Association. The arbitrator shall set a limited time period and establish procedures designed to reduce the cost and time for discovery while allowing Cypress and Cellatope an opportunity, adequate in the sole judgment of the arbitrator, to discover relevant information from the opposing party about the alleged failure to perform. The arbitrator shall rule upon motions to compel or limit discovery and shall have the authority to impose sanctions, including attorneys' fees and costs, to the same extent as a competent court of law or equity, should the arbitrator determine that discovery was sought without substantial justification or that discovery was refused or objected to without substantial

justification. The arbitrator's decision shall be limited to the precise question of whether Cypress has used commercially reasonable efforts to achieve the Milestone and the specific actions, if any, to be taken by Cypress that are necessary for Cypress to meet its obligation to use such commercially reasonable efforts, and shall be subject to the limitations set forth in this Agreement and be final, binding and conclusive upon the parties. The parties acknowledge and agree that Cypress may, in lieu of taking the actions, if any, specified by the arbitrator as being necessary for Cypress to meet its obligation to use commercially reasonable efforts, pay to Cellatope the Milestone Consideration in accordance with this Section 2. The arbitrator's decision shall be written and shall be supported by written findings of fact and conclusions. The parties acknowledge and agree that the dispute resolution mechanism and remedy set forth in this Section 2.2(b)(ii) shall be the sole and exclusive method of dispute resolution and remedy available to the parties with respect to disputes arising under Section 2.2(b), and that the provisions of Section 10 shall be inapplicable to any dispute arising under Section 2.2(b).

(c) The parties also acknowledge and agree that, subject to Section 2.2(c)(i) and (ii) below, Cypress may terminate development of all Lupus Monitoring Products at any time by terminating the Amended Pittsburgh License in accordance with its terms and conditions, and, upon such termination, Cypress' obligations to use commercially reasonable efforts to cause the Milestone to be achieved under Section 2.2(b) shall terminate. In the event that Cypress terminates development of all Lupus Monitoring Products, Cypress shall:

(i) if such termination occurs in connection with the termination of the Amended Pittsburgh License, provide the University of Pittsburgh and Cellatope with written notice not less than 10 days prior thereto of its intent to terminate the Amended Pittsburgh License in accordance with its terms and conditions; and

(ii) take such reasonable actions as may be requested by Cellatope, at Cellatope's cost and expense, to transfer to Cellatope any discoveries, know-how, data and technical information owned, Controlled or developed by Cypress related to any Lupus Monitoring Product and necessary for the development or commercialization of such Lupus Monitoring Product (the "***Cypress IP***"); *provided, however;* that to the extent that Cypress determines, in its reasonable discretion, that any such Cypress IP relates to any product developed by Cypress, being developed by Cypress or that Cypress reasonably expects to develop, Cypress shall retain ownership or control rights in such Cypress IP such that Cypress shall be entitled to retain and use such Cypress IP for its independent use and Cypress shall be deemed to have granted to Cellatope a perpetual, royalty-free limited license to use such Cypress IP solely for use in developing and commercializing Lupus Monitoring Products, all on such other terms to be agreed to by the parties.

(d) During the time that Cypress is actively developing any Lupus Monitoring Product, upon request of Cellatope, but not more frequently than once every two calendar quarters, Cypress shall provide Cellatope with a written summary describing in reasonable detail the status of achieving the Milestone. Any summaries or other information provided by Cypress to Cellatope pursuant to this Section 2.2(d) shall be governed by the Mutual Non-Disclosure Agreement dated April 21, 2008 by and between Cypress and Cellatope (the "***Confidentiality Agreement***").

(e) In the event that Cypress has not (1) achieved the Milestone or (ii) terminated development of all Lupus Monitoring Products pursuant to Section 2.2(b) or Section 2 2(c) above on or before December 31, 2011, Cypress shall pay to Cellatope an annual payment of $250,000 in cash (in the manner directed by Section 2.1) on January 1 of each year (each an "***Annual Payment***") beginning on January 1, 2012 and continuing until the earlier of: (i) January 1, 2016, (ii) Cypress' achievement of the Milestone or (iii) Cypress' termination of development of all Lupus Monitoring Products pursuant Section 2.2(b) or Section 2.2(c) above. In the event that the Milestone is achieved following the payment of one or more Annual Payments, the Milestone Consideration (as may be further reduced pursuant to Section 10.6) shall be reduced by the aggregate amount of all Annual Payments made as of the date such Milestone Consideration is paid. The amount of each Annual Payment is also subject to reduction pursuant to the provisions of Section 10.6 herein.

(f) All cash payments hereunder shall be payable in U.S. dollars.

(g) During the period beginning on the Closing Date and ending on the earlier of the payment of the Milestone Consideration or the termination of development of all Lupus Monitoring Products (the "***Payment Period***"), Cypress shall keep (and shall cause its Affiliates and Licensees to keep) records pertaining to the development of Lupus Monitoring Products in sufficient detail to permit Cellatope to confirm whether the Milestone has been achieved and the accuracy and completeness of any summaries provided pursuant to Section 2.2(d). Such records shall be maintained for a period of at least one year after the Payment Period (and for the duration of any period in which the process contemplated by Section 2.2(b)(ii) shall be pending). During the Payment Period and for one year thereafter, Cellatope shall have the right to inspect such records, which inspection rights may be exercised during normal business hours upon reasonable prior written notice to Cypress and, in each case, no more than once a calendar year. Cellatope shall bear the full cost of any such inspection, unless such inspection discloses a payment failure by Cypress of the Milestone Consideration payable under Section 2.2(a), in which case, Cypress shall bear the reasonable cost of the inspection. Information disclosed pursuant to this Section 2.2(g) shall be governed by the Confidentiality Agreement.

2.3 Escrow; Release from Escrow of Cash; Innovation Works Holdback.

(a) Upon the Closing, Cypress shall withhold, from the Closing Consideration otherwise payable to Cellatope pursuant to Section 2.1, cash equal to $200,000 (the "***Escrow Fund***," and the amounts contained in the Escrow Fund being referred to as the "***Escrow Funds***"). The contents of the Escrow Fund shall be delivered to Bank of America, National Association as escrow agent (the "***Escrow Agent***"). The Escrow Fund shall be held pursuant to the provisions of an escrow agreement substantially in the form of **Exhibit I** (the "***Escrow Agreement***") The Escrow Fund shall be held exclusively by the Escrow Agent.

(b) The Escrow Fund shall be held in the name of the Escrow Agent as collateral to secure the rights of the Cypress Indemnitees under Section 10 hereof for a period of time ending on the date that is 18 months after the Closing Date (the "***Escrow Claim Period***"); *provided, however·*, that in the event any Cypress Indemnitee has timely made a Claim in accordance with the terms of Section 10 that remains unresolved at the end of the Escrow Claim Period, then such claim shall survive the end of the Escrow Claim Period until such time as such

claim is fully and finally resolved. Notwithstanding the foregoing, Indemnification Demands made by Cypress Indemnitees relating to any alleged breach of any of the representations and warranties in Section 3.5 (Intellectual Property) of this Agreement may be made until the earlier of payment of the Milestone Consideration or the Holdback Payment Date; *provided, however,* that in the event any Cypress Indemnitee has timely made a Claim relating to any alleged breach of any of the representations and warranties in Section 3.5 (Intellectual Property) of this Agreement that remains unresolved on the date of the earlier of payment of the Milestone Consideration or the Holdback Payment Date, then such claim shall survive beyond payment of the Milestone Consideration or the Holdback Payment Date, as applicable, until such time as such claim is fully and finally resolved. If on or prior to the expiration of the Escrow Claim Period, any Cypress Indemnitee has made an Indemnification Demand containing a claim which has not been resolved prior to the expiration of the Escrow Claim Period in accordance with Section 10 and the Escrow Agreement, the Escrow Agent shall retain in the Escrow Account after the expiration of the Escrow Claim Period, Escrow Funds having an aggregate value equal to the Asserted Damages Amount or contested portion of the Asserted Damages Amount, as the case may be, with respect to all claims which have not then been resolved. If on or prior to the earlier of the payment of the Milestone Consideration or the Holdback Payment Date, any Cypress Indemnitee has made an Indemnification Demand containing a claim relating to any alleged breach of any of the representations and warranties in Section 3.5 (Intellectual Property) of this Agreement which has not been resolved prior to the earlier of the payment of the Milestone Consideration or the Holdback Payment Date, Cypress shall be entitled to retain after the earlier of the payment of the Milestone Consideration or the Holdback Payment Date, Set-Off Funds having an aggregate value equal to the Asserted Damages Amount or contested portion of the Asserted Damages Amount, as the case may be, with respect to all such claims which have not then been resolved.

(c) In addition to the Escrow Funds, upon the Closing, Cypress shall pursuant to the Innovation Works Agreement withhold from the Closing Consideration otherwise payable to Cellatope pursuant to Section 2.1, an amount of cash equal to $487,100.00 (the "***Innovation Works Holdback***"), In the event that Cypress has not received the IW Holdback Notice (as defined in the Innovation Works Agreement) from Innovation Works prior to the date (the "***Holdback Release Date***") that is four months following the termination of the Reporting Period (as defined in the Innovation Works Agreement), subject to the provisions of the Innovation Works Agreement, Cypress shall pay to Cellatope the Innovation Works Holdback in cash within ten business days after the Holdback Release Date (the "***Holdback Payment Date***").

(d) In the event that this Agreement is approved by Cellatope Stockholders, then all such Cellatope Stockholders shall, without any further act of any Cellatope Stockholder, be deemed to have consented to and approved (i) the use of the Escrow Fund as collateral to secure the rights of the Cypress Indemnitees to be indemnified for Damages under Section 10, as well as the potential set-off against the Annual Payments and the Milestone Consideration by the Cypress Indemnitees (up to the maximum amount set forth in Section 10.2(b)) to secure such rights and provide for such potential Damages, in each case under Section 10 in the manner set forth herein and in the Escrow Agreement and (ii) the withholding of the Innovation Works Holdback from the Closing Consideration for the purpose of making the payment contemplated in the Innovation Works Agreement, which payment would become due and payable to Innovation Works under the circumstances set forth in the Innovation Works Agreement.

3. REPRESENTATIONS AND WARRANTIES OF CELLATOPE.

Except as set forth on a correspondingly numbered section of the Cellatope Disclosure Schedule, Cellatope represents and warrants, as of the date hereof, to and for the benefit of the Cypress Indemnitees, as set forth below. The disclosure in any section or subsection of the Cellatope Disclosure Schedule shall qualify other sections and subsections in this Section 3 only to the extent it is readily apparent that the disclosure contained in such section or subsection of the Cellatope Disclosure Schedule contains enough information regarding the subject matter of the other representations in this Section 3 as to clearly qualify or otherwise clearly apply to such other representations and warranties (including by appropriate cross referencing).

3.1 Due Organization.

(a) Cellatope is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Cellatope is qualified, authorized, registered or licensed to do business as a foreign corporation in any jurisdiction where its business requires such qualification except where the failure to be so qualified, authorized, registered or licensed would not have a material adverse effect on the Acquired Assets or on the rights or ability of Cypress or any of its Affiliates to own or use the Acquired Assets after Closing. Cellatope has all necessary power and authority: (i) to conduct its business in the manner in which its business is currently being conducted; (ii) to own and use its assets in the manner in which its assets are currently owned and used; and (iii) to perform its obligations under all Cellatope Contracts.

(b) Cellatope has not conducted any business under or otherwise used, for any purpose or in any jurisdiction, any fictitious name, assumed name, trade name or other name, other than the names “Cellatope Corporation” and “StageMark, Inc.”

3.2 Absence of Changes. Except as set forth in Part 3.2 of the Cellatope Disclosure Schedule or otherwise contemplated in this Agreement, since September 30, 2008:

(a) there has not occurred any event, fact or circumstance which has resulted in, or would reasonably be expected to result in, a material adverse effect on the Acquired Assets or the right or ability of Cypress or any of its Affiliates to own or use the Acquired Assets after Closing;

(b) there has not been any loss, damage or destruction to, or any interruption in the use of, any of the Acquired Assets in any material respect; and

(c) Cellatope has not sold or otherwise transferred, or leased, or licensed, any assets (tangible or intangible) relating to the Technology, or agreed to do any of the foregoing (except pursuant to this Agreement).

3.3 Title to Assets.

(a) None of the Acquired Assets is subject to any Encumbrances (including Tax-related Encumbrances) At the Closing Date, Cellatope will transfer to Cypress good and marketable title to all Acquired Assets, free and clear of any Encumbrances.

(b) As of the Closing Date, no Affiliate of Cellatope will own, Control (or otherwise control) or have custody of any Acquired Asset.

(c) Except as contemplated by this Agreement and the Related Agreements, neither Cellatope nor any of its Affiliates has any agreement, absolute or contingent, written or oral, with any other Person to effect any Acquisition Transaction or to sell or otherwise transfer any of the Acquired Assets.

3.4 Equipment, Etc.

(a) All items of equipment and other tangible assets owned by or leased to Cellatope that are included in the Acquired Assets are adequate for the uses to which they are being put and are structurally sound, free of defects and deficiencies and in good condition and repair (ordinary wear and tear excepted).

3.5 Intellectual Property.

(a) Part 3.5(a) of the Cellatope Disclosure Schedule accurately identifies and describes each proprietary product or service included in the Acquired Assets that has been or is under development or was developed, was or is the subject of any regulatory filing, has been or is undergoing pre-clinical or human clinical trials or has been or is being commercially sold by Cellatope (the "***Cellatope Products***").

(b) Part 3.5(b) of the Cellatope Disclosure Schedule accurately identifies, with respect to the Acquired Assets (i) each item of Registered IP in which Cellatope has or purports to have an ownership interest of any nature and the nature of the ownership interest (e.g., exclusively, jointly with another Person, or otherwise); (ii) the jurisdiction in which such item of Registered LP has been registered or filed and the applicable registration or serial number; (iii) any other Person that has an ownership interest in such item of Registered IP and the nature of such ownership interest; and (iv) each product or service identified in Part 3.5(a) of the Cellatope Disclosure Schedule that embodies, utilizes, or is based upon or derived from (or, with respect to products and services under development, that is expected to embody, utilize, or be based upon or derived from) such item of Registered IP. Cellatope has provided to Cypress access to complete and accurate copies of all applications, correspondence, and other material documents related to each such item of Registered IP.

(c) Part 3.5(c) of the Cellatope Disclosure Schedule accurately identifies, with respect to the Acquired Assets (i) all Intellectual Property Rights or Intellectual Property licensed to Cellatope (other than any non-customized software that (A) is so licensed solely in executable or object code form pursuant to a non-exclusive, internal use software license, (B) is not incorporated into, or used directly in the development, manufacturing, or distribution of, any of Cellatope's products or services identified in Part 3.5(a) of the Cellatope Disclosure Schedule, and (C) is generally available on standard terms for less than $5,000); (ii) the corresponding Contract or Contracts pursuant to which such Intellectual Property Rights or Intellectual Property is licensed to Cellatope; and (iii) whether the license or licenses granted to Cellatope are exclusive or non-exclusive.

(d) Part 3.5(d) of the Cellatope Disclosure Schedule accurately identifies each Contract pursuant to which any Person has been granted any license under, or otherwise has received or acquired any right (whether or not currently exercisable) or interest in, any Cellatope IP included in the Acquired Assets. Cellatope is not bound by, and no Cellatope IP is subject to, any Contract containing any covenant or other provision that in any way limits or restricts the ability of Cellatope to use, exploit, assert, or enforce any Cellatope IP included in the Acquired Assets anywhere in the world.

(e) Part 3.5(e) of the Cellatope Disclosure Schedule contains a complete and accurate list and summary of all royalties, fees, commissions, and other amounts payable by Cellatope to any other Person upon or for the manufacture, sale, or distribution of any Cellatope Product or the use of any Cellatope IP.

(f) Cellatope has provided to Cypress a complete and accurate copy of each standard form of Cellatope IP Contract used by Cellatope and relating to any of the Acquired Assets, including each standard form of (i) license agreement; (ii) employee agreement containing intellectual property assignment or license of Intellectual Property or Intellectual Property Rights or any confidentiality provision; (iii) consulting or independent contractor agreement containing intellectual property assignment or license of Intellectual Property or Intellectual Property Rights or any confidentiality provision; and (iv) confidentiality or nondisclosure agreement. Part 3 5(e) of the Cellatope Disclosure Schedule accurately identifies each Cellatope IP Contract relating to any of the Acquired Assets that deviates in any material respect from the corresponding standard form agreement provided to Cypress.

(g) Cellatope exclusively owns all right, title, and interest to and in the Cellatope IP included in the Acquired Assets (other than Intellectual Property Rights or Intellectual Property exclusively licensed to Cellatope, as identified in Part 3.5(c) of the Cellatope Disclosure Schedule) free and clear of any Encumbrances (other than non-exclusive licenses granted pursuant to the Contracts listed in Part 3.5(d) of the Cellatope Disclosure Schedule). Without limiting the generality of the foregoing:

(1) All documents and instruments necessary to perfect the rights of Cellatope in the Cellatope IP included in the Acquired Assets have been validly executed, delivered, and filed in a timely manner with the appropriate Governmental Body.

(2) Each Person who is or was an employee or contractor of Cellatope and who is or was involved in the creation or development of any Cellatope IP included in the Acquired Assets has signed a valid, enforceable agreement containing an assignment of Intellectual Property Rights to Cellatope and confidentiality provisions protecting the Cellatope IP. No current or former stockholder, officer, director, or employee or contractor of Cellatope has any claim, right (whether or not currently exercisable), or interest to or in any Cellatope IP included in the Acquired Assets that has not been validly assigned to Cellatope. No officer or employee of Cellatope is (i) bound by or otherwise subject to any Contract restricting him from performing his duties for Cellatope or (ii) in breach of any Contract with any former employer or other Person concerning Intellectual Property Rights or confidentiality due to his activities as an officer or employee of Cellatope.

(3) Except as set forth on Part 3.5(g) of the Cellatope Disclosure Schedule, no funding, facilities, or personnel of any Governmental Body or any public or private university, college, or other educational or research institution were used, directly or indirectly, to develop or create, in whole or in part, any Cellatope IP included in the Acquired Assets.

(4) Cellatope has taken reasonable steps to maintain the confidentiality of and otherwise protect and enforce its rights in all proprietary information included in the Acquired Assets.

(5) Cellatope has not assigned or otherwise transferred ownership of, or agreed to assign or otherwise transfer ownership of, any Intellectual Property Right included in the Acquired Assets to any other Person.

(6) Cellatope is not now and never was a member or promoter of, or a contributor to, any industry standards body or similar organization that could require or obligate Cellatope to grant or offer to any other Person any license or right to any Cellatope IP included in the Acquired Assets.

(h) To Cellatope's knowledge, all Cellatope IP included in the Acquired Assets is subsisting and enforceable. Without limiting the generality of the foregoing:

(1) Each U.S. patent application and U.S. patent included in the Acquired Assets in which Cellatope has or purports to have an ownership interest was filed within one year of the first printed publication, public use, or offer for sale of each invention described in the U.S. patent application or U.S. patent. Each foreign patent application and foreign patent included in the Acquired Assets in which Cellatope has or purports to have an ownership interest was filed or claims priority to a patent application filed prior to each invention described in the foreign patent application or foreign patent being first made available to the public.

(2) No trademark (whether registered or unregistered) or trade name owned, used, or applied for by Cellatope that is included in the Acquired Assets conflicts or interferes with any trademark (whether registered or unregistered) or trade name owned, used, or applied for by any other Person. None of the goodwill associated with or inherent in any trademark (whether registered or unregistered) included in the Acquired Assets in which Cellatope has or purports to have an ownership interest has been impaired.

(3) Each item of Cellatope IP included in the Acquired Assets that is Registered IP is and at all times has been in all material respects in compliance with all applicable Legal Requirements and all filings, payments, and other actions required to be made or taken to maintain such item of Cellatope IP in full force and effect have been made by the applicable deadline. No application for a patent or a copyright, mask work, or trademark registration or any other type of Registered IP filed by or on behalf of Cellatope that is included in the Acquired Assets has been abandoned, allowed to lapse, or rejected. Part 3.5(h)(3) of the Cellatope Disclosure Schedule accurately identifies and describes each action, filing, and

payment that must be taken or made on or before the date that is ninety (90) days after the Closing Date in order to maintain such item of Cellatope IP in full force and effect.

(4) No interference, opposition, reissue, reexamination, or other proceeding is pending or, to Cellatope's knowledge, threatened, in which the scope, validity, or enforceability of any Cellatope IP included in the Acquired Assets is being, has been, or could reasonably be expected to be contested or challenged. To Cellatope's knowledge, there is no valid basis for a claim that any of such Cellatope IP is invalid or unenforceable.

(i) To Cellatope's knowledge, no Person has infringed, misappropriated, or otherwise violated, and no Person is currently infringing, misappropriating, or otherwise violating, any Cellatope IP included in the Acquired Assets. Part 3.5(i) of the Cellatope Disclosure Schedule accurately identifies (and Cellatope has provided to Cypress a complete and accurate copy of) each letter or other written or electronic communication or correspondence that has been sent or otherwise delivered by or to Cellatope or any Representative of Cellatope regarding any actual, alleged, or suspected infringement or misappropriation of any Cellatope IP included in the Acquired Assets, and provides a brief description of the current status of the matter referred to in such letter, communication, or correspondence.

(j) Neither the execution, delivery, or performance of this Agreement (or any of the Related Agreements) nor the consummation of any of the Transactions will, with or without notice or lapse of time, result in, or give any other Person the right or option to cause or declare, with respect to the Acquired Assets, (a) a loss of, or Encumbrance on, any Cellatope IP included in the Acquired Assets; (b) a breach by Cellatope of any license agreement listed or required to be listed in Part 3.5(c) of the Cellatope Disclosure Schedule or any other Cellatope IP Contract related to the Acquired Assets; (c) the release, disclosure, or delivery of any Cellatope IP included in the Acquired Assets by or to any escrow agent or other Person; or (d) the grant, assignment, or transfer to any other Person of any license or other right or interest under, to, or in any of Cellatope IP included in the Acquired Assets.

(k) To Cellatope's knowledge, Cellatope has never infringed (directly, contributorily, by inducement, or otherwise), misappropriated, or otherwise violated or made unlawful use of any Intellectual Property Right of any other Person.

(i) No claim of infringement or misappropriation, or similar claim or Legal Proceeding involving the Acquired Assets is pending or, to Cellatope's knowledge, threatened against Cellatope or against any other Person who may be entitled to be indemnified, defended, held harmless, or reimbursed by Cellatope with respect to such claim or Legal Proceeding, Cellatope has never received any notice or other communication (in writing or otherwise) relating to any actual, alleged, or suspected infringement, misappropriation, or violation of any Intellectual Property Rights of another Person.

(ii) Cellatope is not bound by any Contract to indemnify, defend, hold harmless, or reimburse any other Person with respect to, or otherwise assumed or agreed to discharge or otherwise take responsibility for, any existing or potential intellectual property infringement, misappropriation, or similar claim related to the Acquired Assets.

(l) To Cellatope's knowledge, no claim or Legal Proceeding involving any Intellectual Property or Intellectual Property Right licensed to Cellatope and included in the Acquired Assets is pending or has been threatened, except for any such claim or Legal Proceeding that, if adversely determined, would not adversely affect (i) the use or exploitation of such Intellectual Property or Intellectual Property Right by Cellatope, or (ii) the development, manufacturing, marketing, distribution, licensing, or sale of any Cellatope Product.

3.6 Contracts.

(a) Cellatope has delivered or made available to Cypress accurate and complete copies of all Acquired Contracts, including all amendments thereto. Each Acquired Contract is valid and in full force and effect and is enforceable against Cellatope in accordance with its terms.

(b) To Cellatope's knowledge, since Cellatope's inception, no Person has violated or breached, or declared or committed any material default under, any Acquired Contract; and no event has occurred, and no circumstance or condition exists, that might (with or without notice or lapse of time) (A) result in a violation or breach of any of the provisions of any Acquired Contract, (B) give any Person the right to declare a default or exercise any remedy under any Acquired Contract, (C) give any Person the right to accelerate the maturity or performance of any Acquired Contract, or (D) give any Person the right to cancel, terminate or materially modify any Acquired Contract. Cellatope has not received any written notice or other written communication regarding any actual, alleged, possible or potential violation or breach of, or default under, any Acquired Contract and has not waived any material right under any Acquired Contract.

(c) Cellatope has not received any written notice or other written communication, or any other written information, or to the knowledge of Cellatope, any oral notice, communication or other information, in each case indicating that any party to any Acquired Contract is insolvent or unable to satisfy all of such Person's current and future monetary obligations and other obligations and Liabilities thereunder.

(d) The performance of the Acquired Contracts by Cellatope has not resulted in any violation of or failure to comply with any Legal Requirement in any material respect.

(e) No party to an Acquired Contract is currently renegotiating the terms of such Acquired Contract with Cellatope, and no such party has the contractual right with Cellatope to renegotiate, any amount paid or payable to Cellatope under any Acquired Contract except as may be expressly permitted by the terms thereof and as set forth in Part 3.6(e) of the Cellatope Disclosure Schedule.

(f) As of the date of this Agreement, Cellatope has no knowledge of any express indication from any party to any Acquired Contract based upon which Cellatope could reasonably be expected to conclude that such party may object to (i) the assignment to Cypress of any right under such Acquired Contract, or (ii) the delegation to or performance by Cypress of any obligation under such Acquired Contract.

(g) Part 3.6(g) of the Cellatope Disclosure Schedule identifies each Consent required from any Person for the legal assignment from Cellatope to Cypress or assumption by Cypress of each Acquired Contract from Cellatope.

3.7 Compliance with Legal Requirements. Cellatope is in full compliance with each Legal Requirement that is applicable to it or to the conduct of its business or the ownership or use of any of its assets, except to the extent any such noncompliance would not reasonably be expected to have a material adverse effect on the Acquired Assets or on the rights or ability of Cypress or any of its Affiliates to own or use the Acquired Assets after Closing. No event has occurred, and no condition or circumstance exists, that could (with or without notice or lapse of time) constitute or result directly or indirectly in a violation by Cellatope of, or a failure on the part of Cellatope to comply with, any Legal Requirement, except to the extent any such noncompliance could not reasonably be expected to have a material adverse effect on the Acquired Assets or on the rights or ability of Cypress or any of its Affiliates to own or use the Acquired Assets after Closing. Cellatope has not received any written notice or other written communication, or any other written information, or to Cellatope's knowledge, any oral notice, communication or other information, at any time, from any Governmental Body or any other Person regarding (i) any actual, alleged, possible or potential violation of, or failure to comply with, any Legal Requirement, or (ii) any actual, alleged, possible or potential obligation on the part of Cellatope to undertake, or to bear all or any portion of the cost of, any cleanup or any remedial, corrective or response action of any nature.

3.8 Governmental Authorizations. Part 3.8 of the Cellatope Disclosure Schedule identifies each Governmental Authorization that is held by Cellatope and is related to the Acquired Assets. Cellatope has delivered to Cypress accurate and complete copies of all of the Governmental Authorizations identified in Part 3.8 of the Cellatope Disclosure Schedule, including all renewals thereof and all amendments thereto. Each Governmental Authorization identified or requited to be identified in Part 3.8 of the Cellatope Disclosure Schedule is valid and in full force and effect. Cellatope is and has at all times been in full compliance with all of the terms and requirements of each Governmental Authorization identified or required to be identified in Part 3.8 of the Cellatope Disclosure Schedule, except to the extent any such noncompliance could not reasonably be expected to have a material adverse effect on the Acquired Assets or on the rights or ability of Cypress or any of its Affiliates to own or use the Acquired Assets after Closing. To Cellatope's knowledge, no event has occurred, and no condition or circumstance exists, that might (with or without notice or lapse of time) (A) constitute or result directly or indirectly in a violation of or a failure to comply with any term or requirement of any Governmental Authorization identified or required to be identified in Part 3.8 of the Cellatope Disclosure Schedule, or (B) result directly or indirectly in the revocation, withdrawal, suspension, cancellation, termination or modification in any material respect of any Governmental Authorization identified or required to be identified in Part 3.8 of the Cellatope Disclosure Schedule. Cellatope has not received any written notice or other written communication (from any Governmental Body or any other Person regarding (A) any actual, alleged, possible or potential violation of or failure to comply with any term or requirement of any Governmental Authorization primarily related to the Acquired Assets, or (B) any actual, proposed, possible or potential revocation, withdrawal, suspension, cancellation, termination or modification in any material respect of any such Governmental Authorization. The Governmental Authorizations identified in Part 3 8 of the Cellatope Disclosure Schedule

constitute all of the Governmental Authorizations necessary to permit Cellatope to own and use the Acquired Assets in the manner in which they are currently owned or used.

3.9 Tax Matters.

(a) To the extent the failure to do so would have a material adverse effect on the Acquired Assets or on the rights or ability of Cypress or any of its Affiliates to own or use the Acquired Assets after Closing or to the extent the failure to do so would result in any liability to Cypress following the Closing, Cellatope (a) has paid all Taxes it is required to pay to the appropriate Governmental Body and (b) has filed all Tax Returns it is required to file.

(b) No Cellatope Return relating to income Taxes has ever been examined or audited by any Governmental Body and there have been no examinations or audits of any Cellatope Return. No extension or waiver of the limitation period applicable to any of the Cellatope Returns has been granted by Cellatope, and no such extension or waiver has been requested in writing from Cellatope.

(c) There are no Legal Proceedings pending or, to Cellatope's knowledge, threatened against or with respect to Cellatope in respect of any Tax. There are no unsatisfied liabilities for Taxes (including Liabilities for interest, additions to tax and penalties thereon and related expenses) with respect to any notice of deficiency or similar document received by Cellatope with respect to any Tax. There are no liens for Taxes upon any of the assets of Cellatope except liens for current Taxes not yet delinquent or for Taxes being contested in good faith.

(d) Cellatope has withheld, collected, deposited or paid all Taxes required to have been withheld, collected, deposited or paid, as the case may be, in connection with amounts paid or owing to any employee, independent contractor, creditor or stockholder.

(e) No jurisdiction in which Cellatope does not file Tax Returns has ever asserted that Cellatope may be required to file a Tax Return in such jurisdiction.

3.10 Labor Matters. To Cellatope's knowledge, except as set forth on Part 3.10 of the Cellatope Disclosure Schedule, no officer, employee or consultant of Cellatope is obligated under any Contract or subject to any Order or Legal Requirement that relates in any respect to the Acquired Assets or the work performed by such officer, employee or consultant with respect to the Acquired Assets prior to the Closing.

3.11 Affiliate Transactions. Except as set forth on Part 3.11 of the Cellatope Disclosure Schedule, no Affiliate of Cellatope: (a) has any direct or indirect proprietary interest of any nature in any of the Acquired Assets; (b) has entered into, or has any direct or indirect financial interest in, any Acquired Contract; or (c) has any claim or right against the Acquired Assets. To Cellatope's knowledge, no event has occurred, and no condition or circumstance exists, that could (with or without notice or lapse of time) give rise to or serve as a basis for any claim or right in favor of any Affiliate of Cellatope against the Acquired Assets.

3.12 Legal Proceedings; Orders. There is no pending Legal Proceeding, and, to Cellatope's knowledge, no Legal Proceeding is being threatened against Cellatope or any of its

officers or directors in their capacity as such and no event has occurred, and no claim, dispute or other condition or circumstance exists, that could reasonably be expected to give rise to or serve as a basis for the commencement of any such Legal Proceeding. There is no Order to which Cellatope, or any of the Acquired Assets is subject; and none of the Affiliates of Cellatope is subject to any Order that relates to the Acquired Assets.

3.13 Authority; Binding Nature of Agreement.

(a) Subject to obtaining the requisite approval of Cellatope's stockholders in accordance with the DGCL and its certificate of incorporation and bylaws, Cellatope has the absolute and unrestricted right, power and authority to enter into and to perform its obligations under this Agreement and any Related Agreement to which it is a party; and the execution, delivery and performance by Cellatope of this Agreement and any Related Agreement to which it is a party have been duly authorized by all necessary action on the part of Cellatope and its board of directors. The prior written consent or affirmative vote of the holders of at least (1) 66 2/3% of the shares of Cellatope's Series B Preferred Stock, (2) a majority of the shares of Cellatope's Series A Preferred Stock and (3) a majority of the shares of Cellatope's common stock, outstanding as of the close of business on the date on which the Cellatope board of directors approves the principal terms of this Agreement and the Transactions (the "***Board Approval Date***") (or such other date as Cellatope's board of directors sets as the record date for stockholders to approve this Agreement and the Transactions) are the only consents or approvals of the stockholders of Cellatope needed to approve the principal terms of this Agreement and to approve the Transactions (the "***Required Cellatope Stockholder Approval***"). This Agreement and each Related Agreement that has been executed and delivered by Cellatope has been duly executed and delivered by Cellatope, and assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of Cellatope, enforceable against Cellatope in accordance with its terms, subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors, and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

(b) The affirmative vote of the shares of Cellatope Capital Stock subject to the Voting Agreements are sufficient, and as of the Board Approval Date (or such other date as Cellatope's board of directors sets as the record date for stockholders to approve this Agreement and the Transactions) will be sufficient, without the affirmative vote of holders of any additional shares of Cellatope Capital Stock, to obtain the Required Cellatope Stockholder Approval.

3.14 Non-Contravention; Consents. Neither the execution and delivery of this Agreement or any of the Related Agreements to which Cellatope is a party by Cellatope, nor the consummation or performance of any of the Transactions by Cellatope (assuming receipt of the Required Cellatope Stockholder Approval and execution and delivery of the Innovation Works Agreement and the Amended Pittsburgh License), will directly or indirectly (with or without notice or lapse of time):

(a) give any Governmental Body or other Person the right to challenge any of the Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which Cellatope or any Affiliate of Cellatope, or any of the Acquired Assets, is

subject, including by revoking, withdrawing, suspending, cancelling, terminating or modifying any Governmental Authorization that is included in the Acquired Assets;

(b) contravene or result in a violation of the certificate of incorporation or bylaws of Cellatope;

(c) contravene, conflict with or result in a violation or breach of, or result in a default under, (i) any provision of any Acquired Contract or (ii) any other Contract of Cellatope, in the case of clause (ii) of this Section 3.14(c), solely to the extent such contravention, violation or breach could reasonably be expected to prevent, enjoin, alter or delay the Transactions; or

(d) result in the imposition or creation of any Encumbrance upon or with respect to any of the Acquired Assets.

(e) require any filing with or notice to, or Consent from, any Person.

3.15 Regulatory Compliance.

(a) No Cellatope Products being developed are subject to the jurisdiction of the FDA, the Food and Drug and Cosmetic Act, the Public Health Service Act, their applicable implementing regulations or any comparable state laws and regulations.

(b) Cellatope has not conducted any clinical or pre-clinical trials with respect to any Cellatope Products.

(c) None of the manufacturing operations conducted by or for the benefit of Cellatope with respect to the Cellatope Products that have been or are being conducted are subject to the FDA's current Good Clinical Practices regulations and Good Laboratory Practices regulations for drug and biological products. In addition, Cellatope is not subject to any of the registration or listing requirements set forth in 21 U.S.C. Section 360 and 21 CFR Part 207 or any similar applicable Legal Requirements with respect to the Acquired Assets.

(d) No animal studies, preclinical tests or human clinical trials have been performed in connection with or as the basis for any regulatory approval required for Cellatope Products.

(e) Cellatope has provided Cypress with copies of all notices of inspectional observations, establishment inspection reports and any other documents received from Governmental Bodies and related to any of the Cellatope Products, that indicate or suggest lack of compliance with the regulatory requirements of such Governmental Bodies. Cellatope has made available to Cypress for review all correspondence to or from all Governmental Bodies, minutes of meetings, written reports of phone conversations, visits or other contact with Governmental Bodies, notices of inspectional observations, establishment inspection reports, and all other documents concerning communications to or from Governmental Bodies, or prepared by or which bear in any way on Cellatope's compliance with regulatory requirements of Governmental Bodies with respect to the Cellatope Products, or on the likelihood of timing of approval of any Cellatope Products.

3.16 Finder's Fee. No broker, finder or investment banker or other Person is entitled to any brokerage, finder's, success or other fee or commission in connection with the consummation of this Agreement or any of the Transactions based upon arrangements made by or on behalf of Cellatope.

3.17 Full Disclosure. This Agreement and the Cellatope Disclosure Schedule do not (i) contain any representation, warranty or information that is false or misleading with respect to any material fact, or (ii) omit to state any material fact necessary in order to make the representations, warranties and information contained herein and therein, in the light of the circumstances under which such representations, warranties and information were or are made or provided, not false or misleading.

3.18 Agreements with Innovation Works. Other than Agreement Numbers 2004W.CB01223R-1 dated June 1, 2005, 2004W.CB01223R-2 dated October 19, 2005, 2005W.CC01245R-1 dated May 8, 2006, 2006W.CB01223R-3 dated October 17, 2006 and 2006W.CB01223R-4 dated March 21, 2007 between Cellatope and Innovation Works and as set forth on Part 3.18 to the Cellatope Disclosure Schedule, there are no funding or financing agreements or agreements of any kind in force between Cellatope and Innovation Works.

3.19 Cellatope's Knowledge. Cellatope has caused each of Joseph Ahearn, M.D., Daniel Graziano, Albert D, Donnenberg, Ph.D., Edward L. Erickson and Lorraine G. LoPresti to make due inquiry of each fact or matter with respect to which Cellatope has made any representation or warranty herein that is qualified by Cellatope's knowledge.

4. REPRESENTATIONS AND WARRANTIES OF CYPRESS.

Except as set forth on a correspondingly numbered section of the Cypress Disclosure Schedule, Cypress represents and warrants, as of the date hereof, to and for the benefit of Cellatope, as set forth below. The disclosure in any section or subsection of the Cypress Disclosure Schedule shall qualify other sections and subsections in this Section 4 only to the extent it is readily apparent that the disclosure contained in such section or subsection of the Cypress Disclosure Schedule contains enough information regarding the subject matter of the other representations in this Section 4 as to clearly qualify or otherwise clearly apply to such other representations and warranties (including by appropriate cross referencing).

4.1 Due Organization. Cypress is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Cypress is qualified, authorized, registered or licensed to do business as a foreign corporation in any jurisdiction where its business requires such qualification except where the failure to be so qualified, authorized, registered or licensed would not have a material adverse effect on Cypress' business or operations. Cypress has all necessary power and authority to conduct its business in the manner in which its business is currently being conducted and to own and use its assets in the manner in which its assets are currently owned and used.

4.2 Authority; Binding Nature Of Agreements. Cypress has the corporate power and authority to enter into and perform its obligations under each of this Agreement and the Related Agreements to which it is a party, and the execution and delivery and performance by

Cypress of each of this Agreement and the Related Agreements to which it is a party has been duly authorized by all necessary corporate action on the part of Cypress. This Agreement and each Related Agreement to which it is a party constitutes the legal, valid and binding obligation of Cypress, enforceable against it in accordance with its terms, subject to any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereinafter in effect relating to creditors' rights generally or to general principles of equity.

4.3 Governmental and Other Authorizations. The execution, delivery and performance by Cypress of this Agreement and the Related Agreements, and the consummation by it of the Transactions, require no filings with or notices to or approvals of any Governmental Body on the part of Cypress or any material consent, waiver or approval of any other Person, other than a Governmental Body, on the part of Cypress, except where the failure to obtain such waivers, consents or approvals or to make such filings or give such notice would not have a material adverse effect on Cypress' business or operations.

4.4 Non-Contravention. Neither the execution and delivery of this Agreement or any of the Related Agreements by Cypress, nor the consummation or performance of any of the Transactions by Cypress, will directly or indirectly (with or without notice or lapse of time):

(a) contravene, or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the Transactions;

(b) contravene, conflict with or result in a violation of the certificate of incorporation or bylaws of Cypress; or

(c) contravene or result in a violation or breach of any Contract of Cypress, solely to the extent such contravention, violation or breach could reasonably be expected to prevent, enjoin, alter or delay the Transactions.

4.5 Litigation; Compliance with Legal Requirements. There is no pending Legal Proceeding, and, to Cypress' Knowledge, no Person has threatened in writing to commence any Legal Proceeding against Cypress or any of its Affiliates that challenges, or that could have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Transactions.

5. CERTAIN COVENANTS OF CELLATOPE AND CYPRESS.

5.1 Access and Investigation. Except as may be reasonably appropriate to ensure compliance with respect to any applicable Legal Requirements (including, without limitation, any applicable antitrust regulations), and subject to any confidentiality obligations or applicable privileges (including, without limitation, the attorney-client privilege), during the Pre-Closing Period, Cellatope will give Cypress and its Representatives reasonable access to its Representatives, the Acquired Assets and the existing books, records, work papers and other documents and information relating to the Acquired Assets as Cypress may reasonably request during normal business hours and upon reasonable prior notice, all for the purpose of enabling Cypress and its Representatives to conduct, at their own expense, business reviews and investigations of the Acquired Assets.

5.2 Operation of Cellatope's Business.

(a) Except as otherwise expressly contemplated by this Agreement and the Related Agreements, Cellatope shall use its commercially reasonable efforts to ensure that, during the Pre-Closing Period, Cellatope conducts its operations (A) exclusively in the ordinary course of business and consistent with past practices and in substantially the same manner as such operations have been conducted prior to the date of this Agreement and (B) in compliance with all applicable material Legal Requirements and in compliance with the requirements of all Acquired Contracts.

(b) During the Pre-Closing Period, except as expressly contemplated by this Agreement, Cellatope shall not (without the prior written consent of Cypress):

(i) commence or settle any Legal Proceeding affecting the Acquired Assets;

(ii) become a party to or authorize any Acquisition Transaction;

(iii) adopt a plan of complete or partial liquidation or dissolution or resolutions providing for or authorizing such a liquidation or dissolution (other than such plans as shall be expressly conditioned on the occurrence of the Closing, to take effect from and after such time);

(iv) sell or otherwise dispose of, or lease or license, any Acquired Asset to any Person, or waive or relinquish any right included in the Acquired Assets;

(v) take any action (or fail to take any action) that could reasonably be expected to (with or without notice or lapse of time) result in a violation, breach or default of any of the provisions of any Acquired Contract;

(vi) enter into any material transaction or take any other material action outside the ordinary course of business and inconsistent with past practices that affects the Acquired Assets (other than the actions required to be taken under this Agreement or that are consistent with the Transactions); or

(vii) authorize, agree, commit or enter into any agreement to take any of the actions described in clauses "(i)" through "(vi)" of this Section 5.2(b).

5.3 Stockholder Approval.

(a) As soon as practicable after the date hereof, Cellatope shall take all action necessary under Cellatope's certificate of incorporation and bylaws and all applicable Legal Requirements to submit this Agreement, the Related Agreements (if applicable) and the Transactions to the stockholders of Cellatope for approval via written stockholder consent. Cellatope will prepare and distribute to Cellatope's stockholders in connection with the solicitation of the Required Cellatope Stockholder Approval an information statement (the "***Cellatope Information Statement***") in compliance with all applicable Legal Requirements and Cellatope's certificate of incorporation and bylaws. Cellatope shall (i) solicit from stockholders

of Cellatope in compliance with applicable Legal Requirements and Cellatope's certificate of incorporation and bylaws written consents to approve this Agreement and the Transactions and (ii) use its commercially reasonable efforts to obtain the Required Cellatope Stockholder Approval as soon as reasonably possible following the execution of this Agreement.

(b) The board of directors of Cellatope unanimously recommended that Cellatope's stockholders vote to approve this Agreement and the Transactions (the "***Recommendation***"). The Cellatope Information Statement shall include the Recommendation. Neither the board of directors of Cellatope nor any committee thereof shall withdraw, amend or modify, or propose or resolve to withdraw, amend or modify, in a manner adverse to Cypress, the Recommendation. For purposes of this Agreement, the Recommendation shall be deemed to have been modified in a manner adverse to Cypress if such Recommendation shall no longer be unanimous.

6. ADDITIONAL COVENANTS OF THE PARTIES.

6.1 Filings and Consents; Additional Agreements. As promptly as practicable after the execution of this Agreement, each party to this Agreement (a) shall make all filings (if any) and give all notices (if any) required to be made and given by such party in connection with the Transactions, and (b) shall use all commercially reasonable efforts to obtain all Consents (if any) required to be obtained (pursuant to any applicable Legal Requirement or Contract, or otherwise) by such party in connection with the Transactions. Cellatope shall (upon request) promptly deliver to Cypress a copy of each such filing made, each such notice given and each such Consent obtained by Cellatope during the Pre-Closing Period. Cypress shall (upon request) promptly deliver to Cellatope a copy of each such filing made, each such notice given and each such Consent obtained by Cypress during the Pre-Closing Period. In addition, Cypress and Cellatope shall use commercially reasonable efforts (y) to cause the conditions set forth in Section 7, in the case of Cellatope, and in Section 8, in the case of Cypress, to be satisfied as soon as practicable prior to the Termination Date and (z) to take, or cause to be taken, all actions necessary to consummate the Transactions as soon as practicable prior to the Termination Date.

6.2 Notification. During the Pre-Closing Period, each party shall promptly notify the other in writing of, and shall subsequently keep such other party updated on a current basis regarding: (a) the discovery of any event, condition, fact or circumstance that occurred or existed on or prior to the date of this Agreement and that caused or constitutes a breach of any representation or warranty made in this Agreement; (b) any event, condition, fact or circumstance that occurs, arises or exists after the date of this Agreement and that would cause or constitute a breach of any representation or warranty made in this Agreement if (i) such representation or warranty had been made as of the time of the occurrence, existence or discovery of such event, condition, fact or circumstance, or (ii) such event, condition, fact or circumstance had occurred, arisen or existed on or prior to the date of this Agreement; (c) any breach of any covenant or obligation; and (d) any event, condition, fact or circumstance that could reasonably be expected to make the timely satisfaction of any of the conditions set forth in Section 7 or Section 8 impossible or unlikely.

6.3 No Negotiation. Cellatope shall ensure that, during the Pre-Closing Period, neither it nor any of its Representatives, directly or indirectly: (a) solicits or encourages the

initiation of any inquiry, proposal or offer from any Person (other than Cypress) related to an Acquisition Transaction; (b) participates in any discussions or negotiations with or enters into any agreement with, or provides any information to, any Person (other than Cypress) relating to an Acquisition Transaction; or (c) considers the merits of any unsolicited inquiry, proposal or offer from any Person (other than Cypress) relating to an Acquisition Transaction. Cellatope shall immediately cease and cause to be terminated any Contract or discussions with any Person (other than Cypress) related to an Acquisition Transaction.

6.4 Public Announcements. During the Pre-Closing Period, Cypress shall not (and Cypress shall not permit any Representative of Cypress to) issue any press release or make any public statement regarding this Agreement, the Related Agreements or the Transactions, without Cellatope's prior written consent, *provided*, *however,* that nothing herein shall be deemed to prohibit Cypress from making any public disclosure Cypress deems necessary or appropriate under applicable Legal Requirements, *provided* Cypress, if in its exercise of reasonable diligence has sufficient time to do so, has provided Cellatope a copy of any proposed public disclosure. Cellatope shall not (and Cellatope shall not permit any Representative of Cellatope to) issue any press release or make any public statement regarding this Agreement, the Related Agreements or the Transactions, without Cypress' prior written consent.

6.5 Further Actions.

(a) From and after the Closing Date, Cellatope shall, and shall cause its Affiliates to, cooperate with Cypress and Cypress' Affiliates and Representatives, and shall execute and deliver such documents and take such other actions as Cypress may reasonably request, for the purpose of evidencing the Transactions and putting Cypress in possession and control of all of the Acquired Assets.

(b) From and after the Closing Date, Cellatope shall, and shall cause its Affiliates to, reasonably cooperate with Cypress in its efforts to continue and maintain for the benefit of Cypress those business relationships of Cellatope existing prior to the Closing Date and related to or involving any of the Acquired Assets, including relationships with lessors, licensors, suppliers, vendors and others. Neither Cellatope nor any of its Affiliates or its or their Representatives shall take any action after the Closing Date which would reasonably be expected to diminish the value of the Acquired Assets, and neither Cellatope nor any of its Affiliates will satisfy any of the Excluded Liabilities in a manner reasonably likely to be detrimental to such relationships, individually or as a whole.

(c) Cellatope and Cypress will cooperate in good faith in connection with the filing of Tax Returns, any audit or Legal Proceeding with respect to Taxes and in connection with any other Legal Proceeding in each case relating to the Acquired Assets, as and to the extent reasonably requested by Cypress or Cellatope. Such cooperation shall include (i) Cellatope, upon reasonable notice and during normal business hours, providing access to Cypress and its Representatives to the books and records relating to the Acquired Assets, (ii) the retention and (upon a party's request, but subject, in each case, to neither Cellatope nor Cypress being obligated to provide any records or information in the event that doing so could reasonably be expected to result in a waiver of any applicable attorney-client privilege) the provision of records and information which are reasonably relevant to the preparation of Tax Returns or to any such

Legal Proceeding and (iii) making relevant employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Cellatope and Cypress shall (iv) retain all records with respect to Tax matters pertinent to the Acquired Assets relating to any period beginning before the Closing Date until the expiration of all relevant statutes of limitations (and, to the extent notified by Cellatope or Cypress, any extensions thereof), and abide by all record retention agreements entered into with any Governmental Body with respect to Taxes (with respect to agreements of another party, to the extent notified thereof) and (v) give the other party to this Agreement reasonable written notice prior to transferring, destroying or discarding any such records.

6.6 Access to Records After the Closing. Except as may be reasonably appropriate to ensure compliance with respect to any applicable Legal Requirements (including, without limitation, any applicable antitrust regulations), and subject to any confidentiality obligations or applicable privileges (including, without limitation, the attorney-client privilege), for a period of two years after the Closing Date, Cypress and its Representatives shall have reasonable access, during normal business hours and at Cypress' expense, to any reasonably available books, records, work papers and other documents and information relating to the Acquired Assets as Cypress may reasonably request.

6.7 Taxes. In the case of any real or personal property Taxes or any similar Taxes attributable to the Acquired Assets which Taxes are reported on a Tax Return covering a period commencing before the Closing Date and ending thereafter (a "***Straddle Period Tax***"), any such Straddle Period Taxes shall be prorated between Cellatope and Cypress on a per diem basis. The party required to pay any such Straddle Period Tax as required by law (the "***Paying Party***") shall provide the other party (the "***Non-Paying Party***") with a proof of payment and within 10 days of receipt of such proof of payment, the Non-Paying Party shall reimburse the Paying Party for its share of such Straddle Period Taxes. The party required to file a Tax Return with respect to Straddle Period Taxes shall do so within the time period prescribed by law.

7. CONDITIONS PRECEDENT TO OBLIGATIONS OF CYPRESS.

The obligations of Cypress to consummate the Transactions are subject to the satisfaction or written waiver by Cypress, at or prior to the Closing, of each of the following conditions:

7.1 Accuracy of Representations. Each of the representations and warranties made by Cellatope in this Agreement in connection with the Transactions shall have been accurate in all material respects as of the date of this Agreement (without giving double effect to any materiality qualifications), and shall be accurate in all material respects as of the Closing Date as if made on the Closing Date (without giving double effect to any materiality qualifications).

7.2 Performance of Covenants. All of the covenants and obligations that Cellatope is required to comply with or to perform at or prior to the Closing, considered individually and in the aggregate, shall have been complied with and performed in all material respects.

7.3 Stockholder Approval. This Agreement, the Related Agreements (to the extent applicable) and the Transactions shall have been duly approved by the Required Cellatope Stockholder Approval.

7.4 Consents. All Consents required to be obtained by Cellatope in connection with the Transactions (including the Consents identified in Part 3.14 of the Cellatope Disclosure Schedule) from any Person or Governmental Body shall have been obtained, shall be in full force and effect and all relevant statutory, regulatory or other governmental waiting periods, if any, whether domestic, foreign or supranational shall have expired.

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

(1) the Escrow Agreement, executed by the Escrow Agent and Cellatope;

(ii) the General Assignment and Assumption Agreement substantially in the form of **Exhibit J**, executed by Cellatope;

(iii) the Bill of Sale substantially in the form of **Exhibit K**, executed by Cellatope;

(iv) the Assignment of Patent Rights and the Assignment of Co-Owned Patent Rights substantially in the forms of **Exhibit F** and **Exhibit G**, respectively, executed by Cellatope;

(v) a certificate signed on behalf of Cellatope by the President of Cellatope representing and warranting that the conditions set forth in Section 7.1, Section 7.2, and Section 7.4 have been duly satisfied (the "***Cellatope Compliance Certificate***");

(vi) a certificate, dated as of the Closing Date, signed by the Secretary of Cellatope (i) attaching true and correct copies of the certificate of incorporation and bylaws, and any amendments thereto, of Cellatope, (ii) certifying that attached thereto are true and correct copies of actions by written consent or resolutions duly approved by the board of directors and stockholders of Cellatope which authorize and approve the execution, delivery and performance of this Agreement and the consummation of the Transactions, (iii) certifying that there are no proceedings for the dissolution or liquidation of Cellatope other than such proceedings pursuant to a plan of dissolution and liquidation approved by the Board of Directors of Cellatope which shall by its terms not be effective until after the Closing shall have occurred and (iv) certifying the incumbency, signature and authority of the officers of Cellatope authorized to execute, deliver and perform this Agreement and all Related Agreements executed or to be executed by Cellatope;

(vii) the Voting Agreement, executed by the Cellatope stockholders who are party thereto;

(viii) the Assignment of Trademarks substantially in the form of **Exhibit 0**, executed by Cellatope; and

(ix) the amendment to that certain Exclusive License Agreement dated October 14, 2005 between StageMark, Inc. (now Cellatope) and the University of Pittsburgh of the Common Wealth System of Higher Education (the "***University of Pittsburgh***"), as amended

on or about May 25, 2006, and March 21, 2007 (the "***Pittsburgh License***"), which amendment shall be executed by Cypress, Cellatope and the University of Pittsburgh and will become effective immediately following the Closing (the Pittsburgh License, as amended by the further amendment described in this Section 7.5(ix), is referred to herein as the "**Amended Pittsburgh License**").

7.6 No Material Adverse Effect. There shall not have occurred since the date of this Agreement any event, fact or circumstance which has resulted in, or would reasonably be expected to result in, a material adverse effect on the Acquired Assets or the right or ability of Cypress or any of its Affiliates to own or use the Acquired Assets after Closing.

7.7 No Restraints. No temporary restraining order, preliminary or permanent injunction or other Order preventing the consummation of the Transactions shall have been issued by any Governmental Body and remain in effect, and there shall not be any Legal Requirement enacted or deemed applicable to the Transactions that makes consummation of the Transactions illegal.

7.8 No Governmental Litigation. There shall not be pending or threatened any Legal Proceeding in which a Governmental Body is or is threatened to become a party or is otherwise involved, and neither Cellatope nor Cypress shall have received any communication from any Governmental Body in which such Governmental Body indicates the possibility of commencing any Legal Proceeding or taking any other action: (a) challenging or seeking to restrain or prohibit the consummation of the Transactions; (b) relating to the Transactions and seeking to obtain from Cypress or any of its Affiliates any damages or other relief that may be material; or (c) which could reasonably be expected to materially and adversely affect the Transactions or the right or ability of Cypress or any of its Affiliates to own or use the Acquired Assets after the Closing.

7.9 No Other Litigation. There shall not be pending any Legal Proceeding in which, in the reasonable judgment of Cypress, there is a reasonable possibility of an outcome that could reasonably be expected to have a material adverse effect on the Transactions or the right or ability of Cypress or any of its Affiliates to own or use the Acquired Assets after Closing,

7.10 Consultant Matters. Each of Edward L. Erickson and Dennis Graziano shall have entered into a Consulting Agreement in substantially the form attached hereto as **Exhibit B** (including a Proprietary Information Assignment Agreement attached as an exhibit thereto), which Consulting Agreements shall become effective immediately following the Closing, and neither Edward L. Erickson nor Dennis Graziano shall have made any indication to Cypress, Cellatope or any of their Representatives that any such Person has a present intent to terminate such contractual relationship.

7.11 Innovation Works Agreement. The Innovation Works Agreement shall have been executed and delivered by the parties thereto and remain in full force and effect,

7.12 No Encumbrances. Cellatope shall have delivered evidence, reasonably satisfactory to Cypress, that all Encumbrances identified by Cypress prior to the Closing and relating to any of the Acquired Assets have been removed.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF CELLATOPE.

Cellatope's obligation to sell and transfer the Acquired Assets and to take the other actions required to be taken by Cellatope at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Cellatope, in whole or in part, in writing):

8.1 Accuracy of Representations. Each of the representations and warranties made by Cypress in this Agreement in connection with the Transactions shall have been accurate in all material respects as of the date of this Agreement (without giving double effect to any materiality qualifications), and shall be accurate in all material respects as of the Closing Date as if made on the Closing Date (without giving double effect to any materiality qualifications).

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

8.3 Documents. Cellatope shall have received (a) a certificate signed on behalf of Cypress by an executive officer of Cypress representing and warranting that the conditions set forth in Section 8.1, Section 8.2, and Section 8.7 have been duly satisfied, (b) the Escrow Agreement, executed by the Escrow Agent and Cypress, (c) the Innovation Works Agreement executed by Cypress and Innovation Works, (d) the Amended Pittsburgh License, executed by Cypress and the University of Pittsburgh, (e) the General Assignment and Assumption Agreement executed by Cypress, (f) the Assignment of Patent Rights, executed by Cypress, (g) the Assignment of Co-Owned Patent Rights, executed by Cypress and (h) the Assignment of Trademarks, executed by Cypress. Each of the agreements listed in subsections (b) through (h) of this Section 8.3 shall be in full force and effect.

8.4 No Restraints. No temporary restraining order, preliminary or permanent injunction or other Order preventing the consummation of the Transactions shall have been issued by any Governmental Body and remain in effect, and there shall not be any Legal Requirement enacted or deemed applicable to the Transactions that makes the consummation of the Transactions illegal.

8.5 No Governmental Litigation. There shall not be pending or threatened any Legal Proceeding in which a Governmental Body is or is threatened to become a party or is otherwise involved, and neither Cellatope nor Cypress shall have received any communication from any Governmental Body in which such Governmental Body indicates the possibility of commencing any Legal Proceeding or taking any other action: (a) challenging or seeking to restrain or prohibit the consummation of the Transactions; and (b) which could reasonably be expected to materially and adversely affect the Transactions or the right of Cellatope to receive the consideration set forth in Section 2.

8.6 Stockholder Approval. This Agreement, the Related Agreements (to the extent applicable) and the Transactions shall have been duly approved by the Required Cellatope Stockholder Approval.

8.7 Consents. All Consents, if any, required to be obtained by Cypress in connection with the Transactions from any Person or Governmental Body shall have been obtained (other than Consents which, pursuant to the terms of this Agreement, shall be obtained by Cypress following the Closing), shall be in full force and effect and all relevant statutory, regulatory or other governmental waiting periods, if any, whether domestic, foreign or supranational shall have expired.

8.8 Payment of Closing Consideration. Cypress shall have delivered to Cellatope the Closing Consideration (subject to the terms of Sections 2.1 and 2 3).

9. TERMINATION.

9.1 Termination Events. This Agreement may be terminated prior to the Closing:

(a) by mutual written consent of Cypress and Cellatope;

(b) by either Cypress or Cellatope, if any Order by any Governmental Body of competent jurisdiction preventing or prohibiting consummation of the Transactions shall have become final and nonappealable; *provided, however*, that the party seeking to terminate this Agreement pursuant to this Section 9.1(b) must have used all reasonable efforts to remove any such Order;

(c) by Cypress if, within five business days of the date of execution of this Agreement the Required Cellatope Stockholder Approval shall not have been obtained;

(d) by Cypress if any of Cellatope's representations and warranties contained in this Agreement shall have been materially inaccurate as of the date of this Agreement or shall have become materially inaccurate as of any subsequent date (as if made on such subsequent date), or if any of Cellatope's covenants contained in this Agreement shall have been breached in any material respect; *provided, however*, that Cypress may not terminate this Agreement under this Section 9.1(d) on account of an inaccuracy in Cellatope's representations and warranties or on account of a breach of a covenant by Cellatope if such inaccuracy or breach is curable by Cellatope unless Cellatope fails to cure such inaccuracy or breach within 5 days after receiving written notice from Cypress of such inaccuracy or breach;

(e) by Cellatope if any of Cypress' representations and warranties contained in this Agreement shall have been materially inaccurate as of the date of this Agreement or shall have become materially inaccurate as of any subsequent date (as if made on such subsequent date), or if any of Cypress' covenants contained in this Agreement shall have been breached in any material respect; *provided, however*, that Cellatope may not terminate this Agreement under this Section 9.1(e) on account of an inaccuracy in Cypress' representations and warranties or on account of a breach of a covenant by Cypress if such inaccuracy or breach is curable unless Cypress fails to cure such inaccuracy or breach within 5 days after receiving written notice from Cellatope of such inaccuracy or breach; or

(f) by Cypress or Cellatope if the Closing has not taken place on or before February 23, 2009 (the "***Termination Date***") (other than as a result of any failure on the part of

the party attempting to terminate this Agreement to comply with or perform any of its covenants or obligations set forth in this Agreement).

9.2 Termination Procedures. If either party wishes to terminate this Agreement pursuant to Section 9.1, it shall deliver to the other party a written notice stating that it is terminating this Agreement and setting forth a brief description of the basis on which it is terminating this Agreement.

9.3 Effect of Termination. If this Agreement is terminated pursuant to Section 9.1, all further obligations of the parties under this Agreement shall terminate; *provided*, *however,* that: (a) neither Cellatope nor Cypress shall be relieved of any obligation or liability arising from any inaccuracy or prior breach by such party of any representation, warranty, covenant or other provision of this Agreement and (b) the parties shall, in all events, remain bound by and continue to be subject to the provisions set forth in Section 11.

10. INDEMNIFICATION, ETC.

10.1 Survival of Representations, Etc.

(a) The representations and warranties made by Cellatope in this Agreement (including the Cellatope Disclosure Schedule), Cellatope Compliance Certificate or in the certificate provided pursuant to Section 7.5(vi) shall survive the Closing and expire at the termination of the Escrow Claim Period; *provided*, *however*, that (A) if, at any time prior to the end of the Escrow Claim Period, any Cypress Indemnitee delivers to Cellatope a written notice alleging the existence of an inaccuracy in or a breach of any of the representations and warranties made by Cellatope for which the Escrow Claim Period has not expired (and setting forth in reasonable detail the basis for such Cypress Indemnitee's belief that such an inaccuracy or breach may exist) and asserting a claim for recovery under Section 10.2 based on such alleged inaccuracy or breach, then the representation or warranty underlying the claim asserted in such notice shall survive the end of the Escrow Claim Period until such time as such claim is fully and finally resolved, for the sole purpose of remaining in effect in order to permit such claim to be fully and finally resolved; and (B) the representations and warranties in Section 3.5 (Intellectual Property) shall survive until the earlier of the payment of the Milestone Consideration or the Holdback Payment Date; *provided*, *however*, that if, at any time prior to the earlier of the payment of the Milestone Consideration or the Holdback Payment Date, any Cypress Indemnitee delivers to Cellatope a written notice alleging the existence of an inaccuracy in or a breach of any of the representations and warranties made by Cellatope in Section 3.5 (Intellectual Property) (and setting forth in reasonable detail the basis for such Cypress Indemnitee's belief that such an inaccuracy or breach may exist) and asserting a claim for recovery based on such alleged inaccuracy or breach, then the representation or warranty underlying the claim asserted in such notice shall survive the earlier of the payment of the Milestone Consideration or the Holdback Payment Date until such time as such claim is fully and finally resolved, for the sole purpose of remaining in effect in order to permit such claim to be fully and finally resolved. All representations and warranties made by Cypress shall survive the Closing and expire at the termination of the Escrow Claim Period. All of the covenants, agreements and obligations of the parties contained in this Agreement or any other document, certificate, schedule or instrument delivered or executed in connection herewith shall survive (i) until fully performed or fulfilled,

unless non-compliance with such covenants, agreements or obligations is waived in writing by the party or parties entitled to such performance or (ii) if not fully performed or fulfilled, until the expiration of the relevant statute of limitations.

(b) The representations, warranties, covenants and obligations of Cellatope, and the rights and remedies that may be exercised by the Cypress Indemnitees, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, any of the Cypress Indemnitees or any of their Representatives. The parties recognize and agree that the representations and warranties also operate as bargained for promises and risk allocation devices and that, accordingly, any party's knowledge, and the waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, shall not affect the right to indemnification or payment of Damages pursuant to this Section 10, or other remedy based on such representations, warranties, covenants, and obligations,

(c) For purposes of this Section 10, each statement or other item of information set forth in the Cellatope Disclosure Schedule shall be deemed to be a representation and warranty or a qualification to a representation or warranty, as the case may be, made by Cellatope in this Agreement.

10.2 Indemnification by the Parties.

(a) From and after the Closing Date (but subject to Section 10.1(a) and the limitations set forth in Section 10.3 below), each Cypress Indemnitee shall be held harmless and shall be indemnified from and against, and shall be compensated, reimbursed and paid for, any Damages which are directly or indirectly suffered or incurred by any Cypress Indemnitee or to which any Cypress Indemnitee may otherwise become subject (regardless of whether or not such Damages relate to any third-party claim) and which arise from or as a result of, or are directly or indirectly connected with: (i) any inaccuracy in or breach or (in the case of a third-party claim that, if determined in favor of the applicable third party, would result in a breach) alleged breach of any representation or warranty of Cellatope set forth in this Agreement, in the Cellatope Compliance Certificate, or in the certificate provided pursuant to Section 7.5(vi) (without giving effect, in each case, to any information provided by Cellatope pursuant to Section 62); (ii) any breach or (in the case of a third-party claim that, if determined in favor of the applicable third party, would result in a breach) alleged breach of any covenant or obligation of Cellatope set forth in this Agreement (including the covenants set forth in Sections 5 and 6) to be performed on or prior to Closing (without giving effect, in each case, to any information provided by Cellatope pursuant to Section 6.2), (iii) any Excluded Liability, (iv) any Liability incurred pursuant to any applicable bulk sale law or based on noncompliance therewith or (v) any Legal Proceeding relating to any inaccuracy or breach of the type referred to in clauses (i) or (ii) or relating to clauses (iii) or (iv) above (including any Legal Proceeding commenced by any Cypress Indemnitee for the purpose of enforcing any of its rights under this Section 10 if a Cypress Indemnitee is the prevailing party therein).

(b) In the event any Cypress Indemnitee shall suffer any Damages for which such Cypress Indemnitee is entitled to indemnification under this Section 10 (as determined pursuant to Section 10.5), such Cypress Indemnitee shall be entitled to recover such Damages

by, first, obtaining the amount of Escrow Funds, if any, equal in value to the aggregate amount of such Damages, and, second, once no Escrow Funds remain in the Escrow Fund pursuant to depletion of the Escrow Funds or expiration of the Escrow Claim Period, and only in the case of inaccuracies in or breaches or (in the case of a third-party claim that, if determined in favor of the applicable third party, would result in a breach) alleged breaches of any of the representations and warranties in Section 3.5 (Intellectual Property), by setting off the amount of such Damages (or the remaining amount of such Damages, after giving effect to any amounts obtained for such Damages from the Escrow Fund) up to a maximum of $300,000 payable pursuant to all set-offs (the "***Set-Off Funds***") first against the next Annual Payment to come due, if applicable and second against any Milestone Consideration remaining to be paid, in accordance with Section 10.6. Any such set off against an Annual Payment or against Milestone Consideration shall be paid in cash. Claims for Set-off Funds made by the Cypress Indemnitees relating to any alleged breach of any of the representations and warranties in Section 3.5 (Intellectual Property) of this Agreement may be made until the earlier of the payment of the Milestone Consideration or the Holdback Payment Date. If at any time prior to the earlier of the payment of the Milestone Consideration or the Holdback Payment Date, any Cypress Indemnitee delivers to Cellatope a written notice alleging the existence of an inaccuracy in or a breach of any of the representations and warranties made by Cellatope in Section 3.5 (Intellectual Property) (and setting forth in reasonable detail the basis for such Cypress Indemnitee's belief that such an inaccuracy or breach may exist) and asserting a claim for recovery based on such alleged inaccuracy or breach, then the representation or warranty underlying the claim asserted in such notice shall survive the earlier of the payment of the Milestone Consideration or the Holdback Payment Date until such time as such claim is fully and finally resolved, for the sole purpose of remaining in effect in order to permit such claim to be fully and finally resolved. In addition to the foregoing, in the case of fraud or intentional misrepresentation, the Cypress Indemnitees shall be entitled to bring suit for and recover Damages without any limitation against Cellatope and against any other Person who committed or participated in such fraud or intentional misrepresentation.

(c) From and after the Closing Date (but subject to Section 10.1(a) and the limitations set forth in Section 10.3 below), each Cellatope Indemnitee shall be held harmless and shall be indemnified by Cypress from and against, and shall be compensated, reimbursed and paid for, any Damages which are directly or indirectly suffered or incurred by any Cellatope Indemnitee or to which any Cellatope Indemnitee may otherwise become subject (regardless of whether or not such Damages relate to any third-party claim) and which arise from or as a result of, or are directly or indirectly connected with: (i) any inaccuracy in or breach or (in the case of a third-party claim that, if determined in favor of the applicable third party, would result in a breach) alleged breach of any representation or warranty of Cypress set forth in this Agreement, in the Cypress Compliance Certificate, or in the certificate provided pursuant to Section 8.3 (without giving effect, in each case, to any information provided by Cypress pursuant to Section 6.2); (ii) any breach or (in the case of a third-party claim that, if determined in favor of the applicable third party, would result in a breach) alleged breach of any covenant or obligation of Cypress set forth in this Agreement (including the covenants set forth in Section 6) to be performed on or prior to Closing (without giving effect, in each case, to any information provided by Cypress pursuant to Section 6.2), (iii) any Assumed Liability or (iv) any Legal Proceeding relating to any inaccuracy or breach of the type referred to in clauses (i) or (ii) or relating to clause (iii) above (including any Legal Proceeding commenced by any Cellatope

Indemnitee for the purpose of enforcing any of its rights under this Section 10 if a Cellatope Indemnitee is the prevailing party therein).

10.3 Threshold/Limitations.

(a) Subject to Section 10.3(b), the Cypress Indemnitees shall not be entitled to any indemnification payment pursuant to Section 10.2(a)(i) (and under Section 10.2(a)(v) with respect to a Legal Proceeding relating to a claim under Section 10.2(a)(i)), until such time as the total amount of all Damages that have been directly or indirectly suffered or incurred by any one or more of the Cypress Indemnitees, or to which any one or more of the Cypress Indemnitees has or have otherwise become subject, exceeds $10,000 in the aggregate (the "***Threshold***"). If the total amount of such Damages exceeds the Threshold, then the Cypress Indemnitees shall be entitled to be indemnified against and compensated and reimbursed for the full amount of such Damages, including the amount of the Threshold.

(b) The limitations that are set forth in Section 10.3(a) shall not apply in the case of fraud or intentional misrepresentation.

(c) Subject to Section 10.3(d), the Cellatope Indemnitees shall not be entitled to any indemnification payment pursuant to Section 10.2(c)(i) (and under Section 10.2(c)(iv) with respect to a Legal Proceeding relating to a claim under Section 10.2(c)(i)), until such time as the total amount of all Damages that have been directly or indirectly suffered or incurred by any one or more of the Cellatope Indemnitees, or to which any one or more of the Cellatope Indemnitees has or have otherwise become subject, exceeds the Threshold. If the total amount of such Damages exceeds the Threshold, then the Cellatope Indemnitees shall be entitled to be indemnified against and compensated and reimbursed for the full amount of such Damages, including the amount of the Threshold, *provided*, *however*, that, notwithstanding the foregoing, the maximum aggregate liability of Cypress to the Cellatope Indemnitees for Damages under Section 10.2(c) shall equal ten percent of the Closing Consideration, Milestone Consideration and Annual Payments required to be paid to Cellatope pursuant to Section 2 of this Agreement at any time, and Cypress shall have no obligation under Section 10.2(c) to indemnify the Cellatope Indemnitees for Damages in excess of such amount.

(d) The limitations set forth in Section 10.3(c) shall not apply in the case of fraud or intentional misrepresentation.

10.4 Defense of Third Party Claims.

(a) In the event of the assertion or commencement by any Person of any claim or Legal Proceeding (whether against Cypress, Cellatope or against any other Person) with respect to which any of the Cypress Indemnitees or Cellatope Indemnitees may be entitled to indemnification pursuant to this Section 10, the Cypress Indemnitee(s) or Cellatope Indemnitee(s) seeking indemnification (the "***Indemnified Person***") shall promptly give the party obligated to provide indemnification under this Section 10 (the "***Indemnifying Person***") and, with respect to Indemnification Demands made by Cypress Indemnitees, the Escrow Agent, written notice (a "***Claim Notice***") of such claim (a "***Claim***") or Legal Proceeding. If the contents and delivery of a Claim Notice satisfy the content and delivery requirements of an

Indemnification Demand pursuant to Section 10.5, then such Claim Notice shall also be deemed to be an Indemnification Demand. The Claim Notice shall be accompanied by reasonable supporting documentation submitted by the third party making such Claim (to the extent then in the possession of the Indemnified Person) and shall describe in reasonable detail (to the extent known by the Indemnified Person) the facts constituting the basis for such Claim and the amount of the claimed Damages; *provided*, *however*, that no delay or failure on the part of the Indemnified Person in delivering a Claim Notice shall relieve the Escrow Fund, any applicable Annual Payment or the Milestone Consideration or the Indemnifying Person, as applicable, from any indemnification liability hereunder except to the extent such failure materially prejudices the defense of such Claim or Legal Proceeding. The Indemnified Person shall have the right, at its election, to proceed with the defense of such Claim or Legal Proceeding on its own.

(b) Within 30 days of delivery of the Claim Notice, if the Indemnified Person has not elected to proceed with the defense of such Claim or Legal Proceeding on its own, the Indemnifying Person may elect (by written notice delivered to the Indemnified Person) to take all necessary steps to contest any Claim or Legal Proceeding involving third parties or to prosecute such Claim or Legal Proceeding to conclusion or settlement. If the Indemnifying Person makes the foregoing election, the Indemnified Person will have the right to participate at its own expense in all proceedings. If the Indemnifying Person does not make such election within such period or fails to diligently contest such Claim or Legal Proceeding after such election, then the Indemnified Person shall be free to handle the prosecution or defense of any such Claim or Legal Proceeding, and will take all necessary steps to contest the Claim or Legal Proceeding involving third parties or to prosecute such Claim or Legal Proceeding to conclusion or settlement, and will notify the Indemnifying Person of the progress of any such Claim or Legal Proceeding, will permit the Indemnifying Person, at the sole cost of such Indemnifying Person, to participate in such prosecution or defense and will provide the Indemnifying Person with reasonable access to all relevant information and documentation relating to the Claim or Legal Proceeding and the prosecution or defense thereof. If the Indemnified Person proceeds with the defense of any such Claim or Legal Proceeding on its own in accordance with the last sentence of Section 10.4(a), all of the Indemnified Person's expenses relating to the defense of such Claim or Legal Proceeding shall constitute Damages and be eligible for indemnification in accordance with, and subject to the terms and limitations of, this Section 10.

(c) Neither party will compromise or settle any such Claim or Legal Proceeding without the written consent of either the Indemnified Person (if the Indemnifying Person defends the Claim or Legal Proceeding) or the Indemnifying Person (if the Indemnified Person defends the Claim or Legal Proceeding), such consent not to be unreasonably withheld. In any case, the party not in control of the Claim or Legal Proceeding will cooperate with the other party in the conduct of the prosecution or defense of such Claim or Legal Proceeding. In the event that an Indemnified Person delivers a Claim Notice in connection with a claim for indemnification with respect to third party claims for which the procedures set forth in Section 10.4(a), (b) and (c) have been followed, the Indemnified Person shall comply with the procedures set forth in Section 10.5(a), (b), (c) and (d) hereof and in the Escrow Agreement. Any such procedures shall be in addition to and not in lieu of the indemnification procedures set forth in Section 10.4(a), (b) and (c).

10.5 Indemnification Claims.

(a) In order for any Indemnified Person to seek indemnification under this Section 10, such Indemnified Person shall deliver, in good faith, a written demand (an "***Indemnification Demand***") to the Indemnifying Person and, in the case of the Cypress Indemnitees, to the Escrow Agent, which contains (i) a description and the amount (the "***Asserted Damages Amount***") of any Damages incurred or reasonably expected to be incurred by the Indemnified Person, (ii) a statement that the Indemnified Person is entitled to indemnification under this Section 10 for such Damages and a reasonable explanation of the basis therefor, and (iii) a demand for payment in the amount of such Damages.

(b) Within 20 days after delivery of an Indemnification Demand, the Indemnifying Person shall deliver to the Indemnified Person a written response (the "***Response***") in which the Indemnifying Person shall: (i) agree that the Indemnified Person is entitled to receive all of the Asserted Damages Amount, and, in the case of an Indemnification Demand made by a Cypress Indemnitee, the Indemnified Person and the Indemnifying Person shall deliver to the Escrow Agent, within three days following the delivery of the Response, a written notice executed by both such parties instructing the Escrow Agent to disburse the full Asserted Damages Amount to the extent of the remaining Escrow Funds to the Indemnified Person; (ii) agree that the Indemnified Person is entitled to receive part, but not all, of the Asserted Damages Amount (such portion, the "***Agreed Portion***"), and, in the case of an Indemnification Demand made by a Cypress Indemnitee, the Indemnified Person and the Indemnifying Person shall deliver to the Escrow Agent, within three days following the delivery of the Response, a written notice executed by both such parties instructing the Escrow Agent to disburse the Agreed Portion to the extent of the remaining Escrow Funds to the Indemnified Person; or (iii) dispute that the Indemnified Person is entitled to receive any of the Asserted Damages Amount.

(c) In the event that the Indemnifying Person shall (i) dispute that the Indemnified Person is entitled to receive any of the Asserted Damages Amount, or (ii) agrees that the Indemnified Person is entitled to only the Agreed Portion of the Asserted Damages Amount, the Indemnified Person and the Indemnifying Person shall attempt in good faith to agree upon the rights of the respective parties with respect to each of the indemnification claims that comprise the Asserted Damages Amount (or the portion of the Asserted Damages Amount not comprising the Agreed Portion). If the Indemnified Person and the Indemnifying Person should so agree, a memorandum setting forth such agreement shall be prepared and signed by both such parties and, in the case of an Indemnification Demand made by a Cypress Indemnitee, shall be furnished to the Escrow Agent. If no such agreement can be reached after good faith negotiation within 60 days after delivery of a Response, either the Indemnified Person or the Indemnifying Person may demand arbitration of any matter set forth in the applicable Indemnification Demand.

(d) If no agreement is reached, the matter shall be settled by arbitration conducted by one arbitrator mutually agreeable to the Indemnified Person and the Indemnifying Person. In the event that, within thirty days after submission of any dispute to arbitration, the Indemnified Person and the Indemnifying Person cannot mutually agree on one arbitrator, then the parties shall arrange for the American Arbitration Association to designate a single arbitrator' in accordance with the rules of the American Arbitration Association. Any such arbitration shall

be held in San Diego County, California, under the rules and procedures then in effect of the American Arbitration Association. The arbitrator shall determine how all expenses relating to the arbitration shall be paid, including the respective expenses of each party, the fees of the arbitrator and the administrative fee of the American Arbitration Association. The arbitrator shall set a limited time period and establish procedures designed to reduce the cost and time for discovery while allowing the Indemnified Person and the Indemnifying Person an opportunity, adequate in the sole judgment of the arbitrator to discover relevant information from the opposing parties about the subject matter of the dispute. The arbitrator shall rule upon motions to compel or limit discovery and shall have the authority to impose sanctions, including attorneys' fees and costs, to the same extent as a competent court of law or equity, should the arbitrator determine that discovery was sought without substantial justification or that discovery was refused or objected to without substantial justification. The decision of the arbitrator as to the validity and amount of any indemnification claim in such Indemnification Demand shall be subject to the limitations set forth in this Agreement and final, binding and conclusive upon the parties. Such decision shall be written and shall be supported by written findings of fact and conclusions which shall set forth the award, judgment, decree or order awarded by the arbitrator. All payments required by the arbitrator shall be made within thirty days after the decision of the arbitrator is rendered. Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction.

10.6 Setoff Rights. Cypress may withhold and set off against any amounts due Cellatope with respect to first, any Annual Payment and second, the Milestone Consideration, up to the maximum amount of Set-Off Funds, as to which any Cypress Indemnitee is entitled to indemnification pursuant to Section 10.2 with respect to inaccuracies in or breaches or (in the case of a third-party claim that, if determined in favor of the applicable third party, would result in a breach) alleged breaches of any of the representations and warranties in Section 3.5 (Intellectual Property), subject to the limitations in Section 10.3. Cypress and Cellatope shall follow the procedures set forth in Sections 10.4 and 10.5 for handling indemnification claims (both based on third-party suits and directly) between the parties in the event Cypress seeks to set off any amounts against any Annual Payment or the Milestone Consideration under this Section 10.6, subject to appropriate adjustment to reflect that neither the Escrow Agent nor the Escrow Fund will be involved in the resolution of such indemnification claims. Any claim by a Cypress Indemnitee hereunder must be satisfied first from the Escrow Fund in accordance with the procedures set forth in Section 10, second as a set-off against any Annual Payment and third as a set-off against any amounts of the Milestone Consideration due Cellatope.

10.7 Exercise of Remedies by Cypress Indemnitees Other Than Cypress. No Cypress Indemnitee (other than Cypress or any successor thereto or assign thereof) shall be permitted to assert any indemnification claim or exercise any other remedy under this Agreement unless Cypress (or any successor thereto or assign thereof) shall have consented to the assertion of such indemnification claim or the exercise of such other remedy.

10.8 Exclusive Remedy. From and after the Closing Date and except as expressly provided in Section 11.10, the parties hereto acknowledge and agree that the indemnification provisions of this Section 10 shall be the sole and exclusive remedy of the Indemnified Persons with respect to any and all claims based upon, arising out of, or otherwise in respect of this Agreement, except with respect to claims for fraud or intentional misrepresentation. For the

avoidance of doubt, the Cypress Indemnitees' sole recourse for the indemnification provided by this Section 10 shall be to the Escrow Fund and the Set-Off Funds then-available, pursuant to the procedures and limitations set forth in this section, *provided*, that in the event of Claims involving fraud or intentional misrepresentation, the Cypress Indemnitees and Cellatope Indemnitees shall be entitled to bring suit for and recover Damages without any limitation against Cellatope or Cypress (as applicable) and against any other Person who committed or participated in such fraud or intentional misrepresentation.

10.9 No Implied Representations. The parties acknowledge and agree that except as expressly provided in Sections 3 and 4 or in the Cellatope Compliance Certificate, or in the certificate provided pursuant to Section 7.5(vi), or in the certificate provided by Cypress pursuant to Section 8.3 or in any other Related Agreement, no party hereto, and none of the Representatives of any party hereto, has made or is making any representations or warranties whatsoever, implied or otherwise.

11. MISCELLANEOUS PROVISIONS.

11.1 Further Assurances. Each party hereto shall execute and cause to be delivered to each other party hereto such instruments and other documents, and shall take such other actions, as such other party may reasonably request (prior to, at or after the Closing) for the purpose of carrying out or evidencing any of the Transactions.

11.2 Fees and Expenses. Subject to the terms of this Agreement, each party to this Agreement shall bear and pay all fees, costs and expenses (including legal fees and accounting fees) that have been incurred or that are incurred by such party in connection with the transactions contemplated by this Agreement, including all fees, costs and expenses incurred by such party in connection with or by virtue of (a) the investigation and review conducted by Cypress and its Representatives with respect to the Acquired Assets (and the furnishing of information to Cypress and its Representatives in connection with such investigation and review), (b) the negotiation, preparation and review of this Agreement (including the Cellatope Disclosure Schedule) and all agreements, certificates, opinions and other instruments and documents delivered or to be delivered in connection with the Transactions, (c) the preparation and submission of any filing or notice required to be made or given in connection with any of the Transactions, and the obtaining of any Consent required to he obtained in connection with any of such Transactions, and (d) the consummation of the Transactions.

11.3 Attorneys' Fees. If any action or proceeding relating to this Agreement or the enforcement of any provision of this Agreement is brought against any party hereto, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements (in addition to any other relief to which the prevailing party may be entitled).

11.4 Notices. Any notice or other communication required or permitted to be delivered to any party under this Agreement shall be in writing and shall be deemed properly delivered, given and received when delivered (by hand, by registered mail, by courier or express delivery service or by facsimile) to the address or facsimile telephone number set forth beneath the name of such party below (or to such other address or facsimile telephone number as such party shall have specified in a written notice given to the other parties hereto):

if to Cypress:

CYPRESS BIOSCIENCE, INC.
4350 Executive Drive, Suite 325
San Diego, CA 92121
Attn: General Counsel
Fax: (858) 452-1222

with copy to (which copy shall not constitute notice):

COOLEY GODWARD KRONISH LLP
4401 Eastgate Mall
San Diego, CA 92121
Attn: Matthew T. Browne, Esq.
Fax: (858) 550-6420

if to Cellatope:

c/o EDWARD L. ERICKSON
PO Box 657
PLUMSTEADVILLE, PA 18949

with copies to (which copy shall not constitute notice):

BUCHANAN INGERSOLL & ROONEY PC
301 GRANT STREET, 20TH FLOOR
ONE OXFORD CENTRE
PITTSBURGH, PA 15219
Attn: Perry S. Patterson
Fax: 412.562.4041

11.5 Time of the Essence. Time is of the essence of this Agreement.

11.6 Headings. The headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

11.7 Counterparts. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

11.8 Governing Law; Jurisdiction and Venue.

(a) This Agreement shall be construed in accordance with, and governed in all respects by, the internal laws of the State of California (without giving effect to principles of conflicts of laws).

(b) Subject to Section 2 2(b)(ii) and Section 10.5(d), any legal action or other legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement shall be brought or otherwise commenced exclusively in any state or federal court located in San Diego County, California. Subject to Section 2 2(b)(ii) and Section 10.5(d), Cellatope and Cypress each:

(i) expressly and irrevocably consents and submits to the jurisdiction of each state and federal court located in San Diego County, California (and each appellate court located in the State of California), in connection with any legal proceeding;

(ii) agrees that service of any process, summons, notice or document by U.S. mail addressed to it at the address set forth in Section 11.4 shall constitute effective service of such process, summons, notice or document for purposes of any such legal proceeding;

(iii) agrees that each state and federal court located in San Diego County, California, shall be deemed to be a convenient forum; and

(iv) agrees not to assert (by way of motion, as a defense or otherwise), in any such legal proceeding commenced in any state or federal court located in San Diego County, California, any claim by either Cellatope or Cypress that it is not subject personally to the jurisdiction of such court, that such legal proceeding has been brought in an inconvenient forum, that the venue of such proceeding is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court.

11.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns (if any). Subject to Section 2.2 with respect to a Change of Control, Cypress may freely assign any or all of its rights or delegate any or all of its obligations under this Agreement (including its indemnification rights under Section 10), in whole or in part, to any other Person without obtaining the consent or approval of any other party hereto, and, in connection with any such delegation of obligations that is in compliance with such section, the parties acknowledge and agree that Cypress shall not retain any obligation to continue to satisfy or perform such obligations. Cellatope shall not be permitted to assign any of its rights or delegate any of its obligations under this Agreement without Cypress' prior written consent, *provided that*, Cellatope may assign its rights or delegate any of its obligations to a liquidating trust from and after the Closing.

11.10 Remedies Cumulative; Specific Performance. The rights and remedies of the parties hereto shall be cumulative (and not alternative). The parties to this Agreement agree that, in the event of any breach or threatened breach by any party to this Agreement of any covenant, obligation or other provision set forth in this Agreement for the benefit of any other party to this Agreement, such other party shall be entitled (in addition to any other remedy that may be

available to it) to (a) a decree or order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision, and (b) an injunction restraining such breach or threatened breach.

11.11 Waiver. No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

11.12 Amendments. This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of all of the parties hereto.

11.13 Severability. In the event that any provision of this Agreement, or the application of any such provision to any Person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to Persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

11.14 Parties in Interest. Except for the provisions of Section 10 with respect to the Cypress Indemnitees and Cellatope Indemnitees, none of the provisions of this Agreement is intended to provide any rights or remedies to any Person other than the parties hereto.

11.15 Entire Agreement. This Agreement and the Related Agreements set forth the entire understanding of the parties hereto relating to the subject matter hereof and thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter hereof and thereof; *provided*, *however*, that the Confidentiality Agreement shall not be superseded by this Agreement and shall remain in effect in accordance with its terms until the date on which such Confidentiality Agreement is terminated in accordance with its terms.

11.16 Construction.

(a) For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders; the feminine gender shall include the masculine and neuter genders; and the neuter gender shall include the masculine and feminine genders.

(b) The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

(c) As used in this Agreement, the words “include” and “including,” and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words “without limitation.”

(d) Except as otherwise indicated, all references in this Agreement to “Sections” and “Exhibits” are intended to refer to Sections of this Agreement and Exhibits to this Agreement.

The parties hereto have caused this Agreement to be executed and delivered as of the date first set forth above

CYPRESS BIOSCIENCE, INC.,
a Delaware corporation

By: /s/ Jay Kranzler
Name: Jay Kranzler
Title: Chief Executive Officer

CELLATOPE CORPORATION,
a Delaware corporation

By: /s/ Edward L. Erickson
Name: Edward L. Erickson
Title: Chairman, President & CEO

EXHIBITS

Exhibit A	-	Certain Definitions
Exhibit B	-	Form of Consulting Agreement
Exhibit C	-	Persons Executing Voting Agreement
Exhibit D	-	Form of Voting Agreement
Exhibit E	-	Form of Innovation Works Agreement
Exhibit F	-	Form of Assignment of Patent Rights
Exhibit G	-	Form of Assignment of Co-Owned Patent Rights
Exhibit H	-	Allocation of Purchase Price
Exhibit I	-	Form of Escrow Agreement
Exhibit J	-	Form of General Assignment and Assumption Agreement
Exhibit K	-	Form of Bill of Sale
Exhibit L	-	Acquired Copyrights
Exhibit M	-	Acquired Patents
Exhibit N	-	Acquired Trademarks
Exhibit O	-	Form of Assignment of Trademarks

EXHIBIT A

CERTAIN DEFINITIONS

For purposes of the Agreement (including this **Exhibit A):**

"**Acquired Assets**" has the meaning set forth in Section 1.1(a) of this Agreement.

"**Acquired Contracts**" means all rights of Cellatope under the Contracts listed on **Schedule 1.1 (a)(iv)**.

"**Acquired Copyrights**" means (a) the works identified in **Exhibit L** hereto (the "***Works***"), and (b) all copyrights, copyright applications, copyright registrations, copyrightable subject matter in the Works, rights of renewal, reproduction, distribution, performance and display, the right to prepare derivative works, and any and all causes of action heretofore accrued in Cellatope's or any of its Affiliates' favor for infringement of the aforesaid rights. For purposes of this Agreement, Acquired Copyrights includes Cellatope's rights to do, or prohibit or authorize any third party to do, any act which, but for Cellatope's ownership of the copyright in the Works by virtue of section 1.1(2) of the Copyright Designs and Patents Act 1988 or any analogous law in any jurisdiction, would infringe any of the author's Moral Rights in the Works. As used herein, "Moral Rights" means the rights of the author under Chapter IV of the Copyright Designs and Patents Act 1988: (a) to be identified as the author of his work; (b) to object to derogatory treatment of his work; and (c) not to have any work falsely attributed to him as author and any other similar or analogous rights, existing under judicial or statutory law of any other country or jurisdiction in the world, or under any treaty regardless of whether or not such right is called or generally referred to as a moral right.

"**Acquired Fixed Assets**" has the meaning set forth in Section 1.1(a)(iii)(5) of this Agreement.

"**Acquired Know-How**" shall mean, to the extent necessary for the manufacture, use or sale of any Lupus Monitoring Product or for the use or exploitation of the Technology, Information not included in the Compound Patents that Cellatope or any of its Affiliates Controls on the Closing Date.

"**Acquired Patents**" shall mean, to the extent necessary for the manufacture, use or sale of any Lupus Monitoring Product or for the use or exploitation of the Technology, all Patents that Cellatope or any of its Affiliates Controls as of the Closing Date. The Acquired Patents in existence as of the Closing Date are listed in **Exhibit M** hereto.

"**Acquired Technology**" shall mean all Acquired Patents, Acquired Know-How, Acquired Copyrights and Acquired Trademarks.

"**Acquired Trademarks**" shall mean the trademarks, trade names and/or logos identified in **Exhibit N** hereto (the "***Marks***"), and that part of the goodwill of Cellatope's and its Affiliates' business connected with the use of, and symbolized by, the Marks, together with all other rights that inhere in such Marks.

"**Acquirer**" has the meaning set forth in Section 2.2(c) of this Agreement.

"**Acquisition Transaction**" means any transaction directly or indirectly involving:

(a) the sale, license or disposition of all or a material portion of the business or assets of Cellatope or any direct or indirect subsidiary or division of Cellatope; or

(b) any merger, consolidation, business combination, share exchange, recapitalization, reorganization or similar transaction involving Cellatope or any direct or indirect subsidiary of Cellatope.

"**Affiliate**" means, with respect to any Person, any other Person, directly or indirectly, controlling, controlled by or under common control with such Person.

"**Agreed Portion**" has the meaning set forth in Section 10.5(b) of this Agreement.

"**Agreement**" means the Asset Purchase Agreement to which this **Exhibit A** is attached.

"**Amended Pittsburgh License**" has the meaning set forth in Section 7.5(ix) of this Agreement.

"**Annual Payment**" has the meaning set forth in Section 2.2(e) of this Agreement.

"**Applicable Public Companies**" means Entities whose common stock is traded on the New York Stock Exchange, The American Stock Exchange or The Nasdaq Stock Market, LLC and that have a market capitalization (calculated by multiplying the closing selling price or, if there is no closing selling price, the closing bid price by the number of shares outstanding on the trading day immediately preceding the date of public announcement of the applicable Change of Control) of $100,000,000 or more.

"**Asserted Damages Amount**" has the meaning set forth in Section 10.5(a) of this Agreement.

"**Assumed Liabilities**" has the meaning set forth in Section 1.2(a) of this Agreement.

"**Board Approval Date**" has the meaning set forth in Section 3.1.3(a) of this Agreement.

"**Cellatope**" has the meaning set forth in the introductory paragraph of this Agreement.

"**Cellatope Capital Stock**" means the shares of Cellatope common stock and Cellatope preferred stock.

"**Cellatope Compliance Certificate**" has the meaning set forth in Section 7.5(v) of this Agreement.

"**Cellatope Contract**" means any Contract, including any amendment or supplement thereto: (a) to which Cellatope is a party; (b) by which Cellatope or, to Cellatope's knowledge, any of its assets is bound or under which Cellatope has any obligation; or (c) under which Cellatope has any right or interest.

"**Cellatope Disclosure Schedule**" means the schedule of exceptions to the representations and warranties of Cellatope contained in Section 3 of this Agreement (dated as of the date of this Agreement) delivered to Cypress on behalf of Cellatope on the date of this Agreement.

"**Cellatope Indemnitees**" mean the following Persons: (a) Cellatope; (b) Cellatope's current and future Affiliates; (c) the respective Representatives of the Persons referred to in clauses "(a)" and "(b)" above (other than agents, attorneys, accountants, advisors and representatives thereof); and (d) the respective successors and assigns of the Persons referred to in clauses "(a)," "(b)" and "(c)" above.

"**Cellatope Information Statement**" has the meaning set forth in Section 5.3(a) of this Agreement.

"**Cellatope IP**" means all Intellectual Property Rights and Intellectual Property owned by or exclusively licensed to Cellatope.

"**Cellatope IP Contract**" means any Contract to which Cellatope is a party or by which Cellatope is bound, that contains any assignment or license of, or covenant not to assert or enforce, any Intellectual Property Right or that otherwise relates to any Cellatope IP or any Intellectual Property developed by, with, or for Cellatope.

"**Cellatope Products**" has the meaning set forth in Section 3.5(a) of this Agreement.

"**Cellatope Returns**" means all United States federal and state income Tax Returns and all other material Tax Returns required to be filed by or on behalf of Cellatope with any Governmental Body on or before the Closing Date.

"**Cellatope Stockholder**" means a holder of record of shares of Cellatope Capital Stock outstanding as of immediately prior to the Closing.

"**Change of Control**" means (a) a sale or other disposition of all or substantially all of the assets of Cypress on a consolidated basis (other than to Cypress or any subsidiary (direct or indirect) of Cypress), (b) a merger or consolidation in which Cypress is not the surviving Entity and in which the stockholders of Cypress immediately prior to such consolidation or merger own less than fifty percent (50%) of the surviving Entity's voting power immediately after the transaction, and (c) a reverse merger in which Cypress is the surviving Entity but the shares of Cypress' common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, and in which the stockholders of Cypress immediately prior to such reverse merger own less than fifty percent (50%) of Cypress' voting power immediately after the transaction.

"**Claim**" has the meaning set forth in Section 10.4(a) of this Agreement.

"**Claim Notice**" has the meaning set forth in Section 10.4(a) of this Agreement.

"**Closing**" has the meaning set forth in Section 1.3 of this Agreement.

"**Closing Consideration**" has the meaning set forth in Section 2.1(a) of this Agreement.

"**Closing Date**" has the meaning set forth in Section 1.3 of this Agreement.

"**Confidentiality Agreement**" has the meaning set forth in Section 2.2(d) of this Agreement.

"**Consent**" means any approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

"**Consulting Agreement**" has the meaning set forth in the Recitals to this Agreement.

"**Contract**" means any written, oral or other agreement, contract, subcontract, lease, understanding, instrument, note, warranty, license, sublicense, insurance policy, benefit plan or legally binding commitment or undertaking of any nature, whether express or implied.

"**Control**" shall mean, with respect to any Information, Patent or other Intellectual Property Right, possession by a party of the ability (whether by ownership, license or otherwise) to grant access, a license or a sublicense to such Information, Patent or Intellectual Property Right without violating the terms of any agreement or other arrangement with any third party.

"**Cypress**" has the meaning set forth in the introductory paragraph of this Agreement.

"**Cypress Indemnitees**" mean the following Persons: (a) Cypress; (b) Cypress' current and future Affiliates; (c) the respective Representatives of the Persons referred to in clauses "(a)" (other than agents, attorneys, accountants, advisors and representatives thereof) and "(b)" above; and (d) the respective successors and assigns of the Persons referred to in clauses "(a)," "(b)" and "(c)" above.

"**Cypress IP**" has the meaning set forth in Section 2.2(c)(ii) of this Agreement.

"**Damages**" include any loss, damage, injury, liability, claim, demand, settlement, judgment, award, fine, penalty, Tax, fee (including reasonable attorneys' fees), charge, cost (including costs of investigation) or expense of any nature; *provided that*, other than in the case of fraud or intentional misrepresentation, Damages shall not include consequential, special, punitive or statutory multiples of damages, except to the extent payable to a third party.

"**DGCL**" means Delaware General Corporation Law.

"**Encumbrance**" means any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim, infringement, interference, option, right of first refusal, preemptive right, community property interest or restriction of any nature affecting property, real or personal, tangible or intangible, including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset, any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset, any lease in the nature thereof and any filing of or agreement to give any financing statement under the Uniform

Commercial Code (or equivalent statute of any jurisdiction), but excluding any such matter with respect to Acquired Contracts expressly set forth in such Acquired Contract.

"**Entity**" means any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization or entity.

"**Escrow Agent**" has the meaning set forth in Section 2.3(a) of this Agreement.

"**Escrow Agreement**" has the meaning set forth in Section 2.3(a) of this Agreement.

"**Escrow Claim Period**" has the meaning set forth in Section 23(b) of this Agreement.

"**Escrow Fund**" has the meaning set forth in Section 2.3(a) of this Agreement.

"**Escrow Funds**" has the meaning set forth in Section 2.3(a) of this Agreement.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Excluded Assets**" has the meaning set forth in Section 1.1(b) of this Agreement.

"**Excluded Liabilities**" has the meaning set forth in Section 1.2(b) of this Agreement.

"**FDA**" means the United States Food and Drug Administration.

"**First Commercial Sale**" shall mean, with respect to any Lupus Monitoring Product, the first sale for end use or consumption of such Lupus Monitoring Product in a country. Sale to an Affiliate or Licensee shall not constitute a First Commercial Sale unless the Affiliate or Licensee is the end user of the Lupus Monitoring Product.

"**Governmental Authorization**" means any: (a) approval, permit, license, certificate, franchise, permission, clearance, registration, qualification or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement; or (b) right under any Contract with any Governmental Body.

"**Governmental Body**" means any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign, supranational or other government; or (c) governmental, self-regulatory or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, organization, unit, body or Entity and any court or other tribunal).

"**Holdback Payment Date**" has the meaning set forth in Section 2.3(c) of this Agreement.

"**Holdback Release Date**" has the meaning set forth in Section 2.3(c) of this Agreement.

"**Indemnification Demand**" has the meaning set forth in Section 10.5(a) of this Agreement.

"**Information**" shall mean all tangible and intangible (a) techniques, technology, practices, trade secrets, inventions (whether patentable or not), methods, knowledge, know-how, skill, experience, test data and results (including pharmacological, toxicological and clinical test data and results), analytical and quality control data, results or descriptions, software and algorithms and (b) compositions of matter, cells, cell lines, assays, animal models and physical, biological or chemical material.

"**Innovation Works**" has the meaning set forth in the Recitals of this Agreement.

"**Innovation Works Agreement**" has the meaning set forth in the Recitals of this Agreement.

"**Innovation Works Holdback**" has the meaning set forth in Section 2.35(c) of this Agreement.

"**Intellectual Property**" means all data, formulae, inventions (whether or not patentable), know-how, trade secrets, methods, processes, proprietary information, protocols, specifications, techniques, and other forms of technology (whether or not embodied in any tangible form and including all tangible embodiments of the foregoing, such as laboratory notebooks, samples, studies and summaries).

"**Intellectual Property Rights**" means and includes all past, present, and future rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (a) rights associated with works of authorship, including exclusive exploitation rights, copyrights, moral rights, and mask works; (b) trademark and trade name rights and similar rights; (c) trade secret rights; (d) patents and industrial property rights; (e) other proprietary rights in Intellectual Property of every kind and nature; and (f) all registrations, renewals, extensions, combinations, divisions, or reissues of, and applications for, any of the rights referred to in clauses (a) through (e) above.

"**Inventory**" has the meaning set forth in Section 1.1(a)(iii)(4) of this Agreement.

"**Knowledge**" means an individual will be deemed to have "knowledge" of a particular fact or other matter if such individual has actual knowledge of such fact or other matter. When referring to the "knowledge" of an Entity, such Entity shall be required to cause each of its current officers to make due inquiry of such fact or matter and such Entity shall be deemed to have knowledge of such fact or matter of which any such current officer would be reasonably expected to have knowledge following due inquiry. In the case of Cellatope's knowledge, Cellatope shall cause Joseph Ahearn, M.D., Daniel Graziano, Albert D. Donnenberg, Ph.D., Edward L. Erickson and Lorraine G. LoPresti to make due inquiry of such fact or matter and Cellatope shall be deemed to have knowledge of such fact or matter of which any of such individuals would reasonably be expected to have knowledge following such due inquiry.

"**Legal Proceeding**" means any ongoing or threatened action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Body or any arbitrator or arbitration panel.

"**Legal Requirement**" means any federal, state, local, municipal, foreign or international, multinational other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body.

"**Liability**" and, plural, "**Liabilities**" means any debt, obligation, duty or liability of any nature (including any unknown, undisclosed, unmatured, unaccrued, unasserted, contingent, indirect, conditional, implied, vicarious, derivative, joint, several or secondary liability), regardless of whether such debt, obligation, duty or liability would be required to be disclosed on a balance sheet prepared in accordance with generally accepted accounting principles and regardless of whether such debt, obligation, duty or liability is immediately due and payable.

"**Licensee**" means any Entity (other than Cypress or Cellatope or an Affiliate of Cypress or Cellatope) to which Cypress or any of its Affiliates grants a license under the Acquired Technology.

"**Lupus Monitoring Product**" has the meaning set forth in Section 2.2(a) of this Agreement.

"**Lupus Monitoring Product Candidates**" has the meaning set forth in Section 2.2(b)(i),

"**Milestone**" has the meaning set forth in Section 2.2(a) of this Agreement.

"**Milestone Consideration**" has the meaning specified in Section 2.2(a) of this Agreement.

"**Milestone Notice**" has the meaning set forth in Section 2.2(a) of this Agreement.

"**Nasdaq**" means The Nasdaq Stock Market, LLC.

"**Nontransferred Assets**" has the meaning set forth in Section 1.1(e) of this Agreement.

"**Non-Paying Party**" has the meaning set forth in Section 6.7 of this Agreement.

"**Order**" means any decree, permanent injunction, order or similar action.

"**Patents**" means (a) United States patents, re-examinations, reissues, renewals, extensions and term restorations, and foreign counterparts thereof, and (b) pending applications for United States patents, including, without limitation, provisional applications, continuations,

continuations-in-part, divisional and substitute applications, including, without limitation, inventors' certificates, and foreign counterparts thereof:

"**Paying Party**" has the meaning set forth in Section 6.7 of this Agreement.

"**Payment Period**" has the meaning set forth in Section 2.2(g) of this Agreement.

"**Person**" means any individual, Entity or Governmental Body.

"**Pittsburgh License**" has the meaning set forth in Section 7.5(ix) of this Agreement.

"**Pre-Closing Period**" means the period from the date of this Agreement through the Closing Date.

"**Product**" means any product or service covered by the scope of any Valid Claim contained in any Acquired Patent.

"**Recommendation**" has the meaning set forth in Section 5.3(b) of this Agreement.

"**Registered IP**" means all Intellectual Property Rights that are registered, filed, or issued under the authority of any Governmental Body, including all patents, registered copyrights, registered mask works, and registered trademarks and all applications for any of the foregoing.

"**Related Agreements**" means the Escrow Agreement, the Voting Agreement, the Consulting Agreements (including the Proprietary Information Assignment Agreement attached as an exhibit thereto), the Bill of Sale, the General Assignment and Assumption Agreement, the Assignment of Patent Rights, the Assignment of Co-Owned Patent Rights, the Amended Pittsburgh License, the Innovation Works Agreement, the Assignment of Trademarks and any other agreements executed in connection with this Agreement or the Transactions.

"**Representatives**" include a Person's officers, directors, employees, agents, attorneys, accountants, advisors and representatives.

"**Required Cellatope Stockholder Approval**" has the meaning set forth in Section 3.13(a) of this Agreement.

"**Response**" has the meaning set forth in Section 10.5(b) of this Agreement.

"**Securities Act**" has the meaning set forth in Section 2.6 of this Agreement.

"**Set-Off Funds**" has the meaning set forth in Section 10.2(b) of this Agreement.

"**Straddle Period Tax**" has the meaning set forth in Section 6.7 of this Agreement.

"**Tax**" means any tax (including any income tax, franchise tax, capital gains tax, gross receipts tax, value-added tax, surtax, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, business tax, withholding tax or payroll tax), levy, assessment, tariff, duty (including any customs duty), deficiency or fee, and any related charge or amount (including any

fine, penalty or interest), imposed, assessed or collected by or under the authority of any Governmental Body.

"**Tax Return**" means any return (including any information return), report, statement, declaration, estimate, schedule, notice, notification, form, election, certificate or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

"**Technology**" means the Cell Bound Complement Activation Products technology.

"**Termination Date**" has the meaning set forth in Section 9.1(f) of this Agreement.

"**University of Pittsburgh**" has the meaning set forth in Section 7.5(ix) of this Agreement.

"**Threshold**" has the meaning set forth in Section 10.3(a) of this Agreement.

"**Transactions**" has the meaning set forth in Section 2.1(b) of this Agreement.

"**Valid Claim**" means an unexpired claim of an issued Patent within the Acquired Patents that has not been abandoned, permanently revoked or held to be unpatentable, invalid or unenforceable by a final decision of a court of competent jurisdiction, which decision can no longer be appealed.

"**Voting Agreement**" has the meaning set forth in the Recitals to this Agreement.

"**Works**" has the meaning set forth in Exhibit A to this Agreement.

Exhibit 10.9

CERTAIN MATERIAL (INDICATED BY AN ASTERISK) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

AMENDMENT NO. ONE TO ASSET PURCHASE AGREEMENT BETWEEN CYPRESS BIOSCIENCE, INC. AND CELLATOPE CORPORATION

This Amendment No. One is made as of this 14th day of December by and between Exagen Diagnostics, Inc. ("Exagen"), a Delaware corporation and successor-in-interest to Cypress Bioscience, Inc. ("Cypress"), and Cellatope Corporation Liquidating Trust (the "Trust"), a trust formed pursuant to a certain Agreement and Declaration of Trust dated February 27, 2009 between Cellatope Corporation ("Cellatope") and the Trustee and successor-in-interest to Cellatope, which, with Cypress, was party to that certain Asset Purchase Agreement, dated as of February 9, 2009 (the "Agreement"). Each of Exagen and the Trust is sometimes referred to herein as a "party," and together Exagen and the Trust are sometimes referred to herein as "parties." Capitalized terms used but not defined herein shall have the respective meanings given to such terms in the Agreement.

RECITALS

WHEREAS, pursuant to the Agreement, Cypress purchased from Cellatope the Acquired Assets, which included certain assets and rights with respect to, or necessary for the manufacture, use or sale of, any Lupus Monitoring Product;

WHEREAS, pursuant to the Agreement, Exagen, as the successor in interest to Cypress, is obligated, under certain circumstances, to make payments to the Trust, including the Annual Payments, as the successor-in-interest to Cellatope; and

WHEREAS, in consideration of the Trust's willingness to forgo receipt of any Annual Payments under the Agreement in connection with this Amendment No. One, the parties wish to amend certain provisions of the Agreement;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Amendment and Restatement of Section 2.2(a). Section 2.2(a) of the Agreement is amended and restated to read as follows:

2.2 Milestone Consideration.

(a) Within 10 business days after the First Commercial Sale by Cypress, any of its Affiliates or any Licensee of a Product for monitoring of Systemic Lupus Erythematosus (a "***Lupus Monitoring Product***") (the "***Milestone***"), Cypress shall notify Cellatope in writing (the "***Milestone Notice***") that the Milestone has been achieved and the date on which it was achieved. Within 20 business days of achievement of the Milestone, Cypress shall issue to Cellatope a promissory note (the "***Note***") in the principal amount of $[***] (subject to any reduction in such amount pursuant to Section 10.6), the form of which is attached

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

hereto as Exhibit A-1. The Note shall be unsecured and shall bear interest at the rate of [***]% per annum. Interest shall accrue for the twelve-month period following issuance of the Note. On the first anniversary of the date of issuance of the Note, accrued interest for the previous 12 months shall be added to the principal amount of the Note, which adjusted amount shall thereafter bear interest at [***]% per annum. Thereafter, Cypress shall make equal monthly payments representing principal and accrued interest, each month continuing for **48** months after such first anniversary, at which point any unpaid balance of the Note will be due and payable in full. Notwithstanding anything herein to the contrary, the parties acknowledge and agree that in the event the Milestone is not achieved or if Cypress terminates development pursuant to Section 2.2(c) below, no payments shall be due under this Agreement and Cypress shall not be required to issue the Note. Amounts payable pursuant to the Note are referred to herein as the "***Milestone Consideration***." For avoidance of doubt, only a Product for monitoring of Systemic Lupus Erythematosus, and not any Product designed for diagnosis of Systemic Lupus Erythematosus without a monitoring function, shall constitute a Lupus Monitoring Product.

2. Amendment of Section 2.2(b) and Related Provisions. The first paragraph of Section 2.2(b) of the Agreement is amended to read as follows:

Cypress shall act in good faith and use commercially reasonable efforts to cause the Milestone to be achieved; *provided*, *however*, that the obligation of Cypress to use commercially reasonable efforts to achieve the Milestone shall not require that the Milestone ever be achieved if doing so, in any case, would require Cypress to use more than commercially reasonable efforts and, *provided*, *further*, that a termination of development by Cypress of all Lupus Monitoring Products pursuant to Section 2.2(c) below shall not be deemed a failure by Cypress to use, or otherwise violate Cypress' obligations to use, commercially reasonable efforts to develop a Lupus Monitoring Product. The parties acknowledge and agree that Cypress may terminate development of all Lupus Monitoring Products at any time if achieving the Milestone would require Cypress to use more than commercially reasonable efforts to do so, and that any such termination may occur without requiring that Cypress also terminate the Amended Pittsburgh License in accordance with Section 2.2(c) below. Cypress shall provide notice to Cellatope of its determination to terminate development of all Lupus Monitoring Products because achieving the Milestone would require Cypress to use more than commercially reasonable efforts to do so within 15 days of making such determination, including reasonable details supporting such determination and, in such case, Cypress shall comply with the provisions of Section 2.2(c)(ii) below. The parties further acknowledge and agree that nothing in this Agreement shall prohibit Cypress from engaging in a change of control-type transaction or a sale or license of all or any of the Acquired Assets, *provided* that in the event that Cypress desires to consummate a Change of Control after the Closing Date while the Milestone has not been attained but remains eligible to be attained, or the Note has been issued but not yet been paid in full, Cypress shall cause the Entity acquiring Cypress (or acquiring substantially all of its assets) with respect to a Change of Control (the "***Acquirer***") to assume Cypress' obligations under Section 2.2 of this Agreement, subject to all of the limitations and qualifications contained in Section 2.2 of this Agreement (including that such Acquirer use commercially reasonable efforts and the right of such Acquirer to terminate development of all Lupus Monitoring Products). With respect to any Change of Control, Cypress shall not consummate such Change of Control unless (i) Cypress remains liable for Cypress' payment obligations with respect to the

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Milestone Consideration and the Acquirer otherwise assumes Cypress' obligations in Section 2.2 in a form and substance reasonably acceptable to Cellatope (*provided*, that Cellatope's prior acceptance or approval shall not be required if such assumption is unqualified), in which case the parties acknowledge and agree that, following any such assumption (unless Cypress is merged with the Acquirer and remains the surviving Entity or becomes a subsidiary of the Acquirer), Cypress shall have no further liability or obligation, whether primarily or secondarily, with respect to the obligations in Section 2.2 hereunder, except for the payment obligations with respect to the Milestone Consideration or (ii) the Acquirer is an Applicable Public Company and assumes Cypress' obligations under Section 2.2 of this Agreement in a form and substance reasonably acceptable to Cellatope (*provided*, that Cellatope's prior acceptance or approval shall not be required if such assumption is unqualified), in which case the parties acknowledge and agree that, following any such assumption (unless Cypress is merged with the Acquirer and remains the surviving Entity or becomes a subsidiary of the Acquirer), Cypress shall have no further liability or obligation, whether primarily or secondarily, with respect to the obligations in Section 2.2 hereunder, including the payment obligations with respect to the Milestone Consideration.

3. Amendment of Section 2.2(b)(ii). Section 2.2(b)(ii) is amended to read as follows:

(ii) Cellatope may allege that Cypress is not using commercially reasonable efforts to achieve the Milestone at any time by providing written notice to Cypress to such effect, including reasonable details supporting such allegation, and setting forth specific reasonable actions that Cellatope requests that Cypress take with respect to its efforts to achieve the Milestone. If Cellatope provides any such notice, each party shall appoint an executive officer or other authorized person to discuss, and attempt to resolve, the alleged failure to perform to both parties' satisfaction. These Persons shall, by phone or in person, discuss the alleged failure to perform in good faith within 15 days after Cellatope provides the applicable notice. If, within 30 days after Cellatope provides the applicable notice, the two executive officers have not reached a mutually acceptable resolution to the alleged failure to perform, Cellatope may submit the matter to arbitration conducted by one arbitrator mutually agreeable to Cypress and Cellatope. In the event that, within 30 days after submission of any dispute to arbitration, Cypress and Cellatope cannot mutually agree on one arbitrator, then the parties shall arrange for the American Arbitration Association to designate a single arbitrator in accordance with the rules of the American Arbitration Association. Any such arbitration shall be held in San Diego County, California, under the rules and procedures then in effect of the American Arbitration Association. The arbitrator shall determine how all expenses relating to the arbitration shall be paid, including the respective expenses of each party, the fees of the arbitrator and the administrative fee to the American Arbitration Association. The arbitrator shall set a limited time period and establish procedures designed to reduce the cost and time for discovery while allowing Cypress and Cellatope an opportunity, adequate in the sole judgment of the arbitrator, to discover relevant information from the opposing party about the alleged failure to perform. The arbitrator shall rule upon motions to compel or limit discovery and shall have the authority to impose sanctions, including attorneys' fees and costs, to the same extent as a competent court of law or equity, should the arbitrator determine that discovery was sought without substantial justification or that discovery was refused or objected to without substantial justification. The

arbitrator's decision shall be limited to the precise question of whether Cypress has used commercially reasonable efforts to achieve the Milestone and the specific actions, if any, to be taken by Cypress that are necessary for Cypress to meet its obligation to use such commercially reasonable efforts, and shall be subject to the limitations set forth in this Agreement and be final, binding and conclusive upon the parties. The parties acknowledge and agree that Cypress may, in lieu of taking the actions, if any, specified by the arbitrator as being necessary for Cypress to meet its obligation to use commercially reasonable efforts, pay to Cellatope the Milestone Consideration in accordance with this Section 2. The arbitrator's decision shall be written and shall be supported by written findings of fact and conclusions. The parties acknowledge and agree that the dispute resolution mechanism and remedy set forth in this Section 2.2(b)(ii) shall be the sole and exclusive method of dispute resolution and remedy available to the parties with respect to disputes arising under Section 2.2(b), and that the provisions of Section 10 shall be inapplicable to any dispute arising under Section 2.2(b).

4. Amendment of Sections 2.2(c). The first paragraph of Section 2.2(c) of the Agreement is amended to read as follows:

(c) The parties also acknowledge and agree that, subject to Section 2.2(c)(i) and (ii) below, Cypress may terminate development of all Lupus Monitoring Products at any time prior to achievement of the Milestone by terminating the Amended Pittsburgh License in accordance with its terms and conditions, and, upon such termination, Cypress' obligations to use commercially reasonable efforts to cause the Milestone to be achieved under Section 2.2(b) shall terminate. In the event that Cypress terminates development of all Lupus Monitoring Products, Cypress shall:

5. Amendment of Section 2.2(d). Section 2.2(d) of the Agreement is amended to read as follows:

(d) During the time that Cypress is actively developing any Lupus Monitoring Product, (i) annually, on or before January 30 of each calendar year occurring after 2012, and (ii) semi-annually, upon request of Cellatope, Cypress shall provide Cellatope with a written summary describing in reasonable detail the status of achieving the Milestone. Any summaries or other information provided by Cypress to Cellatope pursuant to this Section 2.2(d) shall be governed by the Mutual Non-Disclosure Agreement dated April 21, 2008 by and between Cypress and Cellatope or (y) such other agreement as shall have identical terms and conditions, to the extent Cypress shall require the execution thereof by Cellatope as a condition precedent to providing such report(s) (the "***Confidentiality Agreement***").

5. Amendment of Section 2.2(e). Section 2.2(e) of the Agreement is deleted, and any and all references to such deleted provisions of former Section 2.2(e) of the Agreement shall be of no further force and effect.

6. Relabeling of Section 2.2(f). Section 2.2(f) of the Agreement is relabeled as Section 2.2(e).

7. Amendment and Restatement of Section 2.2(g). Section 2.2(g) of the Agreement is relabeled as Section 2.2(f) and is amended and restated to read as follows:

(f) During the period beginning on the Closing Date and ending on the earlier of the date of payment in full of the Milestone Consideration or the termination of development of all Lupus Monitoring Products (the "***Payment Period***"), Cypress shall keep (and shall cause its Affiliates and Licensees to keep) records pertaining to the development of Lupus Monitoring Products in sufficient detail to permit Cellatope to confirm whether the Milestone has been achieved and the accuracy and completeness of any summaries provided pursuant to Section 2.2(d). Such records shall be maintained for a period of at least one year after the Payment Period (and for the duration of any period in which the process contemplated by Section 2.2(b)(ii) shall be pending). During the Payment Period and for one year thereafter, Cellatope shall have the right to inspect such records, which inspection rights may be exercised during normal business hours upon reasonable prior written notice to Cypress and, in each case, no more than once a calendar year. Cellatope shall bear the full cost of any such inspection, unless such inspection discloses a payment failure by Cypress of the Milestone Consideration payable under Section 2.2(a), in which case, Cypress shall bear the reasonable cost of the inspection. Information disclosed pursuant to this Section 2.2(f) shall be governed by the Confidentiality Agreement.

8. Section References. All references in the Agreement to sections that have been relabeled by this Amendment No. One shall be deemed to refer to such sections, as relabeled.

9. Capacity of Parties. The parties acknowledge that they are the successors-in-interest of the original parties to the Agreement that they are bound by the provisions of the Agreement, as amended by this Amendment No. One and that, references in the Agreement, as amended by this Amendment No. One, to Cypress shall be deemed to include Exagen for all purposes, and references to Cellatope shall be deemed to include the Trust for all purposes.

10. Dissolution of Trust. The parties acknowledge that the Trust may be dissolved prior to the end of the Payment Period and that its assets, including its rights and obligations under the Agreement, may be distributed to the beneficiaries of the Trust. At or before the time of such dissolution, each beneficiary of the Trust for itself and its successors, shall appoint an individual as such beneficiary's agent and attorney-in-fact (the "***Beneficiaries' Representative***"), with full power and authority in the name of and for and on behalf of such beneficiary to act on behalf of such beneficiary for purposes of the Agreement. The Beneficiaries' Representative shall exercise all power and authority granted to or required by Cellatope under the Agreement. The Beneficiaries' Representative will have full power and authority to act on the beneficiaries' behalf in any dispute, litigation, arbitration or other matter involving the Agreement. A decision, act, consent or instruction of the Beneficiaries' Representative shall constitute a decision of all of the Beneficiaries and shall be binding and conclusive on each Beneficiary and their successors. Exagen agrees that following receipt of appropriate documentation and instructions from the trustee of the Trust prior to dissolution of the Trust or, following such dissolution; from the Beneficiaries' Representative, it will make payments of the Milestone Consideration to the persons and in the respective amounts as instructed by the trustee or the Beneficiaries' Representative.

11. Notice. For purposes of Section 11.4 of the Agreement (Notice), each of Cellatope's and Cypress' addresses and facsimile numbers (and those of any party required to be provided copies of notices under such section) are set forth on the signature pages hereto.

12. Miscellaneous. Except as expressly amended hereby, the Agreement remains in full force and effect in accordance with the terms thereof. This Amendment No. One will be construed in accordance with and governed in all respects by, the internal laws of the State of California (without giving effect to principals of conflicts of laws) and may be executed in multiple counterparts, each of which will constitute an original and all of which, when taken together, will constitute one agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Amendment No. One as of the date first written above.

EXAGEN DIAGNOSTICS, INC.

By /s/ Ron Rocca
Name: Ron Rocca, CEO

Exagen Diagnostics, Inc.
801 University Blvd. SE, Suite 103
Albuquerque, NM 87106
Attn: CEO
Fax: 505.272.7965

with copy to (which copy shall not constitute notice):

Brownstein Hyatt Farber Schreck, LLP
201 Third Street NW
Albuquerque, NM 87102
Attn: Bonnie J. Paisley
Fax: 505-244-9266

CELLATOPE CORPORATION LIQUIDATING TRUST

By /s/ Richard Labuda
Name: Richard Labuda, Trustee

Cellatope Corporation Liquidating Trust
320 Osprey Court
Wexford, PA 15090
Attention: Trustee

with a copy to (which copy shall not constitute notice):

Buchanan Ingersoll & Rooney PC
301 Grant Street, 20th Floor
One Oxford Centre
Pittsburg, PA 15219
Attn: Perry S. Patterson
Fax: 412.562.1041

EXHIBIT A-1

PROMISSORY NOTE

[***] **[Date]**

Subject to the terms and conditions of this Note, for value received, Exagen Diagnostics, Inc., a Delaware corporation (the "Borrower"), hereby promises to pay to Cellatope Corporation Liquidating Trust, a liquidating trust formed under the laws of the State of Delaware, or its assigns (the "Lender"), the principal sum of [***] Cents ($[***]) (the "Principal Amount"), together with interest thereon accruing on and from the date hereof until the entire balance is paid, at an annual rate equal to [***] (the "Interest Rate"). Interest shall be calculated based on a 365-day year, compounded annually, but in no event shall the rate of interest exceed the maximum rate, if any, allowable under applicable law. Payments of principal and interest shall be due within ten days after the end of each month beginning with the month in which the first anniversary of the date of issuance of this Note occurs.

1. Terms of Note. This Note is issued pursuant to, and is subject to the terms, and entitled to the benefits of, the Asset Purchase Agreement, dated as of February 9, 2009, as amended, modified or supplemented from time to time, including, without limitation, by Amendment No. One dated December , 2012 (the "Asset Purchase Agreement"), between the Borrower as successor-in-interest to Cypress Bioscience, Inc. and, the Lender (as successor-in-interest of Cellatope Corporation). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Asset Purchase Agreement.

2. Interest; Adjustment to Principal. This Note was issued within 20 days after the First Commercial Sale. The initial principal amount of this Note is [***], and that amount will accrue interest for 12 months from the date of issuance at the Interest Rate. On the first anniversary of the date of issuance of this Note, the accrued interest for such 12-month period, in the amount of [***], will be added to the principal amount of the Note. Such adjusted principal amount will thereafter bear interest at the applicable Interest Rate until the Note is paid in full. Such payments will be due within ten days after the end of each month.

3. Payments; Maturity. Equal monthly payments representing principal and interest on this Note, will be payable beginning within ten days after the last day of the month that is 12 months after the date of issuance of the Note and continuing for 48 months, at which point all accrued interest and any unpaid principal balance shall be due and payable in full. All payments made under this Note will be applied first, to the most recent amount of accrued interest and principal required to be paid, second, against any overdue amounts, and lastly, pursuant to Section 4.

4. Prepayment. This Note may be prepaid at any time, without premium or penalty, in whole or in part. Any prepayment of this Note shall be applied to installments of the principal

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

amount in the inverse order of maturity. Following any prepayment of this Note, the interest amounts payable on this Note shall be adjusted accordingly.

5. Remedy. Upon any default in payment of any amount due hereunder, and if such default continues for thirty (30) days after the Lender notifies Borrower of the same, a penalty in the amount of five percent (5%) of such overdue payment shall be added to the overdue payment and shall be immediately due and payable. Additionally, if Borrower (a) defaults with respect to any six or more payments due under this Note (and if each such default continues for thirty (30) days after the Lender notifies Borrower of the same) in any one calendar year or (b) defaults in payment of any amount due under this Note and such default continues for a period of six (6) months after the original due date for such amount, then upon notice to Borrower, (x) all principal and accrued but unpaid interest shall become immediately due and payable and (y) such aggregate amount shall thereafter be assessed the penalty amount set forth in the first sentence of this Section 5, after which such amount shall accrue interest in accordance with Section 1 hereof. This Note is unsecured.

6. Amendments. This Note may not be amended except by a written instrument duly executed and delivered by Borrower and Lender.

7. Assignment. This Note may be assigned in accordance with the terms of the Asset Purchase Agreement and Amendment No. One thereto.

8. Replacement of Note. Upon receipt by the Borrower of evidence reasonably satisfactory to it of ownership of and the loss, theft, destruction or mutilation of this Note, and (a) in the case of loss, theft or destruction of indemnity reasonably satisfactory to it, or (b) in the case of mutilation, upon surrender and cancellation of this Note, the Borrower, at its own expense, shall execute and deliver a new Note, dated and bearing interest from the date to which interest shall have been paid on this lost, stolen, destroyed or mutilated Note or dated the date of this lost, stolen, destroyed or mutilated Note if no interest shall have been paid hereon.

9. Collection Expenses. The Borrower further agrees, subject only to any limitation imposed by applicable law, to pay all expenses, including reasonable attorneys' fees, incurred by the holder of this Note in endeavoring to collect any amounts payable hereunder which are not paid when due.

10. Payments in U.S. Dollars. All payments of principal and interest with respect to this Note are to be made in lawful money of the United States of America.

11. Governing Law. This Note shall be deemed to be a contract made under the laws of the State of California, and for all purposes shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of law hereof.

12. Notices. All notices and demands for payment shall be given in the manner specified in the Asset Purchase Agreement.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed and delivered as a sealed instrument on the date set forth above by the duly authorized representative of the Borrower.

EXAGEN DIAGNOSTICS, INC.

By _____
Name:
Title:

Exhibit 10.10

CERTAIN MATERIAL (INDICATED BY AN ASTERISK) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

ASSET PURCHASE AGREEMENT

between:

CYPRESS BIOSCIENCE, INC.,
a Delaware corporation;

PROPRIUS, INC.,
a Delaware corporation;

and

EXAGEN DIAGNOSTICS, INC.,
a Delaware corporation

Dated as of October 8, 2010

TABLE OF CONTENTS

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is being entered into as of October 8, 2010, by and between: **CYPRESS BIOSCIENCE, INC.**, a Delaware corporation ("***Seller***"); **PROPRIUS, INC.**, a Delaware corporation and wholly-owned subsidiary of Seller ("***Subsidiary***"); and **EXAGEN DIAGNOSTICS, INC.**, a Delaware corporation ("***Purchaser***"). Seller and Subsidiary, on the one hand, and Purchaser, on the other hand, are referred to collectively in this Agreement as the "***Parties.***" Certain other capitalized terms used in this Agreement are defined in **Exhibit A**.

RECITAL

Seller and Subsidiary are in the business (among other businesses) of developing and marketing diagnostic and drug products. Seller and Subsidiary wish to sell and the Purchaser wishes to purchase the Diagnostic Business, and the Parties wish to provide for such purchase and certain related transactions, on the terms and subject to the conditions and other provisions set forth in this Agreement.

AGREEMENT

The Parties, intending to be legally bound, agree as follows:

1. SALE AND PURCHASE OF ASSETS; RELATED TRANSACTIONS.

1.1 Sale and Purchase of Assets. On the terms and subject to the conditions and other provisions set forth in this Agreement, at the Closing, Seller and Subsidiary hereby sell, assign and transfer to Purchaser, and Purchaser hereby purchases from Seller and Subsidiary, all of the following (which, subject to Section 1.2, are referred to in this Agreement as the "***Assets***"):

(a) all of Seller's and Subsidiary's rights and interests as of the Closing Date in and to the Patents;

(b) all of Seller's and Subsidiary's rights and interests as of the Closing Date in and to the Trademarks;

(c) all of Seller's and Subsidiary's rights and interests as of the Closing Date in and to the Know-How;

(d) all of Seller's and Subsidiary's rights as of the Closing Date under the Contracts, including the right to the security deposit held by the landlord pursuant to the lease for the Facility;

(e) all of Seller's and Subsidiary's rights and interests as of the Closing Date in and to the Equipment;

(f) all of the fixtures and furnishings owned by Seller or Subsidiary as of the Closing Date that are located and used primarily at the Facility;

(g) all sales, marketing and promotional materials owned by Seller or Subsidiary as of the Closing Date that are located at the Facility;

(h) all inventories, work-in-process inventories, product-in-transit inventories and other inventories of the Existing Products, and all inventories designated exclusively for use in the manufacture of the Existing Products, that are located at the Facility and owned by Seller or Subsidiary as of the Closing Date;

(i) all Acquired Xifin Accounts Receivable and Post-10/5 Accounts Receivable;

(j) all laboratory supplies, reagents and related laboratory materials owned by Seller or Subsidiary as of the Closing Date that are located at the Facility and all antibodies owned by Seller or Subsidiary and used in the Diagnostic Business that are stored offsite, to the extent freely transferable (subject to applicable contractual use restrictions);

(k) all of Seller's and Subsidiary's rights and interests as of the Closing Date in and to the Web Site IP; and

(l) those records of Seller and Subsidiary, as they exist on the Closing Date, that only relate to the Existing Products or the Diagnostic Business (and do not relate to Seller's or Subsidiary's other businesses or assets) (it being understood that such records will not be subject to any restrictions on their use by Purchaser and that Seller and Subsidiary may, subject to the provisions regarding confidentiality, retain copies of such records).

1.2 Excluded Assets. Notwithstanding anything to the contrary contained in Section 1.1 or elsewhere in this Agreement, neither Seller nor Subsidiary will be required to sell or transfer to Purchaser, and the Assets will not be deemed to include, any of the following or any right or interest in or to any of the following:

(a) any accounts receivable that are not either Acquired Xifin Accounts Receivable or Post-10/5 Accounts Receivable;

(b) any cash or cash equivalents;

(c) the telephone server, telephone system and copier/printer located at the Facility; or

(d) any other assets, rights or interests that are not included as Assets pursuant to Section 1.1.

1.3 Purchase Price. As consideration for the sale of the Assets to Purchaser:

(a) at the Closing, Purchaser will pay (without deduction or setoff of any nature) by wire transfer of immediately available funds: (i) to Seller, $[***] and (ii) to Subsidiary $[***] (the aggregate amount paid to Seller and Subsidiary pursuant to clauses (i) and (ii), the "***Initial Cash Payment***");

(b) at the Closing, subject to the terms and conditions of this Agreement, Purchaser hereby assumes the Assumed Liabilities, each of Seller and Subsidiary hereby transfers, assigns and delegates to Purchaser the Assumed Liabilities, and Purchaser hereby absolutely and unconditionally accepts such transfer, assignment and delegation and assumes and agrees to pay, honor, perform, discharge and become liable for all Assumed Liabilities;

(c) on the earlier of (i) the second anniversary of the date hereof (the "***Second Cash Payment Date***") or (ii) the first date on which a Trigger Event occurs requiring payment pursuant to Section 1.9, Purchaser will, subject to Section 10.17, pay to Seller, by wire transfer of immediately available funds, the sum of $[***] (the "***Second Cash Payment***");

(d) for each of the following contingent milestones (each, a "***Milestone***"), subject to Section 10.17, Purchaser will pay by wire transfer of immediately available funds the following payments, each of which shall be payable only once, and only for the first achievement of such Milestone:

(i) within five (5) business days after the achievement of the [***] Milestone, Purchaser will pay to Subsidiary the [***] Milestone Amount;

(ii) within five (5) business days after the achievement of the [***] Milestone, Purchaser will pay to Subsidiary the [***] Milestone Amount;

(iii) within five (5) business days after the achievement of the CB- CAPS Monitoring Assay [***] Milestone, Purchaser will pay to Seller the sum of $[***]; and

(iv) within thirty (30) days after the end of the month in which the CB- CAPS Annual Sales Milestone is first achieved, Purchaser will pay to Seller the sum of $[***];

(e) Beginning on the date of the First Commercial Sale of the first CB-CAPS Product in any country and ending on the [***] anniversary of such date, Purchaser shall, subject to Section 10.17, pay to Seller royalties of [***]% of the Net Sales of each CB- CAPS Product anywhere in the world occurring during such period;

(f) Beginning on the Closing Date and ending on the [***] anniversary of such date, Purchaser shall, subject to Section 10.17, pay to Subsidiary royalties of [***]% of the Net Sales of any Avise MCV Product and any Avise PG Product, occurring during such period anywhere in the United States of America and Mexico;

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(g) Purchaser shall, subject to Section 10.17, pay to Subsidiary royalties of [***]% of the Net Sales of any New Product, for sales occurring during the period beginning on the date of the First Commercial Sale of each such New Product and ending on [***] (for purposes of clarity, the Parties acknowledge and agree that, until the end of the applicable Royalty Term set forth in Section 1.3(e) or (f), as applicable, any New Product that may also be deemed an Existing Product shall be paid the royalties set forth in Section 1.3(e) or (f), as applicable, without duplication of royalties set forth in this Section 1.3(g) and, following the end of such applicable royalty term, the royalties set forth in this Section 1.3(g) shall apply); and

(h) Within 14 days after the delivery of each monthly reconciliation contemplated by Section 1.8(f) of this Agreement, Seller or Subsidiary, as applicable, shall, subject to Section 10.17, pay to Purchaser an amount equal to (i) [***]% multiplied by all amounts received pursuant to Acquired Xifin Accounts Receivable during such month plus (ii) [***]% multiplied by the amount of license royalties paid by Purchaser under any Contracts which are attributable to such accounts receivable during such month plus (iii) [***]% multiplied by the amount of the collection fee (which amount shall not exceed [***]% of the amount collected) paid by Purchaser to Xifin with respect to such accounts receivable during such month. For accounts receivable for testing services performed by Purchaser with a date of service of October 6, 2010 or later (as defined by the blood sample draw date) (the "***Post-10/5 Accounts Receivable***"), the Parties shall, subject to Section 10.17, follow the procedures set forth under "***Post-10/5 Accounts Receivable***" in **Schedule 5.8**.

Purchaser shall pay all royalty amounts payable pursuant to Sections 1.3(e), (f) and (g) above within [***] days after the end of each fiscal quarter during the applicable term of each such royalty in U.S. Dollars calculated using the conversion rates published in the Wall Street Journal on the day nearest the last business day of the calendar quarter.

1.4 Tax Matters; Allocation of Purchase Price.

(a) The Parties will use commercially reasonable efforts to agree upon an allocation of the consideration referred to in Section 1.3, plus the amount of the Assumed Liabilities included in the amount realized on the sale of the Assets for federal income Tax purposes, among the Assets (the "***Allocation***") as soon as possible after the Closing Date (but at least within 45 days following the Closing Date). The Allocation will be determined in a manner consistent with this Section 1.4 and Section 1060 of the Internal Revenue Code of 1986 (the "***Code***") and the Treasury Regulations thereunder. The Allocation will be conclusive and binding upon the Parties for Tax purposes, each Party will file all returns and reports relating to Taxes, including without limitation Form 8594, consistent with the Allocation, and neither Party will take or permit any of its Affiliates or representatives to take any position on any Tax return, with any taxing authority or in any judicial Tax proceeding that is inconsistent with the Allocation except as required by a final determination within the meaning of Section 1313(a) of the Code or any corresponding provision of any applicable state or local law. Each Party will promptly provide the other Party with any additional information required to complete Form 8594. Each Party will timely notify the other Party, and will timely provide the other Party with reasonable assistance, in the event of an examination, audit or other proceeding regarding the Allocation.

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(b) Purchaser shall reimburse each of Seller and Subsidiary for 50% of the amount of any sales taxes, use taxes, transfer taxes, documentary charges, recording fees, filing fees or similar taxes, charges, fees or expenses (collectively, "***Transfer Taxes***") that may become payable in connection with the sale of the Assets to Purchaser, the assumption by Purchaser of the Assumed Liabilities or any of the other transactions contemplated by this Agreement. The Parties will cooperate to the extent commercially reasonable to minimize the Transfer Taxes.

(c) All real property taxes, personal property taxes, ad valorem obligations, similar recurring taxes and fees, general assessments and special assessments imposed on or with respect to the Assets ("***Property Taxes***") for any Straddle Period shall be prorated between Seller and Subsidiary, on one hand, and Purchaser, on the other hand, as of the close of business on the Closing Date on a daily basis. Seller and Subsidiary shall be responsible for all such Property Taxes accruing under such daily proration methodology for the portion of the Straddle Period up to and including the Closing Date. Purchaser shall be responsible for all such Property Taxes accruing under such daily proration methodology for the portion of the Straddle Period beginning on the day after the Closing Date. The Party responsible for filing returns relating to Property Taxes for a Straddle Period shall file such returns but shall be entitled to reimbursement for any Property Taxes that are allocable to the other Party under this Section 1.4(c).

1.5 Security and Subordination Agreements; Ancillary Agreements. At the Closing,

(a) Purchaser will execute and deliver to Seller an Intellectual Property Security Agreement in substantially the form of **Exhibit B** (the "***Intellectual Property Security Agreement***") and will deliver to Seller a Subordination Agreement in substantially the form of **Exhibit C** (the "***Subordination Agreement***") validly executed by Los Alamos National Bank; and

(b) the Parties will enter into the following additional agreements (together with the agreements contemplated in Section 1.5(a) above, the "***Ancillary Agreements***"):

(i) the Consent to Assignment in substantially the form of **Exhibit D** (the "***Consent to Assignment***"), which document shall be validly executed by Seller, Purchaser and Landlord;

(ii) the Assignment and Assumption of Lease Agreements in substantially the form of **Exhibit E** (the "***Lease Assumption***"), which document shall be validly executed by Seller and Purchaser; and

(iii) the Assignment and Assumption Agreement in substantially the form of **Exhibit F**, which document shall be validly executed by Seller, Purchaser and Medco.

1.6 Closing. The closing of the purchase of the Assets by Purchaser (the "***Closing***") will take place at the offices of Cooley LLP, 4401 Eastgate Mall, San Diego, California 92121, at a time and on a date to be designated by the Parties, which will be as promptly as practicable following the satisfaction or waiver of the last to be satisfied or waived of the conditions set forth in Sections 6 and 7 (other than those conditions that by their nature are to be satisfied at the

Closing). For purposes of this Agreement, "***Closing Date***" means the date as of which the Closing actually takes place.

1.7 Diligence Obligations.

(a) Purchaser shall act in good faith and shall use commercially reasonable efforts, and shall cause its Affiliates and Licensees to act in good faith and use commercially reasonable efforts, to (i) cause each of the Milestones to be achieved, including, as applicable, [***] with [***] and [***] discussions and negotiations to attempt to agree upon mutually satisfactory agreements relating to the [***] Commercial Program and the [***] Commercial Program, timely preparing and filing all documents necessary and diligently pursuing all filings necessary to achieve each Milestone, and developing, commercializing and selling CB-CAPS Products, (ii) develop, commercialize and sell Products subject to the Royalty Transactions, and (iii) collect, or cause to be collected, the Acquired Xifin Accounts Receivable. In addition, Purchaser [***]

1.8 Records; Audits; Reports.

(a) During the Royalty Term for a Product and for a period of one year thereafter, Purchaser shall keep, and shall cause its Affiliates, Licensees and Distributors to keep, complete and accurate records pertaining to the Royalty Transactions for such Product or other disposition of such Product in sufficient detail to permit Seller to confirm the accuracy of the payments for such Royalty Transactions. For a period ending one year after payment of a Milestone, Purchaser shall keep, and shall cause its Affiliates, Licensees and Distributors, if applicable, to keep, complete and accurate records pertaining to the progress toward achievement of such Milestone in sufficient detail to permit Seller to confirm the diligence of Purchaser's efforts and progress towards achieving such Milestone. During the Acquired Xifin Accounts Term and for a period of one year thereafter, Purchaser shall keep, and shall cause its Affiliates and Licensees to keep, complete and accurate records pertaining to the collection of Acquired Xifin Accounts Receivable (including those contemplated by **Schedule 5.8**) in sufficient detail to permit Seller to confirm the accuracy of Purchaser's payments to Seller of the amount set forth in Section 1.3(h) and Purchaser's allocation of such amounts to the specific tests performed, and, in addition, Purchaser shall permit Seller to have access, during normal business hours, to all documentation (including without limitation test reports and patient- and physician-related information) that is in the possession of Purchaser, its Affiliates and its and their agents and service providers and that is reasonably useful to Seller to respond to any insurance-related inquiry with respect to any accounts receivable arising prior to January 12, 2010.

(b) Until the end of the Royalty Term for a Product and for a period of one year thereafter, until payment of a particular Milestone and for a period of one year thereafter, and until the end the Acquired Xifin Accounts Term and for a period of one year thereafter, Seller shall have the right to cause an independent, certified public accountant, reasonably acceptable to Purchaser, to audit such records to confirm the amounts payable to Seller pursuant to Section 1.3

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(for periods covering not more than the preceding three years); *provided*, *however*, Seller may not exercise the foregoing right more than once every calendar year. Such audits may be conducted during normal business hours upon reasonable prior written notice to Purchaser and its Affiliates, Licensees, or Distributors, as applicable. If the audit reveals that Purchaser has failed to accurately calculate any payment to Seller due under this Agreement, then Purchaser shall promptly pay to Seller any resulting amounts due hereunder, or Seller shall promptly refund overpayments made by Purchaser, each together with interest calculated in the manner provided in Section 1.11. Seller shall bear the full cost of each such audit unless such audit discloses an underpayment by Purchaser of at least $[***] and which is [***]% or more of the amount of payments due under this Agreement for any two quarter period covered by such audit, in which case Purchaser shall bear the full cost of such audit and shall reimburse Seller within five (5) business days of receiving a notice from Seller setting forth the fees and expenses for the applicable audit.

(c) During the Royalty Term, Purchaser shall furnish to Seller a written report within [***] days after the end of each fiscal quarter (each such period, a "***Reporting Period***") showing, in reasonably-specific detail:

(i) the Net Sales (including reasonably specific detail as to the amounts of any deductions or credits applied to calculate Net Sales and the basis therefor) on a Product-by-Product and country-by-country basis of all Products sold by Purchaser, its Affiliates, Licensees and Distributors during the Reporting Period;

(ii) the royalties payable in U.S. Dollars, if any, which shall have accrued pursuant to Royalty Transactions, on a per-Royalty Transaction basis, during the Reporting Period; and

(iii) the exchange rates used in determining the amount of U.S. Dollars due to Seller on Net Sales.

(d) Until such time as a Milestone is achieved or such time as the Parties agree in writing that such Milestone will not be achieved, by no later than the [***] day following [***] during such period (beginning with [***]), Purchaser shall provide to Seller a summary report setting out (i) [***] in such [***] (or shorter, with respect to the period from the Closing Date to December 31, 2010) period [***], (ii) the extent to which such Milestone has been accomplished, and (iii) [***].

(e) Purchaser shall provide Seller with copies of any agreement that Purchaser or its Affiliates enter into with [***] or [***] relating to the [***] Commercial Program or the [***] Commercial Program, respectively. Any such agreement with [***] or [***] shall include a covenant by [***] or [***], as applicable, that Purchaser or its Affiliate shall receive, and shall be entitled to deliver to Seller, the information necessary to determine if the [***] Milestone or the [***] Milestone, as applicable, has been achieved (including, without limitation, client reports from [***] that show enrollment in the [***] Commercial Program

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and the historical weekly average of clients enrolled in such program). Purchaser or its Affiliate shall promptly deliver such information to Seller upon receipt.

(f) During the Acquired Xifin Accounts Term, Purchaser shall furnish Seller a reconciliation report within [***] days after the end of each month (each such month, an "***Accounts Reporting Period***") showing, in reasonably-specific detail:

(i) the amounts collected with respect to all Acquired Xifin Accounts Receivable by Seller, Subsidiary and their agents and service providers during the Accounts Reporting Period, broken out by specific test performed (which tests shall include, without limitation, the Avise PG Product and the Avise MCV Product);

(ii) the amount of royalties paid with respect to collections of Acquired Xifin Accounts Receivable by Purchaser, its Affiliates and its and their agents and service providers during the Accounts Reporting Period broken out by payee, including without limitation [***] and [***]; and

(iii) the amount of the Xifin collection fees associated with Xifin's collection of such Acquired Xifin Accounts Receivable.

1.9 Acceleration of Payment.

(a) If any Trigger Event occurs prior to the date on which Purchaser pays the Second Cash Payment to Seller, the Second Cash Payment shall become immediately due and payable on the date of such Trigger Event. If any Trigger Event described in clauses (ii) through (vi) of Section 1.9(b) below occurs prior to Purchaser's payment of a Milestone to Seller, any such unpaid Milestone shall become immediately due and payable on the date of such Trigger Event.

(b) A "***Trigger Event***" shall mean the occurrence of any of the following events:

(i) The consummation of any Change of Control;

(ii) Purchaser dissolves, liquidates or terminates its existence as a going business concern;

(iii) Purchaser files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing;

(iv) an involuntary petition is filed against Purchaser (unless such petition is dismissed or discharged within 60 days under any bankruptcy statute now or hereafter in effect), or a custodian, receiver, trustee, assignee for the benefit of

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creditors (or other similar official) is appointed to take possession, custody or control of any property of Purchaser;

(v) a breach of any of the negative covenants set forth in Section 5.10; or

(vi) Purchaser is in default of its obligations under any of the Junior Lienholder Loan Documents and the Junior Lienholder elects to demand payment thereunder as a result of such default.

1.10 Assumption of Obligations in Change of Control. In the event Purchaser experiences a Change of Control, Purchaser shall cause the Person acquiring Purchaser (or acquiring or exclusively licensing substantially all of its assets) with respect to a Change of Control to assume Purchaser's obligations under this Agreement, including, without limitation, those obligations with respect to the Second Cash Payment, the Milestones, the Assumed Liabilities, the royalties paid for Royalty Transactions, and the Acquired Xifin Accounts Receivable.

1.11 Late Payments. In the event that any payment due hereunder is not made when due, the payment shall accrue interest from the date due at the rate of [***]% per month; *provided*, *however*, that in no event shall such rate exceed the maximum legal annual interest rate; and provided, further, that no interest shall be due pending resolution of a good faith dispute with respect to such underpayment in accordance with Section 9.3(c) or Section 9.3(d) hereof (it being understood and agreed among the Parties that, in the event it is determined in connection with the resolution of any such dispute that one Party owed payment to the other under this Agreement and failed to pay when due, interest shall accrue on these overdue payments under this Section 1.11 from the date when such payments should have been made under this Agreement). The payment of such interest shall not limit a Party from exercising any other rights it may have as a consequence of the lateness of any payment.

2. REPRESENTATIONS AND WARRANTIES OF SELLER AND SUBSIDIARY.

Each of Seller and Subsidiary represents and warrants to Purchaser that, except as set forth in the Seller Disclosure Schedule:

2.1 Title to Assets. As of the Closing Date, Seller and Subsidiary, together, will have good and valid title to the Assets, free and clear of any liens or encumbrances, except for (i) any lien for current taxes not yet due and payable, (ii) liens and encumbrances referred to in the Contracts and (iii) minor liens and encumbrances that have arisen in the ordinary course of business and that do not materially detract from the value of the Assets subject thereto.

2.2 Patents and Know-How.

(a) Each of the Patents is owned solely by Seller or Subsidiary. Seller has made available to Purchaser copies of the Patents, and has supplied to Purchaser copies of the patent applications included in the Patents that are not publicly available as of the date of this Agreement. To Seller's knowledge, there are no intellectual property rights owned or controlled by any third party necessary to make, use, sell, offer for sale and import the Existing Products, as they currently exist, other than those intellectual property rights to be transferred, licensed or

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sublicensed to Purchaser pursuant to this Agreement. Neither Seller nor Subsidiary has received any written claim of infringement of any intellectual property rights of any Person arising out of the development, manufacture, use, sale, offer for sale or import of the Existing Products by Seller or Subsidiary. To Seller's knowledge, each of Seller and Subsidiary has complied with its obligation under 37 CFR §1.56(a) to disclose to the United States Patent and Trademark Office, during the pendency of any United States patent application included in the Patents, information known to Seller to be material to the patentability of the pending claims in such application.

(b) Neither Seller nor Subsidiary has granted any Person a license that is currently in effect under any of the Patents for any purpose.

(c) None of the Patents is involved in any interference or opposition proceeding, and, to Seller's knowledge, no such proceeding is being threatened with respect to any of the Patents.

(d) Seller has disclosed trade secrets of Seller included in the Know-How only to Persons that have executed written confidentiality agreements governing the use or disclosure of such trade secrets, except to the extent Seller disclosed such information in connection with making filings related to any Assets or Products with governmental or regulatory authorities.

(e) Seller has required all professional and technical employees who provided services to Seller or Subsidiary in connection with the Diagnostic Business or the Patents or Know-How to execute agreements under which such employees were required to convey to Seller or Subsidiary ownership of all inventions and developments conceived or created by them in the course of their employment with Seller. To Seller's knowledge, none of the activities of Seller's professional and technical employees who are providing services to Seller in connection with the Diagnostic Business and the Patents and Know-How is violating any agreement between any such employees and their former employers.

2.3 Contracts; Real Property Leases; Equipment; Certain Materials.

(a) Seller has made available to Purchaser true and correct copies of each of the contracts identified on **Schedule 1**. Each contract identified on **Schedule 1** is valid and in full force and effect. Neither Seller nor Subsidiary is in material breach of any contract identified on **Schedule 1**, and, to Seller's knowledge, no other party to any such contract is in material breach of such contract.

(b) The contracts identified on **Schedule 1** include the real property leases pursuant to which Seller has the right to occupy the Facility. All security deposits required to be made by Seller under such real property leases have been made by Seller, and no portion of such security deposits has been applied to any default by Seller under any of such real property leases. Seller has the right to occupy the Facility in accordance with the terms of such real property leases. Seller is not in material breach of any such real property lease identified on **Schedule 1**, and, to Seller's knowledge, no other party to any such real property lease is in material breach of such contract.

(c) There are no laboratory supplies, reagents or related laboratory materials owned by Seller or Subsidiary at a location other than the Facility that relate exclusively to the Diagnostic Business.

2.4 Compliance with Legal Requirements.

(a) Each of Seller and Subsidiary is in compliance with all Legal Requirements relating to the Diagnostic Business. Since January 1, 2009, neither Seller nor Subsidiary has received any written notice from any governmental body alleging any failure to comply with any Legal Requirement relating to the Diagnostic Business and the employment of the Specified Employees, except for any such notice relating to a failure to comply that has since been cured.

(b) To Seller's knowledge, at all times prior to January 1, 2009, each of Seller and Subsidiary was in compliance with all Environmental Laws applicable to the Diagnostic Business, the Facility and Seller's operations at the Facility. Each of Seller and Subsidiary is, and has been at all times since January 1, 2009, in compliance with all Environmental Laws applicable to the Diagnostic Business, the Facility and Seller's operations at the Facility. To Seller's knowledge, no event has occurred or condition exists or has existed which would reasonably be expected to give rise to any material liability on the part of Purchaser pursuant to, or to materially impair Purchaser's compliance with, any Environmental Law applicable to the Assets and the Facility. The Facility has not been listed or, to Seller's knowledge, proposed for listing on the National Priorities List established by the United States Environmental Protection Agency, or any similar federal or state list. To Seller's knowledge, no material lien has attached to any of Seller's or Subsidiary's property at the Facility pursuant to any Environmental Law.

(c) There has not been any action taken by Seller or Subsidiary, operating practice by Seller or Subsidiary or failure by Seller or Subsidiary to act that would reasonably be expected to give rise to a material liability on the part of Purchaser as a result of:

(i) the handling, storage, use, presence, transportation or disposal or arranging for transportation or disposal of any Hazardous Substance by Seller or Subsidiary in, on, under, near or from the Facility;

(ii) any emission, discharge or release of any Hazardous Substance by Seller or Subsidiary on or from the Facility into or upon the air, surface water, ground water or land;

(iii) any disposal, handling, manufacturing, processing, distribution, use, treatment or transport of any Hazardous Substances by Seller or Subsidiary on or from the Facility; or

(iv) the presence of any Hazardous Substances (including asbestos, urea formaldehyde foam installation or similar substances contained in building materials) in or on the Facility.

(d) Seller and Subsidiary, together, hold all registrations, permits, licenses and approvals issued by or on behalf of any federal, state or local government body that are required pursuant to any Environmental Laws for the occupancy of and the conduct of business at the

Facility and the ownership of the Assets ("***Environmental Permits***"). Any such Environmental Permits held by Seller or Subsidiary are currently in full force and effect. Each of Seller and Subsidiary is in compliance with all terms and conditions of such Environmental Permits, and with all other applicable limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in Environmental Laws.

(f) To Seller's knowledge, no underground storage tanks or surface impoundments exist at the Facility.

(g) Neither Seller nor Subsidiary has, either expressly or by operation of law, assumed or undertaken any liability or corrective, investigatory or remedial obligation of any other Person relating to any Environmental Laws that would reasonably be expected to result in a material liability to Purchaser.

(h) Seller has made available to Purchaser copies of any environmental reports, audits, permits, licenses, registrations and other environmental, health or safety documents relating to the Assets and the Facility that are in Seller's or Subsidiary's possession or control.

2.5 Regulatory Matters.

(a) The licensure, certifications and/or accreditations of the laboratory at the Facility under the Clinical Laboratory Improvement Amendments of 1988, as amended, the 48 contiguous states of the United States and the College of American Pathologists are in full force and effect. Seller has made available to Purchaser copies of all governmental correspondence (including copies of official notices, citations or decisions) in Seller's or Subsidiary's files relating to the Existing Products.

(b) Each of Seller and Subsidiary is in compliance with the laws applicable to the development, manufacture, labeling, testing and distribution of the Existing Products (at the Facility and otherwise) and the operation of manufacturing facilities used to manufacture the Existing Products, and with all applicable regulations, policies and procedures promulgated by the FDA with respect thereto. Neither Seller nor Subsidiary has received any written notice that any recalls, field notifications or seizures have been ordered or, to Seller's knowledge, threatened by any governmental body with respect to any of the Existing Products. Neither Seller nor Subsidiary has received a warning letter or other similar written notice from the FDA regarding the Existing Products or the manufacturing facilities used to manufacture the Existing Products, except for written notices regarding matters that have since been cured, corrected or resolved.

2.6 Employee Matters. Seller has made available to Purchaser (except to the extent prohibited under applicable Legal Requirements) accurate information with respect to the employment of, the job responsibilities of, the compensation payable by Seller to and the employee benefits being provided to each of the Specified Employees. As of the date of this Agreement, there are approximately 4 employees of Seller based at the Facility.

2.7 Certain Liabilities. As of the date of this Agreement, neither Seller nor Subsidiary has any material liabilities relating to the Assets, the Existing Products or the Specified Employees other than (i) liabilities under or relating to the contracts and other instruments identified on **Schedule 1**, (ii) liabilities incurred in the ordinary course of business or

consistent with past practices, (iii) liabilities referred to in, or relating to matters referred to in, the Seller Disclosure Schedule, (iv) liabilities under applicable Legal Requirements, and (v) liabilities disclosed in any of Seller's publicly filed materials. Purchaser is not assuming any liabilities other than the Assumed Liabilities.

2.8 Legal Proceedings. There is no lawsuit or other legal proceeding pending or, to Seller's knowledge, being threatened against Seller or Subsidiary as of the date of this Agreement that involve the Diagnostic Business or would reasonably be expected to result in a judgment having a material adverse effect on the value of the Diagnostic Business taken as a whole.

2.9 Authority; Binding Nature of Agreement. Each of Seller and Subsidiary has all necessary corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party and to perform its obligations under this Agreement and the Ancillary Agreements to which it is a party; and the execution, delivery and performance by Seller and Subsidiary of this Agreement and the Ancillary Agreements to which it is a party have been duly authorized by all necessary action on the part of Seller, Subsidiary and their respective boards of directors. No vote of the holders of Seller's common stock is required to authorize the transactions contemplated by this Agreement. This Agreement constitutes the valid and binding obligation of each of Seller and Subsidiary, enforceable against each of Seller and Subsidiary in accordance with its terms, subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies. Upon execution thereof, the Ancillary Agreements to which it is a party will constitute the valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

2.10 Non-Contravention; Consents. Assuming the Consents referred to in Part 2.10 of the Seller Disclosure Schedule are obtained, neither the execution, delivery or performance by Seller or Subsidiary of this Agreement or the Ancillary Agreements to which it is a party, nor the consummation of any of the transactions contemplated hereby will: (a) conflict with or result in any violation of any provision of the certificate of incorporation, bylaws or other charter or organizational documents of Seller or Subsidiary, (b) result in a breach or default by Seller or Subsidiary under any Contract, (c) result in a violation of any Legal Requirement or order to which Seller or Subsidiary is subject, or (d) result in the imposition of any lien or encumbrance upon any of the Assets (other than to the extent provided for in the Intellectual Property Security Agreement). Except as set forth in Part 2.10 of the Seller Disclosure Schedule, neither Seller nor Subsidiary is required to obtain any Consent from any Person, under any Contract, at or prior to the Closing in connection with the execution and delivery of this Agreement or any of the Ancillary Agreements to which it is a party or the sale of the Assets to Purchaser.

2.11 Financial Statements for the Diagnostic Business.

(a) Seller has delivered to Purchaser the schedule of the unaudited actual costs and cash collections of the Diagnostic Business at December 31, 2009 (the "***December***

Financial Information"). The December Financial Information is true and correct in all material respects.

(b) Seller has delivered to Purchaser a schedule of the unaudited actual costs, cash collections and a schedule of fixed assets of the Diagnostic Business as at August 31, 2010 (the "***August Financial Information***"). The August Financial Information is true and correct in all material respects.

2.12 Absence of Changes. Since August 31, 2010, there has not been any material adverse change in the Assets or Diagnostic Business (including the liabilities, operations, financial performance or prospects thereof).

2.13 Sufficiency of Assets. The Assets constitute all of the material assets necessary to operate the Diagnostic Business in the manner presently operated by Seller.

3. REPRESENTATIONS AND WARRANTIES OF PURCHASER.

Purchaser represents and warrants to Seller as follows:

3.1 Due Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

3.2 Financial Statements.

(a) The Purchaser has delivered to the Seller the following financial statements and notes (collectively, the "***Purchaser Financial Statements***"):

(i) Purchaser's unaudited balance sheet at December 31, 2009 and audited statements of income and cash flow for the twelve months ending December 31, 2009; and

(ii) Purchaser's unaudited balance sheet as at August 31, 2010 (the "***Statement Date***") and unaudited consolidated statements of income and cash flow for the eight month period ending on the Statement Date.

(b) The Purchaser Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated, except as disclosed therein, and present fairly the financial condition and position and operating results and cash flows of the Purchaser as of December 31, 2009 and the Statement Date; *provided, however*, that the unaudited financial statements are subject to normal recurring year-end audit adjustments (which are not expected to be material either individually or in the aggregate), and do not contain all footnotes required under generally accepted accounting principles.

3.3 Absence of Changes. Since August 31, 2010, there has not been any material adverse change in the business, condition, capitalization, assets (tangible or intangible), liabilities, operations, financial performance or prospects of Purchaser.

3.4 Authority; Binding Nature of Agreement. Purchaser has all necessary power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is party, and to perform its obligations hereunder and thereunder; and the execution, delivery and performance by Purchaser of this Agreement and the Ancillary Agreements to which it is a party have been duly authorized by all necessary action on the part of Purchaser and its board of directors. Purchaser has provided to Seller a copy of the resolutions of the board of directors of Purchaser authorizing the execution, delivery and performance by Purchaser of this Agreement and the Intellectual Property Security Agreement. No vote of the holders of Purchaser's capital stock (or any class or series thereof) is required to authorize the purchase by Purchaser of the Assets or any of the other transactions contemplated by this Agreement or the Ancillary Agreements to which it is a party. This Agreement constitutes, and, upon execution thereof, the Ancillary Agreements to which it is a party will constitute, the valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors, and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

3.5 Non-Contravention; Consents. Neither the execution, delivery or performance by Purchaser of this Agreement or the Ancillary Agreements to which it is a party, nor the consummation of any of the transactions contemplated by this Agreement or the Ancillary Agreements to which it is a party, will (a) conflict with or result in any violation of any provision of the certificate of incorporation, bylaws or other charter or organizational documents of Purchaser, (b) result in a breach or default by Purchaser under any material contract to which Purchaser is a party, (c) result in a violation of any Legal Requirement or order to which Purchaser is subject or (d) except as contemplated by the Intellectual Property Security Agreement and the lien of the Junior Lienholder, result in the creation of a lien or encumbrance on any material asset of Purchaser, including the Assets. Purchaser is not and will not be required to obtain any Consent from any Person in connection with the execution, delivery or performance of this Agreement or the Ancillary Agreements to which it is a party or the consummation of any of the transactions contemplated hereby or thereby.

3.6 Availability of Funds. Purchaser has, and on the Closing Date will have, sufficient funds available to finance and consummate the transactions contemplated by this Agreement.

4. PRE-CLOSING COVENANTS.

4.1 Access. Subject to the provisions of the Confidentiality Agreement and to applicable Legal Requirements, during the period from the date of this Agreement through the Closing Date (the "***Pre-Closing Period***"), Seller will, after receiving reasonable advance notice from Purchaser, give Purchaser reasonable access (during normal business hours) to the Facility and to Seller's and Subsidiary's books and records relating only to the Diagnostic Business, and will provide Purchaser with such information regarding the Diagnostic Business and any other appropriate matters germane to the subject matter of this Agreement as Purchaser may reasonably request, for the sole purposes of enabling Purchaser (i) to further investigate, at Purchaser's sole expense, the Diagnostic Business and any other appropriate matters germane to the subject matter of this Agreement and (ii) to verify the accuracy of the representations and warranties set forth in Section 2; *provided*, *however*, that except as provided in Section 5.2,

Purchaser will not (without Seller's approval, which will not be unreasonably withheld) contact or otherwise communicate with any of the Seller's employees. To the extent requested by Purchaser, Seller will arrange to permit Purchaser to conduct interviews of any of the Specified Employees during the Pre-Closing Period.

4.2 Conduct of Diagnostic Business. Until the earlier of the Closing Date and the close of business on October 15, 2010, except (i) as contemplated or permitted by this Agreement or the Seller Disclosure Schedule, (ii) as may be necessary to carry out any of the transactions contemplated by this Agreement, (iii) as may be necessary to facilitate compliance with any Legal Requirement or the requirements of any Contract, or (iv) as approved by Purchaser, during the Pre-Closing Period:

(a) Seller will conduct its operations at the Facility in the ordinary course and consistent with its past practices, to the extent such operations relate to the Diagnostic Business and Assets; and

(b) neither Seller nor Subsidiary will (i) license or dispose of any material Assets, (ii) prematurely terminate or amend, grant a sublicense under or assign any of the Contracts, or (iii) commit a breach of any Contract entered into after the date of this Agreement.

If Seller requests Purchaser's approval of a proposed action that would result in a breach by Seller or Subsidiary of this Section 4.2, Purchaser will respond promptly to Seller's request and will not unreasonably withhold or delay its approval of the proposed action.

4.3 Consents. Each of Seller and Subsidiary will use commercially reasonable efforts during the Pre-Closing Period to obtain the Consents identified in Part 2.10 of the Seller Disclosure Schedule (including the Consents identified on **Schedule 5**).

4.4 Conditions. Each of Seller and Subsidiary will use commercially reasonable efforts (i) to cause the conditions set forth in Section 6 to be satisfied on a timely basis and (ii) otherwise to cause the Closing to take place as soon as reasonably practicable. Purchaser will use commercially reasonable efforts (a) to cause the conditions set forth in Section 7 to be satisfied on a timely basis and (b) otherwise to cause the Closing to take place as soon as reasonably practicable.

5. OTHER COVENANTS

5.1 Consents; Releases. Purchaser will cooperate with Seller and Subsidiary, and will provide Seller and Subsidiary with such assistance as Seller or Subsidiary may reasonably request, for the purpose of (i) attempting to obtain the Consents identified in Part 2.10 of the Seller Disclosure Schedule and (ii) arranging for Seller and/or Subsidiary to be released and discharged from its obligations and other liabilities under the Contracts.

5.2 Employment Matters. Prior to the Closing, on a date mutually agreed by the Parties, Purchaser will extend to each Specified Employee an individualized written offer of employment that, if accepted, would contemplate that such Specified Employee would commence his or her employment with Purchaser on the day after the Closing Date and would

provide such Specified Employee with compensation, benefits and terms of employment (including terms relating to job responsibilities) that in the aggregate are the same or similar to such Specified Employee as the compensation, benefits and terms of employment provided by Seller to such Specified Employee immediately prior to the Closing. The individualized written offers of employment shall include provisions that provide that, from and after the time when the applicable Specified Employee begins his or her employment with Purchaser, Seller shall no longer be liable for any compensation or benefits to such Specified Employee (other than compensation and benefits (including severance payments, if applicable) that have accrued and vested prior to such time). On the day after the Closing Date, Purchaser will hire each Specified Employee who accepts the written offer of employment extended to such Specified Employee by Purchaser (it being understood that, except as otherwise provided in any individual employment agreement or other agreement between Purchaser and a Specified Employee, Purchaser will not be obligated to maintain the employment of or the compensation or employee benefits provided to such Specified Employee for any specified period thereafter).

5.3 Use of Names and Trademarks. Following the Closing Date, all Purchaser advertising and promotional materials for the Products shall identify Purchaser as the marketer of the Products and all Product labeling and packaging shall reflect Purchaser as the marketer of the Product; *provided*, *however*, with respect to the finished product inventories purchased by Purchaser hereunder, Purchaser shall, for a period of three (3) months following the Closing, be permitted to sell Product from such inventory as labeled and packaged prior to the Closing Date, without regard to whether such Product references Seller or Subsidiary. Upon the expiration of such transitional period, all Product sold by Purchaser, including such inventory, shall, at Purchaser's sole cost, be required to have labeling and packaging which properly identifies Purchaser as the marketer of the Product and shall not contain any references to Seller or Subsidiary.

5.4 Promotion at ACR Meeting. Purchaser will use commercially reasonable efforts to present and promote the CB-CAPS Diagnostic Assay at the American College of Rheumatology Scientific Meeting in November 2010.

5.5 Receipt of Monies or Other Assets. If any monies or other assets are received by Seller or Subsidiary, on one hand, or Purchaser, on the other hand, after Closing to which the other Party is entitled in accordance with the terms of this Agreement, such Party shall promptly forward such monies or other assets to the other Party within fifteen (15) days of receipt, along with reasonable details regarding such monies or assets to permit their identification as monies or assets to which one or the other Party is entitled.

5.6 Payment of Rents, Utilities, Vendor Accounts and Other Operating Expenses.

(a) Subject to potential reimbursement to the extent provided in Section 5.6(b) below with respect to Transition Operating Costs, Seller will be responsible for and pay when due all rents and utility and other Vendor Accounts and costs associated with the Facility and the Diagnostic Business through the Closing Date. Subject to potential reimbursement to the extent provided in Section 5.6(b) with respect to Transition Operating Costs, utility or other Vendor Account bills and rent prepaid by Seller prior to the Closing which cover services to be provided

to Purchaser after the Closing will be proportionately allocated (except that any security deposit that is required to be maintained for the duration of the lease for the Facility shall be allocated solely to Purchaser) between Seller and Purchaser for the period covered, and Purchaser will reimburse Seller at Closing for any such amount paid by Seller that is allocated to Purchaser (the "***Prorated Amount***"). Utility and other Vendor Account bills and rent paid by Purchaser after the Closing which cover services provided to Seller prior to the Closing Date (other than Transition Operating Costs) shall also be proportionately allocated between Seller and the Purchaser for the period covered, and, upon Purchaser's request, Seller will promptly reimburse Purchaser for any such amount paid by Purchaser that is allocated to Seller. Purchaser shall arrange with each vendor of any Vendor Account to open a new account in its name promptly following the Closing or will replace or discontinue such service but Seller shall not remain a party to any Vendor Account following the Closing.

(b) In addition to, and without duplication of, the Prorated Amount above, at the Closing Purchaser will reimburse Seller for (i) the costs and expenses of certain products and services relating to the Diagnostic Business which Purchaser has approved in writing, including, without limitation, those costs and expenses set forth in **Schedule 5.6(b)** (which shall be modified by the Parties prior to the Closing to the extent necessary to reflect any such costs and expenses so approved between the date of this Agreement and Closing), which have already received Purchaser's written approval and any others that receive Purchaser's written approval between the date of this Agreement and Closing, and (ii) the costs of operating the Diagnostic Business in the ordinary course following October 5, 2010 which costs shall include, without limitation, overhead, regular compensation and benefits of the employees of Seller based at the Facility, laboratory supplies, outside laboratory costs, and shipping and distribution costs and be identified, if applicable, by Seller to Purchaser by written notice provided by Seller to Purchaser prior to the Closing (such costs in clauses (i) and (ii), the "***Transition Operating Costs***"). To the extent the amount of any Prorated Amount or Transition Operating Costs are not identifiable at Closing, Purchaser shall, promptly following the identification of such costs in a written notice from Seller to Purchaser (but in no event later than five (5) business days following delivery of such notice), reimburse Seller for such costs. The Parties recognize and agree that a portion of the Prorated Amount and Transition Operating Costs identifiable at Closing may be based upon estimates and further agree that, to the extent such amounts are based upon estimates, promptly following the determination of the final amounts, Seller shall notify Purchaser of the differences in such amounts and the Parties shall reconcile the amounts paid or to be paid with respect thereto, with Seller reimbursing Purchaser for any previous overpayment and Purchaser reimbursing Seller for any previous underpayment.

5.7 Federal Express Account. On or within one business day following the Closing Date, Seller and Purchaser shall ensure that the Federal Express account associated with the Diagnostic Business is transferred to Purchaser, and Purchaser shall cooperate with Seller on a timely basis to the extent necessary to enable such transfer. All charges to such account occurring after October 5, 2010 shall be Purchaser's liability and Purchaser shall, within five (5) business days of notification by Seller, reimburse Seller for such charges to the extent they are invoiced to Seller.

5.8 Procedures Relating to Accounts Receivable; Payment of Royalties. In addition to the other provisions of this Agreement, the Parties shall abide by the procedures set

forth in **Schedule 5.8** relating to the collection, reconciliation and payment of accounts receivable relating to the Diagnostic Business. Purchaser shall timely pay, when due, all royalties associated with the Acquired Xifin Accounts Receivable and Post-10/5 Accounts Receivable. Seller shall timely pay, when due, all royalties associated with the accounts receivable of the Diagnostic Business with a date of service prior to January 12, 2010 (as defined by the blood sample draw date).

5.9 Security Interest in Intellectual Property Collateral.

(a) Effective as of the Closing Date, Purchaser does hereby grant to Seller a continuing security interest of first priority in, all of Purchaser's right, title and interest in, to and under the Intellectual Property Collateral, whether now or hereafter existing, as security for the prompt and complete payment and performance of Purchaser's obligation under Sections 1.3(c) (including to the extent such payment obligation is accelerated pursuant to Section 1.9(a)) of this Agreement, and, to the extent payment of such obligation is not made when due, interest payable on such payment owed pursuant to Section 1.11 of this Agreement. In furtherance of the foregoing:

(i) On a continuing basis, Purchaser will, upon request by Seller, make, execute, acknowledge and deliver, and file and record in the proper filing and recording places in the United States, all such instruments, including appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademark Office, and take all such action as may reasonably be deemed necessary or advisable, or as requested by Seller, to perfect Seller's security interest in the Intellectual Property Collateral, and otherwise to carry out the intent and purposes of the Intellectual Property Security Agreement, or for assuring and confirming to Seller the grant and perfection of a security interest in all Intellectual Property Collateral; and

(ii) Purchaser hereby irrevocably appoints Seller as Purchaser's attorney-in- fact, with full authority in the place and stead of Purchaser and in the name of Purchaser, Seller or otherwise, from time to time in Seller's discretion, upon Purchaser's failure or inability to do so, to take any action and to execute any instrument which Seller may deem necessary or advisable to file, in its sole discretion, one or more financing or continuation statements and amendments thereto, or other notice filings or notations in appropriate filing offices, relative to any of the Intellectual Property Collateral, with prior notice to Purchaser, with all appropriate jurisdictions, as Seller deems appropriate, in order to further perfect or protect Seller's interest in the Intellectual Property Collateral.

(b) This Agreement shall constitute a security agreement for purposes of the UCC in all relevant jurisdictions. In furtherance of the foregoing, Purchaser hereby authorizes Seller to file one or more financing statements (or similar documents) in all relevant jurisdictions with respect to the Intellectual Property Collateral to evidence the granting of the security interest described in this Section 5.9. For greater certainty, Seller shall not file this Agreement in connection with the filing of any such financing statements (or similar documents).

(c) The security interests granted pursuant to this Section 5.9 shall remain in full force and effect and continue to be effective should any petition be filed by or against Purchaser

for liquidation or reorganization, should Purchaser become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Purchaser's property and assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the obligations secured thereby, or any part thereof, are, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by Seller, whether as a "***voidable preference,***" "***fraudulent conveyance,***" or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, such obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

5.10 Negative Covenants. Until the termination of the security interest in favor of Seller in the Intellectual Property Collateral under the Intellectual Property Security Agreement (a) Purchaser shall not sell, lease, license, transfer or otherwise dispose of any of the Intellectual Property Collateral, or attempt or contract to do so, other than the granting of non-exclusive licenses; and (b) Purchaser shall not, directly or indirectly, create, permit or suffer to exist, and shall defend the Intellectual Property Collateral against and take such other action as is necessary to remove, any lien on the Intellectual Property Collateral, except the lien granted to Seller under the Intellectual Property Security Agreement, the lien of the Junior Lienholder and any other liens granted by Purchaser after the Closing Date and approved in writing prior to such grant by, and pursuant to documentation satisfactory to, Seller.

5.11 Intellectual Property Assignments. Following the Closing Date, Seller shall execute such intellectual property assignments on terms mutually satisfactory to the Parties and consistent with this Agreement as may be reasonably requested by Purchaser for the purpose of enabling Purchaser to make the necessary filings with the United States Patent and Trademark Office to transfer the Patents and Trademarks to Purchaser.

6. CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATION TO CLOSE.

Purchaser's obligation to purchase the Assets and to take the other actions required to be taken by Purchaser at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Purchaser, in whole or in part, in writing):

6.1 Accuracy of Representations. All representations and warranties of Seller and Subsidiary set forth in Section 2 shall be true and correct at and as of the date of this Agreement and at and as of the Closing Date; *provided*, *however*, that, for purposes of this Section 6.1, any inaccuracies in the representations and warranties of Seller and Subsidiary will be disregarded unless all such inaccuracies, considered collectively, have a material adverse effect on the value of the Diagnostic Business and Assets taken as a whole.

6.2 Performance of Covenants. Each of Seller and Subsidiary shall have performed, in all material respects, all covenants required by this Agreement to be performed by Seller or Subsidiary on or before the Closing Date.

6.3 Additional Documents. Each of the following additional documents shall have been delivered to Purchaser:

(a) a certificate, executed by an executive officer of Seller, confirming that, to the actual knowledge of such executive officer, the conditions set forth in Sections 6.1 and 6.2 have been satisfied;

(b) such bills of sale, assignments and other instruments including, but not limited to, the Ancillary Agreements to which it is a party, as Seller or Subsidiary may be required to execute in order to evidence and effectuate the transfer of the Assets, including the Contracts, to Purchaser; and

(c) such good standing certificates and other similar documents as Purchaser may reasonably request to ensure that the actions required to be taken by Seller and Subsidiary at the Closing have been properly authorized.

6.4 No Restraints. No injunction or other order preventing the consummation of the transactions contemplated by this Agreement shall have been issued since the date of this Agreement by any United States federal or state court of competent jurisdiction and shall remain in effect; and no United States federal or state Legal Requirement that makes consummation of the transactions contemplated by this Agreement illegal shall have been enacted or adopted since the date of this Agreement and shall remain in effect.

6.5 Consents. The Consents identified on **Schedule 5** shall have been obtained.

7. CONDITIONS PRECEDENT TO SELLER'S AND SUBSIDIARY'S OBLIGATION TO CLOSE. Seller's and Subsidiary's obligation to sell and transfer the Assets to Purchaser and to take the other actions required to be taken by Seller or Subsidiary at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Seller or Subsidiary, in whole or in part, in writing):

7.1 Accuracy of Representations. All representations and warranties of Purchaser set forth in Section 3 shall be true and correct at and as of the date of this Agreement and at and as of the Closing Date; *provided*, *however*, that, for purposes of this Section 7.1, any inaccuracies in the representations and warranties of Purchaser will be disregarded unless all such inaccuracies, considered collectively, have a material adverse effect on the business, assets (tangible or intangible), liabilities or operations of Purchaser.

7.2 Performance of Covenants. Purchaser shall have performed, in all material respects, all covenants required by this Agreement to be performed by Purchaser on or before the Closing Date.

7.3 Delivery of Consideration. At the Closing, Seller and Subsidiary shall have received the Initial Cash Payment, and Seller shall have received the Prorated Amount and the Transition Operating Costs that are known as of the Closing.

7.4 Additional Documents. The Intellectual Property Security Agreement shall have been executed on behalf of Purchaser, the Subordination Agreement shall have been executed on

behalf of Los Alamos National Bank and the Ancillary Agreements shall have been executed by each party thereto and each shall have been delivered to Seller. Purchaser shall have delivered to Landlord Purchaser's fully executed counterparts to the Lease Assumption and the Consent to Assignment and an insurance certificate in the form required by the Lease (as defined in the Consent to Assignment). In addition, each of the following additional documents shall have been delivered to Seller:

(a) a certificate, executed by an executive officer of Purchaser, confirming that, to the actual knowledge of such executive officer, the conditions set forth in Sections 7.1 and 7.2 have been satisfied; and

(b) such good standing certificates and other similar documents as Seller may reasonably request to ensure that the actions required to be taken by Purchaser at the Closing have been properly authorized.

7.5 No Restraints. No injunction or other order preventing the consummation of the transactions contemplated by this Agreement shall have been issued since the date of this Agreement by any United States federal or state court of competent jurisdiction and shall remain in effect; and no United States federal or state Legal Requirement that makes consummation of the transactions contemplated by this Agreement illegal shall have been enacted or adopted since the date of this Agreement and shall remain in effect.

7.6 Consents. The Consents identified on **Schedule 5** shall have been obtained.

7.7 Senior Lienholder. Purchaser shall have obtained all necessary consents or taken such other steps as are necessary or advisable to ensure that Seller's lien on the Intellectual Property Collateral and established pursuant to the Intellectual Property Security Agreement will be the senior lien or encumbrance on the Intellectual Property Collateral.

8. TERMINATION.

8.1 Right to Terminate Agreement. This Agreement may be terminated prior to the Closing:

(a) by the mutual written consent of the Parties;

(b) by any Party (by delivery of a written termination notification in accordance with Section 8.2) at any time after October 31, 2010, if the Closing has not taken place on or before October 31, 2010, unless the failure of the Closing to take place on or before such date is attributable to a breach by such Party of any of its obligations set forth in this Agreement;

(c) by Seller (by delivery of a written termination notification in accordance with Section 8.2) if (i) there shall have been a breach on the part of Purchaser of any of its representations, warranties or covenants such that the condition set forth in Section 7.1 or Section 7.2, as the case may be, would not be satisfied as of the time of such breach, (ii) Seller shall have given written notice of such breach to Purchaser, (iii) at least twenty days shall have elapsed since the delivery of such written notice to Purchaser, (iv) such breach shall not have

been cured and (v) Purchaser shall not be using its commercially reasonable efforts to attempt to cure such breach; or

(d) by Purchaser (by delivery of a written termination notification in accordance with Section 8.2) if (i) there shall have been a breach on the part of Seller or Subsidiary of any of its representations, warranties or covenants such that the condition set forth in Section 6.1 or Section 6.2, as the case may be, would not be satisfied as of the time of such breach, (ii) Purchaser shall have given written notice of such breach to Seller, (iii) at least twenty days shall have elapsed since the delivery of such written notice to Seller, (iv) such breach shall not have been cured and (v) Seller shall not be using its commercially reasonable efforts to attempt to cure such breach.

8.2 Termination Procedures. If any Party wishes to terminate this Agreement pursuant to Section 8.1, such Party will deliver to the other Parties a written termination notification stating that such Party is terminating this Agreement and setting forth a brief statement of the basis on which such Party is terminating this Agreement.

8.3 Effect of Termination. Upon the termination of this Agreement pursuant to Section 8.1, no Party will have any obligation or other liability to any other Party, except that (i) the Parties will remain bound by the provisions of Section 10 and by the provisions of the Confidentiality Agreement, and (ii) no Party will be relieved of any liability for any breach of this Agreement.

9. INDEMNIFICATION.

9.1 Survival of Seller and Subsidiary Representations; Indemnification by Seller.

(a) All of the representations and warranties of Seller and Subsidiary set forth in this Agreement and in any certificate delivered pursuant to this Agreement, and all covenants of Seller and Subsidiary set forth in Section 4, will survive the Closing but will terminate and expire, and will cease to be of any force or effect, at 10:00 a.m. (California time) on the twelve month anniversary of the Closing Date (the "***Expiration Date***"), and all liability of Seller and Subsidiary with respect to such representations, warranties and covenants (and any liability with respect to the certificate delivered to Purchaser pursuant to Section 6.3(a)) will thereupon be extinguished; *provided*, *however*, that if, prior to the Expiration Date, Purchaser shall have duly delivered to Seller, in conformity with all of the applicable procedures set forth in Section 9.1(d), an Indemnification Demand, then the specific claim set forth in such Indemnification Demand will survive (and will not be extinguished upon) the Expiration Date and will continue to survive until such claim is resolved in accordance with Section 9.3.

(b) Subject to the limitations set forth in this Section 9.1 and elsewhere in this Agreement, from and after the Closing Date, Seller will indemnify Purchaser against any Damages that Purchaser incurs as a result of (i) any breach by Seller or Subsidiary of any of Seller's or Subsidiary's representations, warranties or covenants hereunder or in any certificate delivered by Seller or Subsidiary pursuant to this Agreement or (ii) any and all liabilities attributable to Seller's or Subsidiary's ownership of the Assets or operation of the Diagnostic

Business before the Closing Date (except for any Assumed Liabilities). Seller's obligation to indemnify Purchaser pursuant to this Section 9.1(b) will not relieve Seller or Subsidiary of, or alter in any way, Seller's or Subsidiary's obligation to fully satisfy all of Seller's and Subsidiary's liabilities other than the Assumed Liabilities.

(c) Except in the case of fraud or intentional misrepresentation, the total amount of the payments that Seller can be required to make under or in connection with Section 9.1(b)(i) of this Agreement will be limited in the aggregate to $[***], and Seller's cumulative liability will in no event exceed such amount. Notwithstanding anything else in this Agreement, except in the case of fraud or intentional misrepresentation, the indemnification remedies provided in this Section 9.1 shall be deemed to be the sole and exclusive remedy of Purchaser with respect to any and all claims (under any theory of liability, including but not limited to contract claims and tort claims) relating to the subject matter of this Agreement. Furthermore, notwithstanding anything to the contrary herein, the limitations set forth in this Section 9.1(c) shall not apply to the obligations set forth in Sections 1.4, 1.11, 5.5, 5.6 or 5.8 of this Agreement.

(d) If Purchaser wishes to assert an indemnification claim against Seller, Purchaser will deliver to Seller, as soon as reasonably practicable, an Indemnification Demand pursuant to Section 9.3. Notwithstanding anything to the contrary contained in this Agreement, Purchaser will not be permitted to deliver any Indemnification Demand to Seller (and will not be entitled to assert any claim set forth in any Indemnification Demand) unless Purchaser has reasonably determined that the breach alleged in such Indemnification Demand has actually occurred.

(e) If Purchaser receives notice or otherwise obtains knowledge of any Matter or any threatened Matter that may reasonably be expected to give rise to an indemnification claim against Seller, then Purchaser will deliver to Seller a written notice describing such Matter in reasonable detail as soon as reasonably practicable. Seller will have the right, at its election and at its sole expense, to assume the defense of any such Matter with its own counsel. If Seller elects to assume the defense of any such Matter, then:

(i) notwithstanding anything to the contrary contained in this Agreement, Seller will not be required to pay or otherwise indemnify Purchaser against any attorneys' fees or other expenses incurred on behalf of Purchaser in connection with such Matter following Seller's election to assume the defense of such Matter;

(ii) Purchaser will make available to Seller all books, records and other documents and materials that are under the control of Purchaser or any of Purchaser's Affiliates, advisors or representatives and that Seller reasonably considers necessary or desirable for the defense of such Matter;

(iii) Purchaser will execute such documents and take such other actions as Seller may reasonably request for the purpose of facilitating the defense of, or any settlement, compromise or adjustment relating to, such Matter;

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(iv) Purchaser will otherwise fully cooperate as reasonably requested by Seller in the defense of such Matter; and

(v) Purchaser will not admit any liability with respect to such Matter;

(vi) Seller will not settle, adjust or compromise such Matter without the consent of Purchaser unless (A) there is no finding or admission of any violation of any Legal Requirement by Purchaser, and (B) the sole relief provided is monetary damages that are paid in full by Seller.

If Seller elects not to assume the defense of such Matter, then Purchaser will proceed diligently to defend such Matter with the assistance of counsel reasonably satisfactory to Seller; *provided*, *however*, that Purchaser will not settle, adjust or compromise such Matter without the consent of Seller unless (A) there is no finding or admission of any violation of any Legal Requirement by Seller, and (B) the sole relief provided is monetary damages that are paid in full by Purchaser.

(f) To the extent Seller makes or is required to make any indemnification payment to Purchaser, Seller will be entitled to exercise, and will be subrogated to, any rights and remedies (including rights of indemnity, rights of contribution and other rights of recovery) that Purchaser or any of Purchaser's Affiliates may have against any other Person with respect to any Damages, circumstances or Matter to which such indemnification payment is directly or indirectly related. Purchaser will take such actions as Seller may reasonably request for the purpose of enabling Seller to perfect or exercise Seller's right of subrogation hereunder.

9.2 Survival of Purchaser Representations; Indemnification by Purchaser.

(a) All of the representations and warranties of Purchaser set forth in this Agreement and in any certificate delivered pursuant to this Agreement will survive the Closing but will terminate and expire, and will cease to be of any force or effect, on the Expiration Date, and all liability of Purchaser with respect to such representations and warranties (and any liability with respect to the certificate delivered to Seller pursuant to Section 7.4(a)) will thereupon be extinguished; *provided*, *however*, that if, prior to the Expiration Date, Seller shall have delivered to Purchaser, in conformity with all of the applicable procedures set forth in Section 9.2(d), an Indemnification Demand, then the specific claim set forth in such Indemnification Demand will survive (and will not be extinguished upon) the Expiration Date and will continue to survive until such claim is resolved in accordance with Section 9.3.

(b) Subject to the limitations set forth in this Section 9.2 and elsewhere in this Agreement, from and after the Closing Date, Purchaser will indemnify Seller and Subsidiary against any Damages that Seller or Subsidiary incurs as a result of (i) any breach by Purchaser of any of Purchaser's representations, warranties or covenants hereunder or in any certificate delivered by Purchaser pursuant to this Agreement or (ii) any and all Assumed Liabilities and any and all liabilities attributable to Purchaser's ownership of the Assets and operation of the Diagnostic Business on or after the Closing Date. The Purchaser's obligation to indemnify Seller and Subsidiary pursuant to this Section 9.2 will not relieve Purchaser of, or alter in any way, Purchaser's obligation to fully satisfy all of the Assumed Liabilities.

(c) Except in the case of fraud or intentional misrepresentation, the total amount of the payments that Purchaser can be required to make under or in connection with Section 9.2(b)(i) of this Agreement will be limited in the aggregate to $[***], and Purchaser's cumulative liability will in no event exceed such amount. Notwithstanding anything else in this agreement, except in the case of fraud or intentional misrepresentation, the indemnification remedies provided in this Section 9.2 shall be deemed to be the sole and exclusive remedy of Seller and Subsidiary with respect to any and all claims (under any theory of liability, including but not limited to contract claims and tort claims) relating to the subject matter of this Agreement. Furthermore, notwithstanding anything to the contrary herein, the limitations set forth in this Section 9.2(c) shall not apply to the obligations set forth in Sections 1.3, 1.4, 1.7, 1.11, 5.5, 5.6, 5.7, 5.8, or 5.9 of this Agreement.

(d) If Seller wishes to assert an indemnification claim against Purchaser, Seller will deliver to Purchaser, as soon as reasonably practicable, an Indemnification Demand pursuant to Section 9.3. Notwithstanding anything to the contrary contained in this Agreement, Seller will not be permitted to deliver any Indemnification Demand to Purchaser (and will not be entitled to assert any claim set forth in any Indemnification Demand) unless Seller has reasonably determined that the breach alleged in such Indemnification Demand has actually occurred.

9.3 Indemnification Procedure.

(a) In order for any Indemnified Person to seek indemnification under Section 9.1 or Section 9.2, as applicable, such Indemnified Person shall deliver, in good faith, a written demand (an "***Indemnification Demand***") to the Indemnifying Person which:

(i) states that the Indemnified Person has incurred or reasonably anticipates that it will have to incur Damages that are subject to indemnification under this Agreement;

(ii) a reasonably detailed description of the facts and circumstances giving rise to the indemnification claim, copies of any applicable complaints or demands, and the nature of the breach of representation, warranty, contractual provision or covenant to which such item is related;

(iii) a reasonably detailed description of, and a good faith estimate of the total amount of, the Damages actually incurred or expected to be incurred by the Indemnified Person and subject to indemnification hereunder (the "***Asserted Damages Amount***"); and

(iv) a demand for payment in the amount of such Damages.

(b) Within 20 days after delivery of an Indemnification Demand, the Indemnifying Person shall deliver to the Indemnified Person a written response (the "***Response***") in which the Indemnifying Person shall: (i) agree that the Indemnified Person is entitled to receive all of the Asserted Damages Amount (the "***Agreed Portion***"); (ii) agree that the Indemnified Person is entitled to receive part, but not all, of the Asserted Damages Amount (such portion, also the "***Agreed Portion***"); or (iii) dispute that the Indemnified Person is entitled to receive any of the Asserted Damages Amount.

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) In the event that the Indemnifying Person shall (i) dispute that the Indemnified Person is entitled to receive any of the Asserted Damages Amount, or (ii) agrees that the Indemnified Person is entitled to only the Agreed Portion of the Asserted Damages Amount, the Indemnified Person and the Indemnifying Person shall attempt in good faith to agree upon the rights of the respective parties with respect to each of the indemnification claims that comprise the Asserted Damages Amount (or the portion of the Asserted Damages Amount not comprising the Agreed Portion). If the Indemnified Person and the Indemnifying Person should so agree, a memorandum setting forth such agreement shall be prepared and signed by both such parties. If no such agreement can be reached after good faith negotiation within 60 days after delivery of a Response, either the Indemnified Person or the Indemnifying Person may demand arbitration of any matter set forth in the applicable Indemnification Demand.

(d) If no agreement is reached, the matter shall be settled by arbitration conducted by one arbitrator mutually agreeable to the Indemnified Person and the Indemnifying Person. In the event that, within thirty days after submission of any dispute to arbitration, the Indemnified Person and the Indemnifying Person cannot mutually agree on one arbitrator, then the parties shall arrange for the American Arbitration Association to designate a single arbitrator in accordance with the rules of the American Arbitration Association. Any such arbitration shall be held in San Diego County, California, under the rules and procedures then in effect of the American Arbitration Association. The arbitrator shall determine how all expenses relating to the arbitration shall be paid, including the respective expenses of each party, the fees of the arbitrator and the administrative fee of the American Arbitration Association. The arbitrator shall set a limited time period and establish procedures designed to reduce the cost and time for discovery while allowing the Indemnified Person and the Indemnifying Person an opportunity, adequate in the sole judgment of the arbitrator to discover relevant information from the opposing parties about the subject matter of the dispute. The arbitrator shall rule upon motions to compel or limit discovery and shall have the authority to impose sanctions, including attorneys' fees and costs, to the same extent as a competent court of law or equity, should the arbitrator determine that discovery was sought without substantial justification or that discovery was refused or objected to without substantial justification. The decision of the arbitrator as to the validity and amount of any indemnification claim in such Indemnification Demand shall be subject to the limitations set forth in this Agreement and final, binding and conclusive upon the parties. Such decision shall be written and shall be supported by written findings of fact and conclusions which shall set forth the award, judgment, decree or order awarded by the arbitrator. All payments required by the arbitrator shall be made within thirty days after the decision of the arbitrator is rendered. Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction.

10. MISCELLANEOUS.

10.1 Time of Essence. Time is of the essence with respect to this Agreement.

10.2 No Other Representations. The Parties acknowledge that, except as expressly set forth in this Agreement, neither Party has made or is making any representations or warranties whatsoever to the other, implied or otherwise.

10.3 Knowledge; Materiality. Neither Party will be deemed to have breached any representation or warranty that is made to such Party's "knowledge" unless an officer of such Party with the rank of Vice President or above has actual knowledge or, solely with respect to Sections 2.4 and 2.5 of this Agreement, Mariko Matsutani or Curtis McGuire has actual knowledge, as of the date of this Agreement, that such representation or warranty is materially inaccurate. Furthermore, for purposes of the representations and warranties set forth in Sections 2.4 and 2.5, unless a breach of the representation or warranty results in a material adverse effect on the Diagnostic Business, Seller shall not be required to indemnify Purchaser for such breach.

10.4 Access of Seller to Books and Records Related to the Diagnostic Business or Assets. At all times after the Closing Date, Purchaser will give Seller and Seller's advisors and representatives reasonable access, during normal business hours and with prior written notice, to all books and records of Seller that are reasonably requested and included in the Assets or relate to the Diagnostic Business (but only to the extent such books and records relate to any period prior to the Closing Date).

10.5 Governing Law. This Agreement will be construed in accordance with, and governed in all respects by, the laws of the State of California (without giving effect to principles of conflicts of law).

10.6 Venue and Jurisdiction. If any legal proceeding or other legal action relating to this Agreement is brought or otherwise initiated, the venue therefor will be in the County of San Diego in the State of California, which will be deemed to be a convenient forum. The Parties hereby expressly and irrevocably consent and submit to the jurisdiction of the state and federal courts in the County of San Diego in the State of California.

10.7 Notices. Any notice or other communication required or permitted to be delivered to either Party under this Agreement must be in writing and will be deemed properly delivered, given and received when delivered (by hand, by registered mail, by courier or express delivery service or by facsimile) to the address or facsimile telephone number set forth beneath the name of such Party below (or to such other address or facsimile telephone number as such Party shall have specified in a written notice given to the other Party):

if to Purchaser:

Exagen Diagnostics, Inc.
Science & Technology Park
801 University Blvd. SE, Suite 103
Albuquerque, NM 87106
Attention: President
Facsimile: (505) 727-7965

if to Seller or Subsidiary:

Cypress Bioscience, Inc.
4350 Executive Drive, Suite 325
San Diego, CA 92121
Attention: Ciara Kennedy, VP Operations
Facsimile: (858) 452-1222

with a copy to:

Cooley LLP
4401 Eastgate Mall
San Diego, CA 92121-1909
Attention: Matthew T. Browne
Facsimile: (858) 550-6045

10.8 Public Announcements. Except for the press release attached hereto as **Exhibit G** and Seller's Form 8-K (the "***Form 8-K***") disclosing this Agreement and the transactions contemplated hereby, each of which shall be released promptly following the execution of this Agreement, and any subsequent filings by Seller with the Securities and Exchange Commission (the "***Subsequent Filings***") that disclose this Agreement (including by filing this Agreement) and the transactions contemplated hereby, or as may be required by any Legal Requirement, neither Party will (and neither Party will permit any of its advisors or representatives to) issue any press release or make any public statement regarding this Agreement or any of the transactions contemplated by this Agreement, without the other Party's prior written consent (which will not be unreasonably withheld), except that Seller and Purchaser may make public statements regarding this Agreement or any of the transactions contemplated by this Agreement that are consistent with the press release attached hereto as **Exhibit G**, the 8-K or any Subsequent Filings.

10.9 Assignment. Neither Party may assign any of its rights or delegate any of its obligations under this Agreement to any other Person without the prior written consent of the other Party (which consent shall not be unreasonably withheld or delayed); *provided, however*, that Seller and Subsidiary, without Purchaser's prior consent, may assign to any Person its right to receive all or any portion of any of the cash payments to be made by Purchaser pursuant to Section 1.3.

10.10 Parties in Interest. Nothing in this Agreement is intended to provide any rights or remedies to any employee of Seller or to any other Person other than the Parties or any Indemnified Person.

10.11 Severability. In the event that any provision of this Agreement, or the application of such provision to any Person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to Persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, will not be affected and will continue to be valid and enforceable to the fullest extent permitted by law.

10.12 Entire Agreement. This Agreement, the Intellectual Property Security Agreement and the Confidentiality Agreement (which remains in full force and effect) set forth the entire understanding of the Parties and supersede all other agreements and understandings between the Parties relating to the subject matter hereof and thereof.

10.13 Waiver. No failure on the part of either Party to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of either Party in exercising any power, right, privilege or remedy under this Agreement, will operate as a waiver thereof; and no single or partial exercise of any such power, right, privilege or remedy will preclude any other or further exercise thereof or of any other power, right, privilege or remedy. Any waiver of any power, right, privilege or remedy under this Agreement must be by means of a written instrument.

10.14 Amendments. This Agreement may not be amended, modified, altered or supplemented except by means of a written instrument executed on behalf of both Parties.

10.15 Counterparts. This Agreement may be executed in several counterparts, each of which will constitute an original and all of which, when taken together, will constitute one agreement.

10.16 Interpretation of Agreement.

(a) Each Party acknowledges that it has participated in the drafting of this Agreement, and any applicable rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be applied in connection with the construction or interpretation of this Agreement.

(b) Whenever required by the context hereof, the singular number will include the plural, and vice versa; the masculine gender will include the feminine and neuter genders; and the neuter gender will include the masculine and feminine genders.

(c) As used in this Agreement, the words “include” and “including,” and variations thereof, will not be deemed to be terms of limitation, and will be deemed to be followed by the words “without limitation.”

(d) Unless the context otherwise requires, references in this Agreement to “Sections,” “Schedules” and “Exhibits” are intended to refer to Sections of and Schedules and Exhibits to this Agreement.

(e) The table of contents of this Agreement and the bold-faced headings contained in this Agreement are for convenience of reference only, will not be deemed to be a part of this Agreement and will not be referred to in connection with the construction or interpretation of this Agreement.

10.17 No Setoff. The Parties agree that any payments required to be made by any Party pursuant to this Agreement shall be made without any withholding, deduction or set-off, and each Party hereto agrees not to assert a right of set-off with respect to any such payments at common law or otherwise; *provided, however*, a Party may set-off (a) any Agreed Portion, (b)

any amount that is subject to a memorandum setting forth an agreement under Section 9.3(c) or (c) any amount that is subject to a final judgment, decree or order awarded by an arbitrator in connection with the resolution of an Indemnification Demand.

10.18 Further Assurances. Each of the Parties hereto shall execute and deliver such additional documents, certificates and instruments, and perform such additional acts, as may be reasonably requested and necessary or appropriate to carry out the purposes and intent and all of the provisions of this Agreement and the Ancillary Agreements and to consummate all of the transactions contemplated by this Agreement and the Ancillary Agreements.

[Remainder of Page Intentionally Left Blank]

The Parties have caused this Asset Purchase Agreement to be executed as of the date first written above.

CYPRESS BIOSCIENCE, INC.

By: /s/ Jay D. Kranzler
Name: Jay D. Kranzler
Title: Chairman and Chief Executive Officer

PROPRIUS, INC.

By: /s/ Sabrina Martucci Johnson
Name: Sabrina Martucci Johnson
Title: President

EXAGEN DIAGNOSTICS, INC.

By: /s/ Scott L. Glenn
Name: Scott L. Glenn
Title: Chairman and Chief Executive Officer

EXHIBIT A

CERTAIN DEFINITIONS

For purposes of the Agreement:

"**Accounts Reporting Period**" has the meaning set forth in Section 1.8(e) of the Agreement.

"**Acquired Xifin Accounts Receivable**" means all Xifin accounts receivable outstanding at the close of business on October 5, 2010 for testing services performed by Seller or Subsidiary, as applicable, with a date of service of January 12, 2010 or later (as defined by the blood sample draw date).

"**Acquired Xifin Accounts Term**" means the period of time beginning on the Closing Date and continuing so long as any Acquired Xifin Account Receivable remains outstanding.

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person.

"**Agreed Portion**" has the meaning set forth in Section 9.3(b) of the Agreement.

"**Agreement**" means the Asset Purchase Agreement to which this Exhibit A is attached, and its attachments and schedules.

"**Allocation**" has the meaning set forth in Section 1.4(a) of the Agreement.

"**Ancillary Agreements**" has the meaning set forth in Section 1.5(b) of the Agreement.

"**Asserted Damages Amount**" has the meaning set forth in Section 9.3(a) of the Agreement.

"**Assets**" has the meaning set forth in Section 1.1 of the Agreement.

"**Assumed Liabilities**" means (i) all obligations, controversies, claims, demands, debts and other liabilities under or relating to the Contracts and incurred after the Closing or arising from Purchaser's performance under the Contracts after the Closing, (ii) all obligations to make payments of license royalties due on the collection of the Acquired Xifin Accounts Receivable and the Post-10/5 Accounts Receivable, (iii) all Transition Operating Costs and any Prorated Amount, and (iv) the Federal Express charges described in Section 5.7 of the Agreement.

"**August Financial Information**" has the meaning set forth in Section 2.11(b) of the Agreement.

"**Avise MCV Product**" means a specialized lab test based, in whole or in part, on any Orgentec Technology that measures antibodies to mutated citrullinated vimentin.

"**Avise PG Product**" means a specialized test based, in whole or in party, on any intellectual property included in the Assets that measures methotrexate polyglutamate (MTXPG), an indicator of how well the body metabolizes methotrexate.

"**CB-CAPS Annual Sales Milestone**" means [***]

"**CB-CAPS Diagnostic Assay**" means a product that uses any CB-CAPS Technology and has the claims to diagnose lupus.

"**CB-CAPS Monitoring Assay**" means a product that uses any CB-CAPS Technology and has the claims to monitor lupus.

"**CB-CAPS Monitoring Assay [***] Milestone**" means [***].

"**CB-CAPS Product**" means a product that uses any CB-CAPS Technology.

"**CB-CAPS Technology**" means any technology based, in whole or in part, on any intellectual property licensed pursuant to that certain Exclusive License Agreement by and between the University of Pittsburgh – of the Commonwealth System of Higher Education and Stagemark, Inc. (and its successors and assigns) dated as of October 11, 2005, and as subsequently amended.

"**Cellatope Agreement**" means that certain Asset Purchase Agreement by and between Seller and Cellatope Corporation, dated February 9, 2009.

"**Change of Control**" means (a) in the case of Purchaser, more than 50% of the Assets are exclusively licensed, sold, transferred or otherwise disposed of (including by way of merger, consolidation or reorganization) to any Person which is not a direct or indirect wholly-owned subsidiary of Purchaser, (b) a sale, exclusive license or other disposition of all or substantially all of the assets of Purchaser on a consolidated basis (other than to any wholly-owned subsidiary (direct or indirect) of Purchaser, (c) a merger or consolidation in which Purchaser is not the surviving entity and in which the stockholders of Purchaser immediately prior to such consolidation or merger own less than 50% of the surviving entity's (or its parent's) voting power immediately after the transaction, and (d) a reverse merger in which Purchaser is the surviving entity but the shares of Purchaser's capital stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, and in which the stockholders of Purchaser immediately prior to such reverse merger own less than 50% of Purchaser's (or its parent's) voting power immediately after the transaction; provided that a Change of Control shall not include any transaction or transactions, whether or not related, that do not involve any merger, reverse merger or consolidation involving Purchaser and that are consummated for bona fide financing purposes where the consideration received by Purchaser for issuance of its securities is cash.

"**Closing**" has the meaning set forth in Section 1.6 of the Agreement.

"**Closing Date**" has the meaning set forth in Section 1.6 of the Agreement.

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

"**Code**" has the meaning set forth in Section 1.4(a) of the Agreement.

"**Combination Product**" means a system, package, or combination product or service that contains one or more other parts that could be sold separately.

"**Confidentiality Agreement**" means the Confidentiality Agreement between the Parties dated as of December 10, 2009.

"**Consent**" means any consent, approval or waiver.

"**Consent to Assignment**" has the meaning set forth in Section 1.5(b) of the Agreement.

"**Contracts**" means (i) the contracts, purchase orders, sales orders, and other instruments identified on **Schedule 1** and (ii) each other contract, purchase order, sales order or other instrument relating exclusively to any one or more of the Existing Products that is executed, entered into or accepted on behalf of Seller or Subsidiary on or after the date of this Agreement and prior to the Closing in the ordinary course of business or with the approval of Purchaser.

"**Damages**" means out-of-pocket losses and damages, excluding indirect, consequential, incidental, special and punitive damages; *provided, however*, that for purposes of computing the amount of Damages incurred by any Person, there will be deducted an amount equal to the amount of any insurance proceeds, indemnification payments, contribution payments or reimbursements actually received by such Person or any of such Person's Affiliates in connection with such Damages or the circumstances giving rise thereto.

"**December Financial Information**" has the meaning set forth in Section 2.11(a) of the Agreement.

"**Diagnostic Business**" means Seller's and Subsidiary's personalized medicine services business which helps physicians manage and optimize the care of their patients through Seller's testing services that provide physicians with actionable information about their patients.

"**Distributor**" means an independent contractor which has accepted an appointment to sell or otherwise market Products or the CB-CAPS Monitoring Assay for Purchaser or its Affiliates or Licensees within one or more markets within one or more territories under an arrangement in which neither Distributor nor Purchaser has the authority to control the day-to-day activities of the other.

"**Environmental Laws**" means all federal, state or local laws (including any statute, rule, regulation, ordinance, code or rule of common law), and all judicial or administrative interpretations thereof, and all decrees, judgments, policies, written guidance or judicial or administrative orders relating to the environment, health, safety or Hazardous Substances, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9901 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 et seq., the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq., the Clean Air Act, 42 U.S.C. § 7401 et seq., the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq., the Toxic Substance Control Act, 15 U.S.C. § 2601 et seq., the Safe Drinking Water Act, U.S.C. § 300f et seq., the Occupational Safety and Health Act, 42 U.S.C. § 1801 et

seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 136 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., and their state counterparts or equivalents, all as amended, and any regulations or rules adopted or promulgated pursuant thereto.

"**Environmental Permits**" has the meaning set forth in 2.4(d) of the Agreement.

"**Equipment**" means the equipment identified on **Schedule 3**.

"**Existing Products**" means any Avise PG Product, Avise MCV Product or CB-CAPS Product.

"**Expiration Date**" has the meaning set forth in Section 9.1(a) of the Agreement.

"**Facility**" means the premises located at 9393 Towne Centre Drive, Suite 140, San Diego, California 92121, that are being leased to Seller.

"**FDA**" means the United States Food and Drug Administration.

"**First Commercial Sale**" means, with respect to any CB-CAPS Monitoring Assay or any Product, the first sale for end use or consumption of such product in a country. Sales to an Affiliate or Licensee shall not constitute a First Commercial Sale unless the Affiliate or Licensee is the end user of such product.

"**Form 8-K**" has the meaning set forth in Section 10.8 of the Agreement.

"**Hazardous Substance**" means any: contaminant or pollutant; toxic, radioactive or hazardous waste, chemical, substance, material or constituent; asbestos; polychlorinated byphenyls (PCBs); paint containing lead or mercury; fixtures containing mercury or urea formaldehyde; natural or liquefied gas; flammable, explosive, corrosive, radioactive, medical and infectious waste; and oil or other petroleum product, all as defined in Environmental Laws.

"**Indemnification Demand**" has the meaning set forth in Section 9.3(a) of the Agreement.

"**Indemnified Person**" means the Person seeking indemnification pursuant to Section 9.1 or Section 9.2 of the Agreement.

"**Indemnifying Person**" means the Party obliged to provide indemnification pursuant to Section 9.1 or Section 9.2 of the Agreement.

"**Initial Cash Payment**" has the meaning set forth in Section 1.3(a) of the Agreement.

"**Intellectual Property Collateral**" has the meaning ascribed to such term in the Intellectual Property Security Agreement.

"**Intellectual Property Security Agreement**" has the meaning set forth in Section 1.5(a) of this Agreement.

"**Junior Lienholder**" has the meaning ascribed to such term in the Subordination Agreement.

"**Junior Lienholder Loan Documents**" has the meaning ascribed to such term in the Subordination Agreement.

"**Know-How**" means all proprietary inventions, technology, trade secrets, know-how, data, procedures and other information, in each case that (a) have been reduced to writing or stored electronically or are in another tangible form and (b) relate exclusively to the Products.

"**Landlord**" means ARE-SD Region No. 20, LLC, a Delaware limited liability company. "**Lease Assumption**" has the meaning set forth in Section 1.5(b) of the Agreement.

"**Legal Requirement**" means any law, rule or regulation of any governmental body.

"**Licensed IP**" means the intellectual property licensed pursuant to the Pittsburgh License, the LUMC License, the Orgentec License, and the Prometheus Licenses.

"**Licensee**" means any Person (other than any of the Parties or an Affiliate of any of the Parties) to which Purchaser or any of its Affiliates grants a license under any of the Patents.

"**LUMC License**" means that certain Exclusive License Agreement by and between Leiden University Medical Center and Subsidiary (and its successors and assigns) dated as of September 1, 2006 and as subsequently amended.

"**Matter**" means any claim, demand, dispute, action, suit, proceeding, investigation or other similar matter.

"**[***]**" means [***]

"**[***] Commercial Program**" means a commercial program wherein [***]

"**[***] Milestone**" means [***] have [***]

"**[***] Milestone Amount**" means: (i) [***]; (ii) [***]; or (iii) [***]

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[***]

"**Milestone**" has the meaning set forth in Section 1.3(d) of the Agreement.

"**Milestone Ratio**" means a fraction, (i) the numerator of which is (a) the percentage of the list price of the Avise PG Product that, in connection with the [***] Commercial Program or the [***] Commercial Program, as applicable, [***] or [***], as applicable, and/or its Affiliates agree to pay or otherwise reimburse, or, if no agreement, providing for such payment or reimbursement is executed, pay or otherwise reimburse minus (b) [***]% and (ii) the denominator of which is [***]%.

"**MTX Technology**" means any technology incorporating methotextrate, including monitoring, genetics of response, and prediction of toxicity, based, in whole or in part, on any intellectual property rights included in the Assets.

"**Net Sales**" means, with respect to a particular time period, (i) the total amounts collected during such time period by or on behalf of Purchaser, its Affiliates, or their respective Licensees or Distributors (other than from Licensees who are not end users or from Distributors, in which case the subsequent sale or disposition of such Product by such Licensee or Distributor shall be included in Net Sales) for sales of the Products to independent purchasers in arm's length transactions less (ii) the total royalty amount paid by Purchaser to any third party under any Contract with respect to such Net Sales plus (iii) [***]. If any Product is sold or provided as part of a Combination Product, Net Sales shall be calculated by multiplying the Net Sales from the sale of such Combination Product by the fraction A/B, where "A" is the fair market value of the Product when supplied or priced separately and "B" is the fair market value of the Combination Product. In the event that no market price is available for the Product when supplied or priced separately, fair market value shall be determined in good faith by Seller and Purchaser. If Purchaser, its Affiliates, or their respective Licensees or Distributors receive non-cash consideration (a) for the Products sold or otherwise transferred to an independent third party, Net Sales for such sale or transfer will be determined based on the average of the gross invoice prices charged to other independent third parties in respect of cash sales for such Product during the applicable reporting period or (b) for Products leased or licensed, the Parties shall agree in good faith on the value of such consideration. Where the Product is sold otherwise than on an arms length basis, the price that would have been charged in an arms length sale shall be the invoice price for such Product.

"**New Products**" mean any products (other than the Existing Products) in any form or formulation that are developed using or are covered by any of the Patents or Licensed IP, including without limitation any tests based, in whole or in part, on any MTX Technology for toxicity or predicting efficacy. Notwithstanding the foregoing, for purposes of the royalty in Section 1.3(g), after the expiration of the Royalty Term in Section 1.3(e) and (f), New Products

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shall include any products that combine or integrate, in whole or in part, any Existing Product into such products.

"**Orgentec License**" means that certain License Agreement by and between Orgentec Diagnostika GmbH and Subsidiary (and its successors and assigns) dated as of February 19, 2008 and as subsequently amended.

"**Orgentec Technology**" means any technology based, in whole or in part, on the intellectual property licensed pursuant to the Orgentec License.

"**Parties**" has the meaning set forth in the introductory paragraph of the Agreement.

"**Patents**" means the patents and patent applications identified on **Schedule 2** and all divisions, continuations, continuations-in-part, reissues, extensions, reexaminations and renewals of such patents in the United States and all foreign countries.

"**Person**" means any individual, corporation, general partnership, limited partnership, limited liability company, trust, association, firm, organization, company, business, entity, union, society or governmental body.

"**[***]**" means [***]

"**[***] Commercial Program**" means a commercial program wherein [***]

"**[***] Milestone**" means the [***]

"**[***] Milestone Amount**" means: (i) [***]; (ii) [***]; or (iii) [***].

"**Pittsburgh License**" means that certain Exclusive License Agreement by and between the University of Pittsburgh – of the Commonwealth System of Higher Education and Stagemark, Inc. (and its successors and assigns) dated as of October 11, 2005 and as subsequently amended.

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"**Post-10/5 Accounts Receivable**" has the meaning set forth in Section 1.3(h) of the Agreement.

"**Pre-Closing Period**" has the meaning set forth in Section 4.1 of the Agreement.

"**Product**" means the Existing Products and the New Products.

"**Prometheus Licenses**" mean that certain License Agreement by and between Prometheus Laboratories Inc. and Subsidiary (and its successors and assigns) dated as of September 13, 2007 and as subsequently amended and that certain Sublicense Agreement by and between Prometheus Laboratories Inc. and Subsidiary (and its successors and assigns) dated as of September 13, 2007 and as subsequently amended.

"**Property Taxes**" has the meaning set forth in Section 1.4(c) of the Agreement.

"**Prorated Amount**" has the meaning in Section 5.6(a) of the Agreement.

"**Purchaser**" has the meaning set forth in the introductory paragraph of the Agreement.

"**Purchaser Financial Statements**" has the meaning set forth in Section 3.2(a) of the Agreement.

"**Reporting Period**" has the meaning set forth in Section 1.8(c) of the Agreement.

"**Response**" has the meaning set forth in Section 9.3(b) of the Agreement.

"**Royalty Term**" means a period of time beginning on the Closing Date and ending on the last payment of a royalty pursuant to any Royalty Transaction.

"**Royalty Transactions**" mean the transactions set forth in Sections 1.3(e), (f) and (g) of the Agreement.

"**Second Cash Payment**" has the meaning set forth in Section 1.3(c) of the Agreement.

"**Second Cash Payment Date**" has the meaning set forth in Section 1.3(c) of the Agreement.

"**Seller**" has the meaning set forth in the introductory paragraph of the Agreement.

"**Seller Disclosure Schedule**" means the disclosure schedule delivered by Seller to Purchaser contemporaneously with the execution and delivery of the Agreement.

"**Specified Employees**" means the employees identified on **Schedule 6**.

"**Statement Date**" has the meaning set forth in Section 3.2 of the Agreement.

"**Straddle Period**" means a period commencing before and ending after the Closing Date.

"**Subordination Agreement**" has the meaning set forth in Section 1.5(a) of the Agreement.

"**Subsequent Filings**" has the meaning set forth in Section 10.8 of the Agreement.

"**Subsidiary**" has the meaning set forth in the introductory paragraph of the Agreement.

"**Taxes**" means all sales and use taxes, Property Taxes, gross receipts taxes, documentary transfer taxes, employment taxes, withholding taxes, unemployment insurance contributions and other taxes or governmental charges of any kind, however denominated, including any interest, penalties and additions to tax in respect thereto, imposed under any federal, state, local, foreign or other applicable tax law.

"**Trademarks**" mean the trademark registrations identified on **Schedule 4**.

"**Transfer Taxes**" has the meaning set forth in Section 1.4(b) of the Agreement.

"**Transition Operating Costs**" has the meaning set forth in Section 5.6(b) of the Agreement.

"**Trigger Event**" has the meaning set forth in Section 1.9(b) of the Agreement.

"**UCC**" means the New York Uniform Commercial Code, as in effect from time to time; *provided*, *however*, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, priority, or remedies with respect to Seller's security interest in any Intellectual Property Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies.

"**U.S. Dollars**" means United States dollars.

"**Vendor Accounts**" mean contracts or accounts with utility or third party service providers to the Facility that are provided on a purchase order or open account basis, including, without limitation, those accounts set forth on **Schedule 5.6(a)**.

"**Web Site IP**" means the "avisetest.com" domain name and the contents of the "www.avisetest.com" web site.

Exhibit 10.11

CERTAIN MATERIAL (INDICATED BY AN ASTERISK) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

AMENDMENT NO. ONE TO

ASSET PURCHASE AGREEMENT

between:

CYPRESS BIOSCIENCE, INC.,

PROPRIUS, INC.,

and

EXAGEN DIAGNOSTICS

Dated as of March 10, 2011

AMENDMENT NO. ONE TO ASSET PURCHASE AGREEMENT

This Amendment No. One is made as of this 10th day of March, 2011 by and among Cypress Bioscience, Inc., a Delaware corporation ("Seller"), Proprius, Inc., a Delaware corporation ("Subsidiary"), and Exagen Diagnostics, Inc., a Delaware corporation ("Purchaser" and, collectively with Seller and Subsidiary, the "Parties") to that certain Asset Purchase Agreement, dated as of October 8, 2010, by and among the Parties (the "Agreement"). Capitalized terms used but not defined herein shall have the respective meanings given to such terms in the Agreement.

RECITAL

The Parties wish to set forth herein amendments to certain provisions of the Agreement pertaining to the Acquired Xifin Accounts Receivable to, among other things, (a) change the amount Seller or Subsidiary is required to pay to Purchaser for the Acquired Xifin Accounts Receivable, including for royalties and collection fees paid by Purchaser, and (b) provide that Purchaser need not collect receivables from patients except to the extent such patients have received reimbursement from insurance companies.

AMENDMENT

The Parties, intending to be legally bound, agree as follows:

1. Amendment and Restatement of Section 1.3(h). Section 1.3(h) of the Agreement is amended and restated to read as follows:

> "(h) Within [***] days after the delivery of each monthly reconciliation contemplated by Section 1.8(f) of this Agreement, Seller or Subsidiary, as applicable, shall, subject to Section 10.17, pay to Purchaser: (i) for monthly reports within the period of time beginning on the Closing Date and ending on January 31, 2011, an amount equal to (x) [***]% multiplied by all amounts received pursuant to Acquired Xifin Accounts Receivable during such month *plus* (y) [***]% multiplied by the amount of license royalties paid by Purchaser under any Contracts which are attributable to such accounts receivable during such month *plus* (z) [***]% multiplied by the amount of the collection fee (which amount shall not exceed [***]% of the amount collected) paid by Purchaser to Xifin with respect to such accounts receivable during such month, and (ii) for monthly reports within the period of time beginning on February 1, 2011 and continuing until the end of the Acquired Xifin Accounts Term, an amount equal to (x) [***]% multiplied by all amounts received pursuant to Acquired Xifin Accounts Receivable during such month *plus* (y) [***]% multiplied by the amount of license royalties paid by Purchaser under any Contracts which are attributable to such accounts receivable during such

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month *plus* (z) [***]% multiplied by the amount of the collection fee (which amount shall not exceed [***]% of the amount collected) paid by Purchaser to Xifin with respect to such accounts receivable during such month. For accounts receivable for testing services performed by Purchaser with a date of service of October 6, 2010 or later (as defined by the blood sample draw date) (the "***Post-10/5 Accounts Receivable***"), the Parties shall, subject to Section 10.17, follow the procedures set forth under "Post-10/5 Accounts Receivable" in **Schedule 5.8.**"

2. Amendment to Section 1.7. Section 1.7 of the Agreement is amended by appending subsection (b) thereto, to read as follows:

"(b) [***]"

3. Treatment of Non-Xifin AR. The portion of Schedule 5.8 of the Agreement under the heading "Non-Xifin Accounts Receivable" is amended and restated to read as follows:

"Non-Xifin Accounts Receivable ("***Non-Xifin AR***")

Claims or Payments for testing Services performed by Seller or Subsidiary, as applicable, with a date of service, as defined by blood sample draw date, prior to January 12, 2010.

- Seller will retain all rights to pursue payment for Non-Xifin AR claims.
- Seller will not pursue payment for Non-Xifin AR resulting from amounts billed to patients if Seller or its agents have not received such Claims or Payments on or before March 10, 2011; provided, however, the foregoing restriction shall not apply to any Reimbursement Receivables.

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- Purchaser will make available any information and data required to pursue Non-Xifin AR."

4. Treatment of Xifin AR. The portion of Schedule 5.8 of the Agreement under the heading "Xifin Accounts Receivable" is amended and restated to read as follows:

"Xifin Accounts Receivable ("***Xifin AR***")

Claims and Payments for testing services performed by Seller with a date of service, as defined by the blood sample draw date, of January 12, 2010 through the close of business on October 5, 2010:

- All Xifin AR will be submitted for payment using Seller provider identification numbers.
- Purchaser will work with Xifin to provide all required information for efficient processing of Xifin AR.
- Seller will provide purchaser with electronic copies of all deposits made to Seller for Xifin AR.
- On a monthly basis Purchaser will provide Seller with a reconciliation statement detailing the total collections by test for that month, the royalties owed on said payments, the collection fee owed to Xifin on said payments (per the surviving contract between Purchaser and Xifin, never to exceed [***]%), the [***]% to [***]% or [***]% to [***]% split, as applicable to such month, between Seller and Purchaser of said payments and other payments owed between Seller and Purchaser relating to the royalties and payments to Xifin.
- Seller and Purchaser will settle the monies due within 14 days after the delivery of each monthly reconciliation statement contemplated in the previous bullet point."

5. Miscellaneous. Except as expressly amended hereby, the Agreement shall remain in full force and effect in accordance with the terms thereof. This Amendment No. One will be construed in accordance with, and governed in all respects by, the laws of the State of California (without giving effect to principles of conflicts of law) and may be executed in several counterparts, each of which will constitute an original and all of which, when taken together, will constitute one agreement.

[Signatures Follow]

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

The Parties have caused this Amendment No. One to be executed as of the date first written above.

CYPRESS BIOSCIENCE, INC.

By /s/ Jeffrey A. Meckler
Name: Jeffrey A. Meckler
Title: Interim Chief Executive Officer

PROPRIUS, INC.

By /s/ Sabrina Martucci Johnson
Name: Sabrina Martucci Johnson
Title: President

EXAGEN DIAGNOSTICS, INC.

By
Name: Scott L. Glenn
Title: Chairman and Chief Executive Officer

Exhibit 10.12

AMENDMENT NO. TWO TO

ASSET PURCHASE AGREEMENT

between:

ROYALTY PHARMA COLLECTION TRUST,

PROPRIUS, INC.

and

EXAGEN DIAGNOSTICS, INC.

Dated as of August 21, 2012

AMENDMENT NO. TWO TO ASSET PURCHASE AGREEMENT

This Amendment No. Two is made as of this 21st day of August, 2012 by and among Royalty Pharma Collection Trust, a Delaware statutory trust ("Seller"), as assignee of Cypress Bioscience, Inc., a Delaware corporation, Proprius, Inc., a Delaware corporation ("Subsidiary"), and Exagen Diagnostics, Inc., a Delaware corporation ("Purchaser" and, collectively with Seller and Subsidiary, the "Parties"), the parties to that certain Asset Purchase Agreement, dated as of October 8, 2010 and amended on March 10, 2011, by and among the Parties (the "Agreement"). Capitalized terms used but not defined herein shall have the respective meanings given to such terms in the Agreement.

RECITALS

WHEREAS, pursuant to the terms of the Agreement, at the Closing, Purchaser purchased the Diagnostic Business from Seller and Subsidiary;

WHEREAS, following the Closing, certain issues have arisen between the Parties concerning, among others, claims alleging fraud, misrepresentation, unfair business practices under Cal. Bus. & Prof. Code § 17200 et seq., intentional interference with contractual relations, and intentional interference with prospective economic relations, including claims related to the collection of receivables by Seller and Subsidiary, which claims are detailed in letters from Purchaser's counsel to Seller and its counsel (the "Matter"); and

WHEREAS, the Parties desire to resolve the Matter by setting forth herein amendments to certain provisions of the Agreement.

AMENDMENT

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which being hereby acknowledged, the Parties hereby agree as follows:

1. Amendment and Restatement of Section 1.3(c). Section 1.3(c) of the Agreement is amended and restated to read as follows:

"(c) (i) *Issuance of Note*.

On the second anniversary of the date hereof, Purchaser will issue to Seller a promissory note (the "Note") in the aggregate principal amount of $2,000,000, the form of which is attached hereto as Exhibit A. The Note shall be secured in accordance with Section 5.9 of the Agreement. The Note shall accrue interest at a rate of 10% per annum which interest shall be payable on the last Friday of each month following the date of issuance of the Note. The outstanding principal balance on the Note shall be repaid at the rate of $41,666.67 per month on the last Friday of each month following the date of issuance of the Note. The amount of interest and principal due on the last Friday of each month following the date of issuance of the Note are as set forth on Schedule A attached to the Note.

(ii) *Mandatory Prepayment.*

The Note shall be subject to the following mandatory prepayment conditions:

(1) Upon the occurrence of a Trigger Event, the then outstanding principal balance and all accrued interest on the Note shall become immediately due and payable in full.

(2) Upon the occurrence of any material breach by Purchaser of the provisions of the Agreement or the Note, including any failure of Purchaser to pay amounts under the Note when due, Seller may, upon written notice to Purchaser, demand that the then outstanding principal balance and all accrued interest on the Note shall become immediately due and payable in full.

(3) If any of the assets of Purchaser are sold, licensed, leased, transferred or otherwise disposed of to any Person which is not a direct or indirect wholly-owned subsidiary of Purchaser, then 100% of the proceeds of any such transaction shall be applied to the outstanding principal balance on the Note.

(4) Upon the sale, on or after December 31, 2012, by Purchaser of any of its equity securities (including any debt securities convertible into equity securities of Purchaser) to any Person other than (x) sales of such securities to an existing stockholder of Purchaser or (y) issuances of incentive equity to employees, consultants or directors, then 20% of the gross proceeds of any such transaction shall be applied to the outstanding principal balance on the Note.

(5) Any such prepayment detailed in Sections 1, 2, 3 or 4 above shall be applied to installments of principal under the Note in the inverse order of maturity.

2. Amendment to First Sentence of Section 1.9(a). The first sentence of Section 1.9(a) of the Agreement shall be deleted and replaced with the following: "If any Trigger Event occurs prior to the date on which the Purchaser issues and delivers the Note to Seller, Purchaser shall become immediately obligated to pay the sum of $2,000,000 to Seller by wire transfer of immediately available funds."

3. Amendment of Section 1.10. The phrase "Second Cash Payment" in Section 1.10 of the Agreement shall be deleted and replaced with the following: "payment obligations under the Note, subject to the acceleration of such payment obligations under Section 1.3(c)(ii)(1) of the Agreement."

4. Release and Waiver. In consideration of the mutual agreements contained herein, the adequacy and sufficiency of which are hereby acknowledged, Purchaser hereby waives, releases, acquits and forever discharges Seller and Subsidiary and their respective Affiliates,

predecessors, successors and assigns from any and all claims, demands, actions, causes of action, liabilities and damages in law or in equity, arising out of, in connection with, or relating to, the Matter, and all matters directly and indirectly related thereto.

5. Miscellaneous. Except as expressly amended hereby, the Agreement and the Ancillary Agreements shall remain in full force and effect in accordance with the terms thereof. This Amendment No. Two will be construed in accordance with, and governed in all respects by, the laws of the State of California (without giving effect to principles of conflicts of law) and may be executed in several counterparts, each of which will constitute an original and all of which, when taken together, will constitute one agreement.

6. Trustee Capacity of Wilmington Trust Company. Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed by the parties hereto that (i) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally but solely in its trustee capacity, in the exercise of the powers and authority conferred and vested in it under the Amended and Restated Trust Agreement dated as of August 9, 2011, among State Street Custodial Services (Ireland) Limited, as Trustee of Royalty Pharma Select, and Wilmington Trust Company, as owner trustee of Seller, (ii) each of the representations, undertakings and agreements herein made on the part of Seller is made and intended not as a personal representation, undertaking and agreement by Wilmington Trust Company but is made and intended for the purpose of binding only Seller and (iii) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of Seller or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by Seller under this Agreement or any related documents.

[Signatures Follow]

The Parties have caused this Amendment No. Two to be executed as of the date first written above.

ROYALTY PHARMA COLLECTION TRUST

By: Wilmington Trust Company, not in its individual capacity but solely in its capacity as owner trustee

By /s/ Yvette L. Howell
Name: Yvette L. Howell
Title: Assistant Vice President

PROPRIUS, INC.

By /s/ George W. Lloyd
Name: George W. Lloyd
Title: Authorized Person

EXAGEN DIAGNOSTICS, INC.

By /s/ Ron Rocca
Name: Ron Rocca
Title: C.E.O.

EXHIBIT A

Form of Note

SECURED PROMISSORY NOTE

$2,000,000 **October 8, 2012**

Subject to the terms and conditions of this Note, for value received, Exagen Diagnostics, Inc., a Delaware corporation (the "Borrower"), hereby promises to pay to Royalty Pharma Collection Trust, a Delaware statutory trust (the "Lender"), the principal sum of Two Million Dollars and Zero Cents ($2,000,000.00) (the "Principal Amount"), together with interest thereon accruing on and from the date hereof until the entire Balance is paid, at an annual rate equal to ten percent (10%) (the "Interest Rate"). Interest shall be calculated based on a 365-day year, compounded monthly, but in no event shall the rate of interest exceed the maximum rate, if any, allowable under applicable law. The amount of interest and principal due on the last Friday of each month following the date of issuance of this Note is as set forth on Schedule A hereto. "Balance" means, at the applicable time, the sum of all then outstanding principal of this Note, all then accrued but unpaid interest and all other amounts then accrued but unpaid under this Note.

1. Terms of Note. This Note is issued pursuant to, and is subject to the terms and entitled to the benefits of, the Asset Purchase Agreement, dated as of October 8, 2010, as amended, modified or supplemented from time to time (the "Asset Purchase Agreement"), among the Borrower, the Lender (as assignee of Seller) and Subsidiary. Terms used herein and not otherwise defined shall have the meanings set forth in the Asset Purchase Agreement.

2. Maturity. Subject to any prepayment of this Note, the principal amount of this Note shall be payable on the dates and in the amounts as set forth on Schedule A hereto.

3. Interest. Interest on this Note will accrue at the Interest Rate from the date hereof. Interest on this Note shall be payable on the dates and in the amounts as set forth on Schedule A hereto, subject to any prepayment of this Note. Following any prepayment of this Note, the interest amounts payable on this Note shall be adjusted accordingly. Notwithstanding the foregoing, in the event any payment due hereunder is not made when due, Section 1.11 of the Asset Purchase Agreement shall be applicable to such late payment.

4. Prepayment. This Note may be prepaid at any time, without premium or penalty, in whole or in part. Any prepayment of this Note shall be applied to installments of the Principal Amount in the inverse order of maturity. This Note is subject to the mandatory prepayment conditions set forth in Section 3.1(c)(ii) of the Asset Purchase Agreement. Such mandatory prepayments shall be made at the times and in the amounts as specified in the Asset Purchase Agreement.

5. Security. This Note is secured under the Intellectual Property Security Agreement, entered into concurrently with the execution and delivery of the Asset Purchase Agreement. Reference is hereby made to the Intellectual Property Security Agreement for a

description of the nature and extent of the security for this Note and the rights with respect to such security of the holder of this Note.

6. No Impairment. No provision of the Asset Purchase Agreement or this Note shall alter or impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal and interest on this Note at the times, places and rates, and in the coin or currency provided in the Asset Purchase Agreement or herein.

7. No Waivers; Amendments. No failure or delay on the part of the payee hereof in exercising any right, power or remedy hereunder or under the Asset Purchase Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein and in the Asset Purchase Agreement are cumulative and are not exclusive of any remedies that may be available to the payee hereof at law or in equity or otherwise. This Note may not be amended and the provisions hereof may not be waived, except in accordance with the terms of the Asset Purchase Agreement.

8. Assignment. The Lender may assign this Note and its rights under the Intellectual Property Security Agreement to an Affiliate of such Lender. Such assignee shall be deemed a "Lender" for purposes of this Note. The Borrower may not assign its obligations under this Note without the prior written consent of the Lender.

9. Replacement of Note. Upon receipt by the Borrower of evidence reasonably satisfactory to it of ownership of and the loss, theft, destruction or mutilation of this Note, and (a) in the case of loss, theft or destruction of indemnity reasonably satisfactory to it, or (b) in the case of mutilation, upon surrender and cancellation of this Note, the Borrower, at its own expense, shall execute and deliver a new Note, dated and bearing interest from the date to which interest shall have been paid on this lost, stolen, destroyed or mutilated Note or dated the date of this lost, stolen, destroyed or mutilated Note if no interest shall have been paid hereon.

10. Collection Expenses. The Borrower further agrees, subject only to any limitation imposed by applicable law, to pay all expenses, including reasonable attorneys' fees, incurred by the holder of this Note in endeavoring to collect any amounts payable hereunder which are not paid when due.

11. Payments in U.S. Dollars. All payments of principal and interest with respect to this Note are to be made in lawful money of the United States of America.

12. Governing Law. This Note shall be deemed to be a contract made under the laws of the State of California, and for all purposes shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of laws thereof.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed and delivered as a sealed instrument on the date set forth above by the duly authorized representative of the Borrower.

BORROWER

EXAGEN DIAGNOSTICS, INC.

By _____
Name:
Title:

[Signature Page for Form of Note]

Exhibit 10.13

CERTAIN MATERIAL (INDICATED BY AN ASTERISK) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

AMENDMENT NO. THREE

TO ASSET PURCHASE AGREEMENT

between:

ROYALTY PHARMA COLLECTION TRUST,

PROPRIUS, INC.

and

EXAGEN DIAGNOSTICS, INC.

Dated as of February 6 , 2013

AMENDMENT NO. THREE TO ASSET PURCHASE AGREEMENT

This Amendment No. Three is made as of this 6th day of February, 2013 by and among Royalty Pharma Collection Trust, a Delaware statutory trust ("Seller"), as assignee of Cypress Bioscience, Inc., a Delaware corporation, Proprius, Inc., a Delaware corporation ("Subsidiary"), and Exagen Diagnostics, Inc., a Delaware corporation ("Purchaser" and, collectively with Seller and Subsidiary, the "Parties"), the parties to that certain Asset Purchase Agreement, dated as of October 8, 2010, as amended on March 10, 2011 ("Amendment No. One"), August 21, 2012 ("Amendment No. Two"), and hereby ("Amendment No. Three") by and among the Parties (the Asset Purchase Agreement, as amended by Amendment Nos. One, Two and Three, collectively, the "Agreement").

Capitalized terms used but not defined herein shall have the respective meanings given to such terms in the Agreement.

RECITALS

WHEREAS, pursuant to the terms of the Agreement, at the Closing, Purchaser purchased the Diagnostic Business from Seller and Subsidiary;

WHEREAS, the Parties now wish to amend the method of payment for certain Milestones;

AMENDMENT

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which being hereby acknowledged, the Parties hereby agree as follows:

1. Amendment and Restatement of Section 1.3(d)(iii). Section 1.3(d)(iii) of the Agreement is amended and restated to read as follows:

"(iii) (1) Issuance of 2nd Note

Within five (5) business days after achievement of the CB-CAPS Monitoring Assay Launch Milestone, Purchaser shall issue to Seller a promissory note (the "2nd" Note") in the aggregate principal amount of [***], the form of which is attached hereto as Exhibit A. The 2nd Note shall be secured in accordance with Section 5.9 of the Agreement. The Note shall accrue interest at a rate of [***] per annum which interest shall be payable on the 10th business day following the end of each month following the date of issuance of this 2nd Note, The outstanding principal balance on the Note shall be repaid at the rate specified in Schedule A to the 2nd Note on the 10th business day following the end of each month following the date of issuance of this 2nd Note.

(2) *Mandatory Prepayment*.

The 2nd Note shall be subject to the following mandatory prepayment conditions:

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(1) Upon the occurrence of a Trigger Event, the then outstanding principal balance and all accrued interest on the 2nd Note shall become immediately due and payable in full.

(2) Upon the occurrence of any material breach by Purchaser of the provisions of the Agreement or the 2nd Note, including any failure of Purchaser to pay amounts under the 2nd Note when due, Seller may, upon written notice to Purchaser, demand that the then and the outstanding principal balance and all accrued interest on the 2nd Note shall become immediately due and payable in full.

(3) If any of the assets of Purchaser are sold, licensed, leased, transferred or otherwise disposed of to any Person which is not a direct or indirect wholly-owned subsidiary of Purchaser, then 100% of the gross proceeds of any such transaction, after any prepayment of the Note required by Section 1.3(c)(ii)(3) of the Agreement, shall be applied to prepay the then outstanding principal and accrued interest of the 2nd Note.

(4) Upon the sale, on or after December 31, 2012, by Purchaser of any of its equity securities (including any debt securities convertible into equity securities of Purchaser) to any Person other than (x) sales of such securities to an existing stockholder of Purchaser or (y) issuances of incentive equity to employees, consultants or directors, then 20% of the gross proceeds of any such transaction, after any prepayment of the Note required by Section 1.3(c)(ii)(4) of the Agreement, shall be applied to prepay the then outstanding principal and accrued interest of the 2nd Note.

(5) Any such prepayment detailed in Sections 1, 2, 3 or 4 above shall be applied to installments of principal under the Note and the 2nd Note in the inverse order of maturity."

2. Amendment to First Sentence of Section 1.9(a). The first sentence of Section 1.9(a) of the Agreement shall be deleted and replaced with the following: "If any Trigger Event occurs following the achievement of the CB-CAPS Monitoring Assay [***] Milestone but prior to the date on which the Purchaser issues and delivers the 2nd Note to Seller, Purchaser shall become immediately obligated to pay the sum of [***] to Seller by wire transfer of immediately available funds."

3. Amendment of Section 1.10. Section 1.10 of the Agreement shall be deleted and replaced with the following:

"1.10 Assumption of Obligations in Change of Control. In the event Purchaser experiences a Change of Control, Purchaser shall cause the Person acquiring Purchaser (or acquiring or exclusively licensing substantially all of its assets) with respect to a Change of Control to assume Purchaser's obligations under this Agreement, including,

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

without limitation, those obligations with respect to the Note, the 2nd Note, the [***] Milestone, the [***] Milestone, the CB-CAPS Annual Sales Milestone, the Assumed Liabilities, the royalties paid for Royalty Transactions, and the Acquired Xifin Accounts Receivable."

4. Miscellaneous. Except as expressly amended hereby, the Agreement and the Ancillary Agreements shall remain in full force and effect in accordance with the terms thereof. This Amendment No. Three will be construed in accordance with, and governed in all respects by, the laws of the State of California (without giving effect to principles of conflicts of law) and may be executed in several counterparts, each of which will constitute an original and all of which, when taken together, will constitute one agreement.

4. Trustee Capacity of Wilmington Trust Company. Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed by the parties hereto that (i) this Agreement is executed and delivered by Wilmington Trust Company, not individually or personally but solely in its trustee capacity, in the exercise of the powers and authority conferred and vested in it under the Amended and Restated Trust Agreement dated as of August 9, 2011, among State Street Custodial Services (Ireland) Limited, as Trustee of Royalty Pharma Select, and Wilmington Trust Company, as owner trustee of Seller, (ii) each of the representations, undertakings and agreements herein made on the part of Seller is made and intended not as a personal representation, undertaking and agreement by Wilmington Trust Company but is made and intended for the purpose of binding only Seller and (iii) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of Seller or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by Seller under this Agreement or any related documents.

[Signatures Page Follows]

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

The Parties have caused this Amendment No. Three to be executed as of the date first written above.

ROYALTY PRARMA COLLECTION TRUST

By: Wilmington Trust. Company, not in its individual capacity but solely in its capacity as owner trustee

By: /s/ Yvette L. Howell
Name: Yvette L. Howell
Title: Assistant Vice President

PROPRIUS, INC.

By: /s/ George W. Lloyd
Name: George W. Lloyd
Title: Authorized Signatory

EXAGEN DIAGNOSTICS, INC.

By: /s/ Wendy Swedick
Name: Wendy Swedick
Title: CFO

EXHIBIT A

Form of 2nd Note

SECURED PROMISSORY 2nd NOTE

$1,000,000 **_____, 2013**

Subject to the terms and conditions of this 2nd Note, for value received, Exagen Diagnostics, Inc., a Delaware corporation (the "Borrower"), hereby promises to pay to Royalty Pharma Collection Trust, a Delaware statutory trust (the "Lender"), the principal sum of One Million Dollars and Zero Cents ($1,0[* * *]) (the "Principal Amount"), together with interest thereon accruing on and from the date hereof until the entire Balance is paid, at an annual rate equal to [* * *] ([* * *]%) (the "Interest Rate"). Interest shall be calculated based on a 365-day year, compounded monthly, but in no event shall the rate of interest exceed the maximum rate, if any, allowable under applicable law. The amount of interest and principal due on the 10th business day following the end of each month following the date of issuance of this 2nd Note is as set forth on Schedule A hereto. "Balance" means, at the applicable time, the sum of all then outstanding principal of this 2nd Note, all then accrued but unpaid interest and all other amounts then accrued but unpaid under this 2nd Note.

1. Terms of 2nd Note. This 2nd Note is issued pursuant to, and is subject to the terms and entitled to the benefits of, the Asset Purchase Agreement, dated as of October 8, 2010, as amended, modified or supplemented from time to time (the "Asset Purchase Agreement"), among the Borrower, the Lender (as assignee of Seller) and Subsidiary. Terms used herein and not otherwise defined shall have the meanings set forth in the Asset Purchase Agreement.

2. Maturity. Subject to any prepayment of this 2nd Note, the principal amount of this 2nd Note shall be payable on the dates and in the amounts as set forth on Schedule A hereto.

3. Interest. Interest on this 2nd Note will accrue at the Interest Rate from the date hereof. Interest on this 2nd Note shall be payable on the dates and in the amounts as set forth on Schedule A hereto, subject to any prepayment of this 2nd Note. Following any prepayment of this 2nd Note, the interest amounts payable on this 2nd Note shall be adjusted accordingly. Notwithstanding the foregoing, in the event any payment due hereunder is not made when due, Section 1.11 of the Asset Purchase Agreement shall be applicable to such late payment.

4. Prepayment. This 2nd Note may be prepaid at any time, without premium or penalty, in whole or in part. Any prepayment of this 2nd Note shall be applied to installments of the Principal Amount in the inverse order of maturity. This Note is subject to the mandatory prepayment conditions set forth in Section 1.3(d)(iii) of the Asset Purchase Agreement. Such mandatory prepayments shall be made at the times and in the amounts as specified in the Asset Purchase Agreement.

5. Security. This Note is secured under the Intellectual Property Security Agreement, entered into concurrently with the execution and delivery of the Asset Purchase Agreement. Reference is hereby made to the Intellectual Property Security Agreement for a description of the nature and extent of the security for this Note and the rights with respect to such security of the holder of this Note.

6. No Impairment. No provision of the Asset Purchase Agreement or this 2nd Note shall alter or impair the obligation of the Borrower, which is absolute and unconditional, to pay

the principal and interest on this 2nd Note at the times, places and rates, and in the coin or currency provided in the Asset Purchase Agreement or herein.

7. No Waivers; Amendments. No failure or delay on the part of the payee hereof in exercising any right, power or remedy hereunder or under the Asset Purchase Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein and in the Asset Purchase Agreement are cumulative and are not exclusive of any remedies that may be available to the payee hereof at law or in equity or otherwise. This 2nd Note may not be amended and the provisions hereof may not be waived, except in accordance with the terms of the Asset Purchase Agreement.

8. Assignment. The Lender may assign this 2nd Note and its rights under the Intellectual Property Security Agreement to an Affiliate of such Lender. Such assignee shall be deemed a "Lender" for purposes of this 2nd Note. The Borrower may not assign its obligations under this 2nd Note without the prior written consent of the Lender.

9. Replacement of 2nd Note. Upon receipt by the Borrower of evidence reasonably satisfactory to it of ownership of and the loss, theft, destruction or mutilation of this 2nd Note, and (a) in the case of loss, theft or destruction of indemnity reasonably satisfactory to it, or (b) in the case of mutilation, upon surrender and cancellation of this 2nd Note, the Borrower, at its own expense, shall execute and deliver a new 2nd Note, dated and bearing interest from the date to which interest shall have been paid on this lost, stolen, destroyed or mutilated 2nd Note or dated the date of this lost, stolen, destroyed or mutilated 2nd Note if no interest shall have been paid hereon.

10. Collection Expenses. The Borrower further agrees, subject only to any limitation imposed by applicable law, to pay all expenses, including reasonable attorneys' fees, incurred by the holder of this 2nd Note in endeavoring to collect any amounts payable hereunder which are not paid when due.

11. Payments in U.S. Dollars. All payments of principal and interest with respect to this 2nd Note are to be made in lawful money of the United States of America.

12. Governing Law. This 2nd Note shall be deemed to be a contract made under the laws of the State of California, and for all purposes shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of laws thereof.

[Signatures Page Follows]

IN WITNESS WHEREOF, the Borrower has caused this 2nd Note to be duly executed and delivered as a sealed instrument on the date set forth above by the duly authorized representative of the Borrower.

BORROWER

EXAGEN DIAGNOSTICS, INC.

By: _____

Name:
Title:

SCHEDULE A
- ATTACHMENT TO 2ND NOTE

[***]

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 10.14

eXagen™ DIAGNOSTICS

October 12, 2010

Thierry Dervieux
240 Coral Rose
Irvine, CA 92603

Dear Thierry,

I am confirming our offer for you to join Exagen Diagnostics, Inc. as Vice President R&D and Chief Development Officer, with a start date of November 1, 2010. We are offering you an annual salary of $240,000 per year, reimbursement of your moving expenses up to $5,000 and a bonus of $50,000 to be paid when you and your family permanently reside in Albuquerque which must occur on or before June 1, 2011. In addition you will be eligible for the management bonus plan during the year 2011. Your bonus goals and payments will be defined and approved by the board of directors prior to the end of this year. Pending approval by the Exagen Board of Directors, you will also receive options to purchase 100,000 shares Exagen common stock, to vest in 4 annual portions beginning on the first anniversary date of your employment, at a strike price of $0.28 per share. Such options will become fully vested upon the acquisition of the company and your employment ceases, for no cause of your own.

You will be eligible to participate in the Exagen benefits program, a summary of which you will receive under separate cover. Exagen currently has a safe harbor 401K plan and contributes an amount equal to 3% of your annual income into your 401K. There is no vesting period in the 401(k). In addition, you will accrue 4 weeks (or 120 hours) of paid time off a year in addition to the ten holidays currently recognized by Exagen.

You will become eligible to participate in the Exagen benefits program on the first day of the months following your hire date. With a start date of November 1, 2010, your eligibility date for benefits is December 1, 2010. You will receive the benefits enrollment information upon written acceptance of the offer.

If you are terminated for other than cause you will receive severance payments as follows:

1) From your start date to one year of employment: 6 months of base salary.
2) From 1 year to 2 years of employment: 9 months of base salary.
3) Greater than 2 years of employment: 12 months of base salary.

Employment at Will: This letter is intended to communicate certain terms and conditions of employment with Exagen Diagnostics, Inc. but is not intended to be and should not be considered an employment contract. Your employment is not for a specific duration and may be terminated by you or Exagen Diagnostics, Inc. at anytime, for any reason or for no reason whatsoever, with or without notice and with or without cause unless otherwise specified by law. Your employment is “at will.” The “at will” status of your employment may not be altered except by a separate written contract signed by the Chief Executive Officer of Exagen Diagnostics, Inc. No one other than the Chief Executive Officer has the authority to enter into an employment contract with you.

You will enter into an employee confidentiality and invention agreement effective during your period of employment. You will enter into an agreement with the company for a license to your provisional patents for methotrexate and thiopuriene under mutually agreed upon terms.

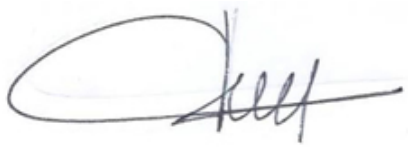
We recognize that you will be working with the company between now and your official start date. For these efforts the company will pay you $112.50/hour or $900/day as a private contractor.

We look forward to working with you as a member of the Exagen team. We are excited about the contributions you will make to the success of our company. If you have any further questions, please do not hesitate to contact me.

Sincerely

Scott Glenn
Chief Executive Officer

I Accept the Offer Stated Above



Thierry Dervieux

Patient focused. Discovery driven.

September 9, 2011

Thierry Dervieux
240 Coral Rose
Irvine, CA 92603

Dear Thierry,

We would like to confirm the following contingent upon Board of Director approval the following modifications to your employment with Exagen Diagnostics Inc. You have signed our offer letter dated October 12, 2011 and an Employment Agreement date 10-31-10, both attached. We would like to add the following stipulation:

Termination of your employment by you for "Good Reason"

"Good Reason" shall mean the occurrence of any of the following events without your consent;

a) A material reduction in your duties or responsibilities following the date of this amendment.

b) The relocation of the company's principal business location to a point more than two hundred and fifty (250) miles East of its current Albuquerque location or more than one thousand (1000) miles from your principal residence.

c) A material reduction by the company of your base salary as defined in your offer letter, as the result of a company-wide compensation reduction or in connection with similar decreases for the management team of the company.

In the event you terminate your employment for Good reasons as defined above, then the Company shall pay to you: i) any bonus awarded not previously paid, and any accrued and unused vacation benefits. and ii) Severance pay in the form of a lump sum payment equal to 9 months of base salary and 12 months of base salary one year following the date of this amendment, provided however, that any resignation by you due to any of the following conditions shall only be deemed for Good Reason if: (i) you give the company written notice of the intent to terminate for Good Reason within ninety (90) days following the first occurrence of the condition(s) that you believe constitutes Good Reason, which notice shall describe such condition(s); (ii) the Company fails to remedy, if remediable, such condition(s) within thirty (30) days following receipt of the written notice (the "Cure

Period") of such condition(s) from you; and (iii) you actually resign your employment within the first fifteen (60) days after expiration of the Cure Period.

Allowance: The company agrees to reimburse you for all reasonable travel expenses and accommodations associated with your commute to the company. Since the company's offices are an extended distance from your principal residence, the company will allow you to work from your Principal residence up to 50% of the time.

Relocation: If at a later date you and your family decide to relocate to less than (30) miles from the company's offices the company agrees to reimburse you for all moving expenses. In addition the company agrees to award you a fifty thousand ($50,000) relocation bonus payable within thirty days (30) after your permanent move.

Best Regards,

Scott L. Glenn
Chairman/CEO

Attachments:
Offer Letter
Employment Agreement

Exhibit 10.15

CERTAIN MATERIAL (INDICATED BY AN ASTERISK) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

AMENDED AND RESTATED EXCLUSIVE LICENSE AGREEMENT

This Agreement is made and entered into as of the 2nd day of August, 2011 ("EFFECTIVE DATE"), by and between the UNIVERSITY OF PITTSBURGH - OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION, a non-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with an office at 200 Gardner Steel Conference Center, Thackeray and O'Hara Streets, Pittsburgh, Pennsylvania 15260 ("UNIVERSITY"), and EXAGEN DIAGNOSTICS, INC., a corporation organized and existing under the laws of Delaware, having an office at 801 University Blvd. SE Suite 103 Albuquerque, NM 87106 ("LICENSEE").

WHEREAS, UNIVERSITY is the owner by assignment from the inventors of certain PATENT RIGHTS, entitled "Diagnosis and Monitoring of Systemic Lupus Erythematosus," developed by Drs. Susan Manzi and Joseph Ahearn of the UNIVERSITY faculty, consisting of certain patents and patent applications, and the UNIVERSITY has the right to grant licenses under such PATENT RIGHTS;

WHEREAS, UNIVERSITY desires to have the PATENT RIGHTS utilized in the public interest;

WHEREAS, LICENSEE has represented to UNIVERSITY, to induce UNIVERSITY to enter into this Agreement, that LICENSEE is experienced in the development, production, manufacture, marketing and sale of products and/or the use of similar products to the LICENSED TECHNOLOGY and that LICENSEE shall commit itself to a thorough, vigorous and diligent program of exploiting the PATENT RIGHTS so that public utilization results therefrom;

WHEREAS, UNIVERSITY and CYPRESS BIOSCIENCE, INC., as successor in interest to CELLATOPE CORPORATION (formerly STAGEMARK, INC.), entered into an Exclusive License Agreement dated as of October 11, 2005, as amended by a First Amendment to Exclusive License Agreement dated May 25, 2006, a Second Amendment to Exclusive License Agreement on February 21, 2007, a Third Amendment to Exclusive License Agreement on February 23, 2009, and a Fourth Amendment to Exclusive License Agreement on September 21, 2010;

WHEREAS, CYPRESS BIOSCIENCE, INC. assigned the Exclusive License Agreement, as amended, to EXAGEN DIAGNOSTICS, INC., by an Assignment and Assumption Agreement dated October 16, 2010; and

WHEREAS, LICENSEE desires to amend and restate in its entirety the Exclusive License Agreement, as amended, and to obtain a license under the PATENT RIGHTS upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I - DEFINITIONS

For purposes of this Agreement, the following words and phrases shall have the following meanings:

1.1 "AFFILIATE" shall mean, with respect to the UNIVERSITY, any clinical or research entity that is operated or managed as a facility under the UPMC Health System, whether or not owned by UNIVERSITY.

1.2 "COMMERCIALLY REASONABLE BEST EFFORTS" shall mean, with respect to the research, development and commercialization of any product, compound or process, [***]

1.3 "LICENSEE" shall mean Exagen Diagnostics, Inc. and all entities at least fifty percent (50%) owned or controlled by Exagen Diagnostics, Inc.

1.4 "LICENSED TECHNOLOGY" shall mean any product or part thereof or service which is:

(a) Covered in whole or in part by an issued, unexpired or pending claim contained in the PATENT RIGHTS in the country in which any such product or part thereof is made, used or sold or in which any such service is used or sold; and

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(b) Manufactured by using a process or is employed to practice a process which is covered in whole or in part by an issued, unexpired claim or a pending claim contained in the PATENT RIGHTS in the country in which any such process in the SLE FIELD is used or in which such product or part thereof or service is used or sold.

1.5 "NON-COMMERCIAL EDUCATION AND RESEARCH PURPOSES" shall mean use of PATENT RIGHTS (including distribution of biological materials covered by the PATENT RIGHTS) for academic research or other not-for-profit scholarly purposes which are undertaken at a nonprofit or governmental institution that does not use the PATENT RIGHTS in the production or manufacture of products for sale or the performance of services for a fee.

1.6 "NON-ROYALTY SUBLICENSE INCOME" shall mean [***]

1.7 "PATENT RIGHTS" shall mean UNIVERSITY intellectual property described below and assigned to the UNIVERSITY:

(a) The United States and foreign patents and/or patent applications listed in Exhibit A;

(b) United States and foreign patents issued from the applications listed in Exhibit A and from divisionals and continuations and continuations in part of these applications; and

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(c) Claims of U.S. and foreign continuation in part and divisional applications, and of the resulting patents, which are directed to subject matter specifically described in the U.S. and foreign applications listed in Exhibit A.

For the avoidance of doubt, PATENT RIGHTS specifically excludes the patents and/or patent applications listed in Exhibit B and any U.S. and foreign patents issued therefrom and any divisionals, continuations, and continuations in part of these applications.

1.8 "NET SALES" shall mean gross [***] price actually charged by LICENSEE or its Sublicensee to third parties for LICENSED TECHNOLOGY and services or testing using the LICENSED TECHNOLOGY and services, less the following deductions where they are factually applicable and are not already reflected in the gross invoice price:

(a) Actual cost of freight, shipping and insurance charges or freight absorption, separately stated in such invoice;

(b) Actual trade, quantity or cash discounts actually allowed, to include discounts to managed care organizations, so long as such discounts: (i) are in amounts customary in the trade, and (ii) do not violate federal state laws or regulations;

(c) Actual credits and allowances granted for product returns, rejection for damages and recalls;

(d) Rebates paid or credited to managed care organizations and governmental agencies with respect to Medicaid, Medicare or similar state and federal government programs; and

(e) Sales taxes, tariff duties and/or use taxes actually paid and separately stated on each invoice.

1.9 "SLE FIELD" shall mean any and all applications of the Patent Rights in Systemic Lupus Erythematosus.

1.10 "TERRITORY" shall mean worldwide.

ARTICLE 2 – GRANT

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

2.1 Subject to the terms and conditions of this Agreement, UNIVERSITY hereby grants to LICENSEE, to the extent it may lawfully do so, the right and exclusive license in the TERRITORY to make, have made, use, offer for sale, import and sell the LICENSED TECHNOLOGY in the SLE FIELD and to practice under the PATENT RIGHTS in the SLE FIELD to the end of the term for which the PATENT RIGHTS are granted, unless this Agreement is terminated as provided herein. UNIVERSITY reserves the royalty-free, nonexclusive right to practice under the PATENT RIGHTS for NON-COMMERCIAL EDUCATION AND RESEARCH PURPOSES and to use the LICENSED TECHNOLOGY for NON-COMMERCIAL EDUCATION AND RESEARCH PURPOSES.

2.2 The license granted hereby is subject to the rights of the United States government, if any, as set forth in 35 U.S.C. §200, et seq. Pursuant to this law, the United States government may have acquired a nonexclusive, nontransferable, paid up license to practice or have practiced for or on behalf of the United States the inventions described in the PATENT RIGHTS throughout the world. Pursuant to 35 U.S.C. §200, el seq. LICENSED TECHNOLOGY produced for sale in the United States shall be substantially manufactured in the United States (unless a waiver under 35 U.S.C. §204 is granted by the appropriate United States government agencies).

2.3 LICENSEE shall have the right to enter into sublicensing arrangements (without the right for further sublicense) for the rights, privileges and licenses granted hereunder. Prior written approval of each sublicensee by UNIVERSITY which approval shall not be unreasonable withheld or delayed, will be required for all sublicensees, except in such cases where the sublicense: (1) has at least one FDA approved medical diagnostic test currently on the market: and (2) has yearly revenues from the commercial sale of diagnostic products in excess of [***] dollars ($[***]). Upon termination of this Agreement, rights of any sublicensee granted by Licensee pursuant to this Section 2.3 shall survive such termination at the written request of such sublicensees provided to UNIVERSITY, provided that the action or inaction of such sublicense was not the cause of such termination.

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2.4 LICENSEE agrees that any sublicense granted by it shall provide that the obligations to UNIVERSITY of Articles 2, 7, 8, 9, 10, and 13 of this Agreement shall be binding upon the sublicensee as if it were party to this Agreement. Each sublicense granted by LICENSEE pursuant to this Agreement shall include an audit right by UNIVERSITY of sublicensee of the same scope as provided in Section 5.2 with respect to LICENSEE.

2.5 LICENSEE agrees to forward to UNIVERSITY a copy of any and all sublicense agreements promptly upon execution thereof, but in no event later than thirty (30) days after each such sublicense agreement has been executed by both parties thereto.

2.6 The license granted hereunder shall not be construed to confer any rights upon LICENSEE by implication, estoppel or otherwise as to any technology other than PATENT RIGHTS.

ARTICLE 3 - DUE DILIGENCE

3.1 LICENSEE shall use its [***] to bring the LICENSED TECHNOLOGY to market as soon as practicable, consistent with sound and reasonable business practice and judgment, and to continue active, diligent marketing efforts for the LICENSED TECHNOLOGY throughout the term of this Agreement.

3.2 In addition, LICENSEE shall adhere to each of the following milestones in the SLE FIELD:

(a) Within twelve (12) months from the Effective Date of this Agreement, the sale or offer for sale of at least one (1) test system with clinical utility, diagnosis or monitoring, in Systemic Lupus Erythematosus;

(b) Within twenty four months (24) from the Effective Date of this Agreement, begin clinical trials for monitoring claims; and

(c) Within twenty four months (24) from the Effective Date of this Agreement, seek expansion of use of the Licensed Technology outside the United States.

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3.3 LICENSEE's failure to perform in accordance with Section 3.1 or to fulfill on a timely basis anyone of the milestones set forth in Section 3.2 hereof shall be grounds for UNIVERSITY to terminate this Agreement pursuant to Section 10.2(a); except that for a single time, if a milestone in Section 3.2 has not been completed within the time frame allotted through no fault of LICENSEE and following the best efforts of LICENSEE to meet such milestone, LICENSEE may, on a one-time basis, notify the UNIVERSITY in writing that it desires a single six (6) month extension to meet such milestone and LICENSEE shall be deemed to have fulfilled the milestone requirement if LICENSEE makes a penalty payment of [***] dollars ($[***]) with both notice and penalty payment to be received by the UNIVERSITY within ten days of the applicable milestone achievement date. In such case the LICENSEE and UNIVERSITY shall negotiate a new time for attainment of such missed milestone (not to exceed six months) and subsequent timeframes relying upon the meeting of previous milestones may also be adjusted. If LICENSEE fails to meet any revised milestone including first missed milestone, UNIVERSITY may terminate the License and upon termination all rights and interest to the PATENT RIGHTS and any other rights granted by UNIVERSITY shall revert to UNIVERSITY.

ARTICLE 4 - LICENSE CONSIDERATION

4.1 In consideration of the rights, privileges and license granted by UNIVERSITY hereunder, LICENSEE shall pay royalties and other monetary consideration as follows:;

(a) Annual maintenance fees, non-refundable and non-creditable against royalties, until the first NET SALES occur as follows:

(i) [***] Dollars ($[***]) on the first and second anniversary of the EFFECTIVE DATE of this Agreement; and

(ii) [***] Dollars ($[***]) on the third anniversary of the EFFECTIVE DATE of this Agreement and annually thereafter until the first NET SALES.

Upon the first NET SALES, no further maintenance fees shall be due hereunder.

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(b) Royalties in an amount equal to [***] Percent ([***]%) of NET SALES of the LICENSED TECHNOLOGY per calendar quarter and royalties in an amount equal to [***] Percent ([***]%) of sublicensee NET SALES per calendar quarter;

(c) Beginning with the first NET SALES, a minimum royalty in the following amounts, if such minimum royalty is greater than the aggregate annual royalty computed in accordance with Section 4.1(b) above:

(i) [***] Dollars ($[***]) per calendar year for the first calendar year of the first NET SALES;

(ii) [***] Dollars ($[***]) per calendar year for the second calendar year of the first NET SALES; and

(iii) [***] Dollars ($[***]) in each subsequent calendar year during the term of this Agreement.

(d) Milestone payments shall be paid by LICENSEE to UNIVERSITY as follows:

(i) [***] Dollars ($[***]) payable within [***] days following [***] NET SALES in a calendar year.

(e) A share of NON-ROYALTY SUBLICENSE INCOME of [***] Percent ([***]%).

4.2 In the event that it should prove necessary for LICENSEE to license intellectual property rights owned by a third party in order to practice the LICENSED TECHNOLOGY in the SLE FIELD in order to avoid infringing the patent or other intellectual property rights of such third party, then LICENSEE shall be entitled to a credit of such third party royalties against royalties due to UNIVERSITY under Section 4.1(b), and Section 4.1(c), provided that (i) in no event shall the royalty rate applicable to NET SALES in the SLE FIELD be less than [***] percent ([***]%) and (ii) in no event shall the royalty rate applicable to NET SALES in the SLE FIELD from a sub-Licensee be less than [***] percent ([***]%).

4.3 All payments pursuant to this Agreement may be made by check or by wire transfer (along with applicable wire transfer fees) in United States dollars without deduction or exchange, collection or other charges and directed to the address or , in the case of wire

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transfer, to the bank, set forth in Article II. Annual maintenance payments pursuant to Section 4.1(a) hereof shall be paid on the anniversary of the EFFECTIVE DATE of the calendar year in which they are due. Royalty payments pursuant to Section 4.1 (b) hereof shall be due within thirty (30) days after each March 31, June 30, September 30 and December 31. The minimum annual royalty for any calendar year pursuant to Section 4.1(c) shall be paid by January 30 of the subsequent calendar year. NONROYALTYSUBLICENSE INCOME payments pursuant to Section 4.1(e) hereof shall be paid within thirty (30) days after receipt of payment by LICENSEE from sublicense. Payments under Section 4.1(b) are payable on a country by country basis only in those countries in which there are PATENT RIGHTS with respect to the applicable LICENSED TECHNOLOGY.

4.4 Taxes imposed by any foreign or United States governmental agency on any payments to be made to the UNIVERSITY by LICENSEE hereunder shall be paid by LICENSEE without deduction from any payment due to the UNIVERSITY hereunder.

4.5 Payments pursuant to this Agreement, including those specified in Section 6.2, which are overdue shall bear interest calculated from the due date until payment is received at the rate of five percent (5%) per annum, or the prime rate (as quoted by The Wall Street Journal) plus two percent (2%), whichever is higher. Payment of such interest by LICENSEE shall not negate or waive the right of UNIVERSITY to seek any other remedy, legal or equitable, to which it may be entitled because of the delinquency of any payment, including, but not limited to, termination of this Agreement as set forth in Article 10.

4.6 LICENSEE shall sell products and/or processes resulting from LICENSED TECHNOLOGY to UNIVERSITY and its AFFILIATES upon request at such price(s) and on such terms and conditions as such products and/or processes are made available to LICENSEE’S most favored customer.

ARTICLE 5 - REPORTS

5.1 Within sixty (60) days after each March 31, June 30, September 30 and December 31 of each year during the term of this Agreement beginning in the year of the first commercial

sale of LICENSED TECHNOLOGY, LICENSEE shall deliver to UNIVERSITY true, accurate and detailed reports of :

(a) Number of product and service NET SALES, each stated separately, for LICENSEE and all sublicensees;

(b) Total billings and receivables for all such products and services;

(c) Deductions set forth in Section 1.8, each stated separately;

(d) Total royalties due;

(e) Name and addresses of sublicensees; and

(f) Total NON-ROYALTY SUBLICENSE INCOME received during such calendar quarter and total amount of payment due pursuant to Section 4.1(e).

5.2 LICENSEE shall keep full, true and accurate books of account, in accordance with generally accepted accounting principles, containing all information that may be necessary for the purpose of showing the amounts payable to UNIVERSITY hereunder. Such books of account shall be kept at LICENSEE's principal place of business. Such books and the supporting data related thereto shall be made available at reasonable times for no more than once a calendar year for [***] years following the end of the calendar year to which they pertain to the inspection of UNIVERSITY or its agents for the purpose of verifying LICENSEE'S royalty statement or compliance in other respects with this Agreement. The fees and expenses of UNIVERSITY'S representatives shall be borne by UNIVERSITY; however, if an error of more than the greater of [***] percent ([***]%) of the total payments or the cost of such an audit due or owing for any year is discovered, then LICENSEE shall bear the fees and expenses of UNIVERSITY'S representatives.

5.3 No later than ninety (90) days after December 31 of each calendar year during the term of this Agreement, LICENSEE shall provide to UNIVERSITY a written annual progress report, describing LICENSEE'S progress on market introduction and milestones relating

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to the LICENSED TECHNOLOGY during the preceding twelve month period ending December 31.

ARTICLE 6 -PATENT PROSECUTION

6.1 UNIVERSITY has or shall apply for and seek prompt issuance of and maintain during the term of this Agreement the PATENT RIGHTS in the United States and in such foreign countries as may be designated by LICENSEE in a written notice to UNIVERSITY within a reasonable time in advance of the required foreign filing dates. LICENSEE shall have the opportunity to advise and cooperate with UNIVERSITY in the prosecution, filing and maintenance of such patents. If UNIVERSITY decides to abandon the preparation, filing, prosecution or maintenance of any patent or patent application covered by the PATENT RIGHTS, then UNIVERSITY shall provide written notice to LICENSEE, and LICENSEE shall have the right at its sole expense to assume control of the preparation, filing, prosecution and maintenance of such patent application or patent. If LICENSEE no longer wishes to support the prosecution or maintenance of any patent or patent application covered by the PATENT RIGHTS, then LICENSEE shall provide written notice to UNIVERSITY, and LICENSEE shall not be responsible for such corresponding patent expenses that are incurred subsequent to the date of receipt by UNIVERSITY of such written notice by LICENSEE; such returned patent or patent application shall be excluded from the PATENT RIGHTS. LICENSEE shall notify UNIVERSITY immediately if, at any time during the term of this Agreement, LICENSEE or any of its sublicensees does not qualify as a “Small Entity” as provided by the United States Patent and Trademark Office.

6.2 All fees and costs including attorneys’ fees relating to the filing, prosecution and maintenance of the PATENT RIGHTS whether incurred prior to or after the EFFECTIVE DATE of this Agreement shall be the responsibility of LICENSEE. LICENSEE shall not be required to reimburse the UNIVERSITY for any fees under this section that have been paid to the UNIVERSITY by prior licensees or any other third party. Fees and costs shall be paid by LICENSEE within thirty (30) days after receipt of UNIVERSITY’S invoice therefore. Payments pursuant to this Section 6.2 are not creditable against royalties.

6.3 LICENSEE shall own any new patent application, and any patent that issues therefrom, or new technology in the SLE FIELD developed independently of the UNIVERSITY and UNIVERSITY employees and shall not owe the UNIVERSITY any fee or royalty under section 4 relating to such a new patent application, and any patent that issues therefrom, or new technology.

ARTICLE 7 -INFRINGEMENT ACTIONS

7.1 LICENSEE shall inform UNIVERSITY promptly in writing of any alleged infringement of the PATENT RIGHTS by a third party and of any available evidence thereof.

7.2 During the term of this Agreement, LICENSEE shall have the right, but shall not be obligated, to prosecute at its own expense all infringements of the PATENT RIGHTS in the Field if LICENSEE has notified UNIVERSITY in writing of its intent to prosecute. In furtherance of such right, UNIVERSITY hereby agrees that LICENSEE may include UNIVERSITY as a party plaintiff in any such suit, without expense to UNIVERSITY. [***]

7.3 If within six (6) months after having been notified of any alleged infringement, LICENSEE shall have been unsuccessful in persuading the alleged infringer to desist and shall not have brought and shall not be diligently prosecuting an infringement action, or if LICENSEE shall notify UNIVERSITY at any time prior thereto of its intention not to bring suit against any alleged infringer, then, and in those events only, UNIVERSITY shall have the right, but shall not be obligated, to prosecute at its own expense any infringement of the PATENT RIGHTS, and UNIVERSITY may, for such purposes, use the name of LICENSEE as party plaintiff. [***]

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[***]

7.4 In the event that a declaratory judgment action alleging invalidity or infringement of any of the PATENT RIGHTS shall be brought against UNIVERSITY, LICENSEE, at its option, shall have the right, within thirty (30) days after commencement of such action, to intervene and take over the sole defense of the action at its own expense.

7.5 In any infringement suit either party may institute to enforce the PATENT RIGHTS pursuant to this Agreement, the other party shall, at the request and expense of the party initiating such suit, cooperate in all respects and, to the extent possible, have its employees testify when requested and make available relevant records, papers, information, samples, specimens, and the like.

ARTICLE 8 -INDEMNIFICATION/INSURANCE/LIMITATION OF LIABILITY

8.1 LICENSEE shall at all times during the term of this Agreement and thereafter indemnify, defend and hold UNIVERSITY, its trustees, officers, faculty member, employees and Affiliates ("INDEMNIFIED PARTIES") harmless against all claims and expenses, including legal expenses and reasonable attorneys' fees, arising out of the death of or injury to any person or persons or out of any damage to property or the environment, and against any other claim, proceeding, demand, expense and liability of any kind whatsoever resulting from: (i) the production, manufacture, sale, use, lease, consumption or advertisement of the LICENSED TECHNOLOGY by Licensee to its sublicensees, (ii) the practice by LICENSEE or any Affiliate or sublicensee of the PATENT RIGHTS; or (iii) arising from or relating to this License Agreement. LICENSEE shall provide this defense and indemnity whether or not any INDEMNIFIED PARTIES, either jointly or severally, is named as a party defendant and whether or not any INDEMNIFIED PARTIES is alleged to be negligent or otherwise responsible for any injuries to person or property. The obligation of LICENSEE to defend and indemnify as set forth herein shall survive termination of this Agreement and shall not be limited by any other limitation of liability elsewhere in this Agreement.

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8.2 LICENSEE shall obtain and carry in full force and effect liability insurance which shall protect LICENSEE and UNIVERSITY in regard to events covered by Section 8.1 above, as provided below:

	COVERAGE	LIMITS
(a)	Commercial General Liability, including, but not limited to, Products, Contractual, Fire, Legal and Personal Injury	$1,000,000 Combined Single Limits for Bodily Injury and Property Damage
(b)	Products Liability	$5,000,000

The UNIVERSITY of Pittsburgh is to be named as an additional insured with respect to insurance policies identified in Sections 8.2(a) and 8.2Cb) above. Certificates of insurance evidencing the coverage required above shall be filed with the UNIVERSITY'S Office of Technology Management, 200 Gardner Steel Conference Center, Pittsburgh, PA 15260, no later than fifteen (15) days after execution of this Agreement and annually thereafter. Such certificates shall provide that the insurer will give the UNIVERSITY not less than thirty (30) days advance written notice of any material changes in or cancellation of coverage.

8.3 UNIVERSITY, AND ITS AGENTS AND/OR EMPLOYEES, MAKE NO REPRESENTATIONS AND EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND VALIDITY OF PATENT RIGHTS CLAIMS, ISSUED OR PENDING. NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED AS A REPRESENTATION OR WARRANTY THAT THE PRACTICE BY LICENSEE OF THE LICENSE GRANTED HEREUNDER SHALL NOT INFRINGE THE PATENT RIGHTS OF ANY THIRD PARTY. UNIVERSITY ADDITIONALLY DISCLAIMS ALL OBLIGATIONS AND LIABILITIES ON THE PART OF UNIVERSITY, ITS AGENTS AND/OR EMPLOYEES, FOR DAMAGES, INCLUDING, BUT NOT LIMITED TO, DIRECT,

INDIRECT, SPECIAL AND CONSEQUENTIAL DAMAGES, ATTORNEYS' AND EXPERTS' FEES, AND COURT COSTS (EVEN IF UNIVERSITY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, FEES OR COSTS), ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, INCLUDING THE MANUFACTURE, USE OR SALE OF THE PRODUCT(S) AND SERVICE(S) LICENSED UNDER THIS AGREEMENT. LICENSEE ASSUMES ALL RESPONSIBILITY AND LIABILITY FOR LOSS OR DAMAGE CAUSED BY A PRODUCT OR SERVICE THAT IS MANUFACTURED, USED OR SOLD BY LICENSEE (INCLUDING SUBLICENSEE SALES) WHICH IS LICENSED TECHNOLOGY HEREUNDER.

ARTICLE 9 - ASSIGNMENT

Except as expressly provided hereunder, this Agreement is not assignable without the prior written consent of UNIVERSITY which consent shall not be unreasonably withheld, and any attempt to do so shall be null and void, provided that LICENSEE may assign this Agreement and its rights and obligations thereunder, without the UNIVERSITY'S prior written consent in connection with the transfer or sale of all or substantially all of the LICENSEE'S business relating to the PATENT RIGHTS and LICENSED TECHNOLOGY to a third party, whether by merger, sale of stock, sale of assets or otherwise subject to LICENSEE providing at least 10 business days written notification to UNIVERSITY and further subject to the assignee agreeing writing to be bound to all the terms and conditions of this License. The rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties. Any assignment not in accordance with this Article 9 shall be null and void.

ARTICLE 10 - TERMINATION

10.1 This Agreement shall terminate upon the expiration of the last surviving claim of the PATENT RIGHTS.

10.2 UNIVERSITY shall have the right to terminate this Agreement if:

(a) LICENSEE shall default in the performance of any of the obligations herein contained and such default has not been cured within [***] days after receiving written notice thereof from UNIVERSITY; or

(b) LICENSEE shall cease to carry out its business, become bankrupt or insolvent, apply for or consent to the appointment of a trustee, receiver or liquidator of its assets or seek relief under any law for the aid of debtors.

10.3 LICENSEE may terminate this Agreement upon six (6) months prior written notice to UNIVERSITY and payment of all amounts due UNIVERSITY through the effective date of termination, including patent cost reimbursement pursuant to Article 6 hereof.

10.4 Upon termination of this Agreement, neither party shall be released from any obligation that matured prior to the effective date of such termination. LICENSEE and any sublicensee may, however, after the effective date of such termination, sell all products under the LICENSED TECHNOLOGY which LICENSEE produced prior to the effective date of such termination, provided that LICENSEE shall pay to UNIVERSITY the royalties thereon as required by Article 4 hereof and submit the reports required by Article 5 hereof.

ARTICLE 11 - NOTICES

11.1 Any notice or communication pursuant to this Agreement shall be sufficiently made or given if sent by certified or registered mail, postage prepaid, or by overnight courier, with proof of delivery by receipt, addressed to the address below or as either party shall designate by written notice to the other party.

In the case of UNIVERSITY:

Director
Office of Technology Management
University of Pittsburgh
200 Gardner Steel Conference Center
Thackeray & O'Hara Streets
Pittsburgh, PA 15260

*** Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

In the case of LICENSEE:

Exagen Diagnostics, Inc.
801 University Blvd SE
Suite 103
Albuquerque, NM 87106
Attn: President

11.2 Any payments to UNIVERSITY hereunder by wire transfer shall be directed as follows:

Bank: Mellon Bank, NA, Pittsburgh, PA
ABA Routing No.: 043000261-UNIVERSITY of Pittsburgh
Account No.: 0015510
Mellon SWIFT Code: MELNUS3P (international transfers)
Reference Code: Office of Technology Management

ARTICLE 12 - AMENDMENT, MODIFICATION

12.1 This Agreement may not be amended or modified except by the execution of a written instrument signed by the parties hereto.

ARTICLE 13 - MISCELLANEOUS

13.1 This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania. The forum for any action relating to this Agreement, including those brought against individuals, such as University employees or agents, shall be the Courts of Allegheny County, Pennsylvania, or, if in a federal proceeding, the United States District Court for the Western District of Pennsylvania.

13.2 The parties acknowledge that this Agreement sets forth the entire understanding and intentions of the parties hereto as to the subject matter hereof and supersedes all previous representations, negotiations, or understandings between the parties and/or its employees or agents, whether written or oral, regarding the subject matter of this Agreement.

13.3 Nothing contained in this Agreement shall be construed as conferring upon either party any right to use in advertising, publicity or other promotional activities any name, trade name, trademark, or other designation of the other party, including any contraction, abbreviation, or simulation of any of the foregoing. Without the express written approval of the other party, neither party shall use any designation of the other party in any

promotional activity associated with this Agreement or the LICENSED TECHNOLOGY. Neither party shall issue any press release or make any public statement in regard to this Agreement without the prior written approval of the other party, except LICENSEE may make such disclosures as are necessary or appropriate to comply with its obligations under applicable laws, rules and regulations of the Securities and Exchange Commission and securities exchange upon which LICENSEE'S securities are listed.

13.4 If one or more of the provisions of this Agreement shall be held invalid, illegal or unenforceable, the remaining provisions shall not in any way be affected or impaired thereby. In the event any provision is held illegal or unenforceable, the parties shall use reasonable efforts to substitute a valid, legal and enforceable provision which, insofar as is practical, implements purposes of the provision held invalid, illegal or unenforceable.

13.5 Failure at any time to require performance of any of the provisions herein shall not waive or diminish a party's right thereafter to demand compliance therewith or with any other provision. Waiver of any default shall not waive any other default. A party shall not be deemed to have waived any rights hereunder unless such waiver is in writing and signed by a duly authorized officer of the party making such waiver.

13.6 LICENSEE acknowledges that UNIVERSITY is free to publish the results of the research activities of its faculty, staff and students, even though such publication may involve the PATENT RIGHTS or LICENSED TECHNOLOGY. UNIVERSITY agrees to submit to LICENSEE any proposed publication or presentation regarding the subject matter specifically described in the PATENT RIGHTS for prior review by LICENSEE at least [***] days before its submittal for publication or its presentation. LICENSEE may, within [***] days after receipt of such proposed publication, request that such proposed publication be delayed not more than [***] days in order to allow for protection of intellectual property rights.

13.7 The term "Confidential Information" shall mean any and all proprietary or confidential information of UNIVERSITY or LICENSEE which may be exchanged between parties at any time and from time to time during the term of this Agreement. Information shall not be considered confidential to the extent that either party can establish by competent proof

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that it: (i) is publically disclosed through no fault of any party hereto, either before or after it becomes known to the receiving party; (ii) was known to the receiving party prior to the date of this Agreement, which knowledge was acquired independently and not from another party hereto (or such party's employees); (iii) is subsequently disclosed to the receiving party in good faith by a third party who has a right to make such disclosure; or (iv) has been published by a third party as a matter of right. The parties agree that during the term of this Agreement, and for a period of [***] years after this Agreement terminates, a party receiving Confidential Information of the other party will (a) maintain in confidence such Confidential Information; (b) not disclose such Confidential Information to any third party and (c) not use such confidential Information for any purpose except those permitted in this Agreement. Notwithstanding the foregoing, if a party is required by law, regulation or court order to disclose Confidential Information of the other party, the party required to make such disclosure shall limit the same to the minimum required to make such disclosure shall limit the same to the minimum required to comply with the law or court order, and shall use reasonable efforts to attempt to seek confidential treatment for that disclosure, and prior to making such disclosure that party shall notify the other party shall notify the other party, not later than ten (10) days (or shorter period of time as may be practicable under the circumstances) before the disclosure in order to allow that other party to comment and/or to obtain protective or other order, including extensions of time and the like, with respect to such disclosure. In addition, a party may disclose Confidential Information to the other party to employees, to sublicensees and potential sublicensees (in the case of LICENSEE), or to other third parties in connection with due diligence or similar investigations by third parties or potential third party investors in confidential financing document, provided, in each case, that any such employee, consultant, agent, sublicense, potential sublicense or other third party agrees in writing to be bound by terms of confidentiality and non-use at least as stringent as those set forth in this Section 13.7.

13.8 The parties acknowledge that they consulted, or had the opportunity to investigate and/or consult with their legal counsel and/or other advisors with respect to the PATENT RIGHTS, LICENSED TECHNOLOGY, and the terms of this Agreement.

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13.9 The parties agree that this Agreement constitutes an arm's length business transaction and does not create a fiduciary relationship.

13.10 LICENSEE agrees that with respect to the performance of this Agreement or the practice of the rights granted by the UNIVERSITY hereunder, it shall comply with any and all applicable United States export control laws and regulations, as well as any and all embargoes and/or other restrictions imposed by the Treasury Department's Office of Foreign Asset Controls.

13.11 If LICENSEE challenges the validity or enforceability of UNIVERSITY'S PATENT RIGHTS or UNIVERSITY'S ownership of the PATENT RIGHTS anywhere in the world, the LICENSEE shall continue to pay to UNIVERSITY all royalties and other financial obligations required under this Agreement, to include patent costs and fees. If any such challenge is unsuccessful by LICENSEE, the royalty rates and any non-royalty sublicense income rate set forth in Article 4.1 above shall automatically double in value, to include all royalty minimums and floors; and LICENSEE shall reimburse UNIVERSITY for all fees and costs associated with defending such action, to include attorneys' and expert fees. The effective date of such increase in royalty rates shall be the date of the first court order declaring any claim of the PATENT RIGHTS as valid or enforceable.

IN WITNESS WHEREOF, the parties have set their hands and seals as of the date set forth on the first page hereof.

UNIVERSITY OF PITTSBURGH - OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION

By /s/ Jerome Cochran
Jerome Cochran
Executive Vice Chancellor

EXAGEN DIAGNOSTICS, INC.

By /s/ Scott L. Glenn
Scott L. Glenn
President/CEO

EXHIBIT A
PATENT RIGHTS

University Case Number	Patent Title	Country	Application Number	Filing Date	Patent Number	Issue Date	Status
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EXHIBIT B
EXCLUDED PATENT RIGHTS

University Case Number	Patent Title	Country	Application Number	Filing Date	Patent Number	Issue Date	Status
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
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CERTAIN MATERIAL (INDICATED BY AN ASTERISK) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

FIRST AMENDMENT TO AMENDED AND RESTATED EXCLUSIVE LICENSE AGREEMENT

This FIRST AMENDMENT TO AMENDED AND RESTATED EXCLUSIVE LICENSE AGREEMENT (this "First Amendment") is made as of the 17th day of May, 2012, by and between the University of Pittsburg – Of the Commonwealth System of Higher Education, a non-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania ("University") and Exagen Diagnostics, Inc., a corporation existing under the laws of Delaware ("Licensee").

WHEREAS, University and Licensee have previously entered into an Amended and Restated Exclusive License Agreement dated as of August 2, 2011 (the "Agreement"); and

WHEREAS, the parties wish to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for good and valuable consideration, the receipt and sufficiency which are hereby acknowledged, the parties hereby agree as follows:

1. Amendments.

(a) Section 1.10 of the Agreement is hereby deleted and replaced in its entirety as follows:

"'TERRITORY' shall mean the United States."

(b) Section 3.2(b) of the Agreement is hereby deleted and replaced in its entirety as follows:

"Within forty eight (48) months from the Effective Date of this Agreement, begin clinical trials for monitoring claims."

(c) Section 3.2(c) of the Agreement is hereby deleted.

(d) Section 4.3 of the Agreement is hereby deleted and replaced in its entirety as follows:

"All payments pursuant to this Agreement may be made by check or by wire transfer (along with applicable wire transfer, transaction, and/or foreign translation fees) in United States dollars without deduction or exchange, collection or other charges and directed to the address or, in the case of wire transfer, to the bank, set forth in Article 11. Annual maintenance payments pursuant to Section 4.1(a) hereof shall be paid on the anniversary of the EFFECTIVE DATE of the calendar year in which they are due. Royalty payments pursuant to Section 4.1(b) hereof shall be due within sixty (60) days after each March 31, June 30, September 30 and December 31. The minimum annual royalty for any calendar year pursuant to Section 4.1(c) shall be paid by January 30 of the

subsequent calendar year. NON-ROYALTY SUBLICENSE INCOME payments pursuant to Section 4.1(e) hereof shall be paid within thirty (30) days after receipt of payment by LICENSEE from sublicense. Payments under Section 4.1(b) are payable on a country by country basis only in those countries in which there are PATENT RIGHTS with respect to the applicable LICENSED TECHNOLOGY."

(e) Section 8.2 of the Agreement is hereby deleted and replaced in its entirety as follows:

"LICENSEE shall obtain and carry in full force and effect liability insurance which shall protect LICENSEE and UNIVERSITY in regard to events covered by Section 8.1 above, as provided below:

COVERAGE	**LIMITS**
(a) Commercial General Liability, including, but not limited to, Products, Contractual, Fire, Legal and Personal Injury	$1,000,000 Combined Single Limits for Bodily Injury and Property Damage
(b) Professional Liability	$5,000,000
(c) Products Liability	$5,000,000, to be effective on or before the date of first sale of LICENSED TECHNOLOGY products.

The UNIVERSITY of Pittsburgh is to be named as an additional insured with respect to insurance policies identified in Sections 8.2(a), 8.2(b), and 8.2(c) above. Certificates of insurance evidencing the coverage required above shall be filed with the UNIVERSITY'S Office of Technology Management, 200 Gardner Steel Conference Center, Pittsburgh, PA 15260, no later than fifteen (15) days after execution of this Agreement and annually thereafter. Such certificates shall provide that the insurer will give the UNIVERSITY not Jess than thirty (30) days advance written notice of any material changes in or cancellation of coverage."

(f) Exhibit A and Exhibit B are hereby deleted and replaced with the revised Exhibit A and Exhibit B appended hereto.

2. Miscellaneous.

(a) Except as specifically amended above, all terms of the Agreement shall remain in full force and effect. To the extent that there are any inconsistencies between the terms of the Agreement and the terms of this First Amendment, the terms of this First Amendment shall prevail in effect.

(b) The parties acknowledge that this First Amendment and the Agreement set forth the entire understanding and intentions of the parties hereto as to the subject matter hereof and supersedes all previous understandings between the parties, written or oral, regarding such subject matter.

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

UNIVERSITY OF PITTSBURGH – OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION

By /s/ Jerome Cochran
Name: Jerome Cochran
Title: Executive Vice Chancellor

EXAGEN DIAGNOSTICS, INC.

By /s/ Ron Rocca
Name: Ron Rocca
Title: CEO

EXHIBIT A

PATENT RIGHTS FOR EXCLUSIVE LICENSE AGREEMENT BETWEEN UNIVERSITY OF PITTSBURGH AND EXAGEN DIAGNOSTICS, INC.

University Case Number	Patent Title	Country	Application Number	Filing Date	Patent Number	Issue Date	Status
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
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EXHIBIT B

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SECOND AMENDMENT TO AMENDED AND RESTATED EXCLUSIVE LICENSE AGREEMENT

This SECOND AMENDMENT TO AMENDED AND RESTATED EXCLUSIVE LICENSE AGREEMENT (this "Second Amendment") is made as of the 30th day of September, 2013, by and between the University of Pittsburgh – Of the Commonwealth System of Higher Education, a non-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania ("University") and Exagen Diagnostics, Inc., a corporation existing under the laws of Delaware ("Licensee").

WHEREAS, University and Licensee have previously entered into an Amended and Restated Exclusive License Agreement dated as of August 2, 2011 (the "Agreement") and a First Amendment to Amended and Restated Exclusive License dated as of May 17, 2012 (the "First Amendment"); and

WHEREAS, the parties wish to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for good and valuable consideration, the receipt and sufficiency which are hereby acknowledged, the parties hereby agree as follows:

1. In consideration of the rights, privileges and license granted by the University hereunder, Licensee shall pay a fee in connection with this Second Amendment in the amount of [***] which shall be non-refundable and non-creditable against royalties or any other payments, and which shall be due immediately upon execution of this Second Amendment.

2. Amendments.

   (a) Article 1.7 of the Agreement is hereby deleted and replaced in its entirety as follows:

   "1.7 "PATENT RIGHTS" shall mean UNIVERSITY intellectual property described below and assigned to the UNIVERSITY:

   (a) The United States patents and/or patent applications listed in Exhibit A;

   (b) United States patents issued from the applications listed in Exhibit A and from divisionals and continuations and continuations in part of these applications; and

   (c) Claims of U.S. continuation in part and divisional applications, and of the resulting patents, which are directed to subject matter specifically described in the U.S. applications listed in Exhibit A."

   (b) A new Article 1.11 is added to the Agreement:

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"1.11 "MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD" shall mean any and all applications of the Patent Rights in Monitoring of Organ Transplantation & Organ Rejection."

(c) Article 1.4(b) is hereby deleted and replaced in its entirety as follows:

"1.4(b) Manufactured by using a process or is employed to practice a process which is covered in whole or in part by an issued, unexpired claim or a pending claim contained in the PATENT RIGHTS in the country in which any such process in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD is used or in which such product or part thereof or service is used or sold."

(d) Article 2.1 is hereby deleted and replaced in its entirety as follows:

"2.1 Subject to the terms and conditions of this Agreement, University hereby grants to LICENSEE, to the extent it may lawfully do so, the right and exclusive license in the TERRITORY to make, have made, use, offer for sale, import and sell the LICENSED TECHNOLOGY in the SLE FIELD and the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD and to practice under the PATENT RIGHTS in the SLE FIELD and the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD to the end of the term for which the PATENT RIGHTS are granted, unless this Agreement is terminated as provided herein. UNIVERSITY reserves the royalty-free, nonexclusive right to practice under the PATENT RIGHTS for NON-COMMERCIAL EDUCATION AND RESEARCH PURPOSES and to use the LICENSED TECHNOLOGY for NON-COMMERCIAL EDUCATION AND RESEARCH PURPOSES."

(e) A new Article 3.4 is added to the Agreement:

"3.4. In addition, LICENSEE shall adhere to the following milestone in the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD: Within sixty (60) months from the Effective Date of this Agreement, begin a clinical trial for monitoring of organ transplantation and/or organ rejection claims."

(f) A new Article 3.5 is added to the Agreement:

"LICENSEE's failure to fulfill on a timely basis the milestone set forth in Section 3.4 hereof shall be grounds for UNIVERSITY to terminate this Agreement pursuant to Section 10.2(a); except that for a single time, if the milestone in Section 3.4 has not been completed within the time frame

allotted through no fault of LICENSEE and following the best efforts of LICENSEE to meet such milestone, LICENSEE may, on a one-time basis, notify the UNIVERSITY in writing that it desires a single six (6) month extension to meet such milestone and LICENSEE shall be deemed to have fulfilled the milestone requirement if LICENSEE makes a penalty payment of [***] dollars ($[***]) with both notice and penalty payment to be received by the UNIVERSITY within ten days of the applicable milestone achievement date. In such case the LICENSEE and UNIVERSITY shall negotiate a new time for attainment of such missed milestone (not to exceed six months) and subsequent timeframes relying upon the meeting of previous milestones may also be adjusted. Failure by LICENSEE to make the penalty payment or failure to achieve the milestone by the revised milestone date shall result in the FIELD of this Agreement to be automatically amended to remove the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD, and University shall be free to license the removed indication either exclusively or non-exclusively to any third party regardless of whether LICENSEE and UNIVERSITY execute a confirmatory Amendment to this Agreement to this effect. For the avoidance of doubt, in the event the previous sentence is triggered, LICENSEE'S exclusive rights in the SLE FIELD shall not be affected.

(g) Article 4.2 is hereby deleted and replaced in its entirety as follows:

"4.2. In the event that it should prove necessary for LICENSEE to license intellectual property rights owned by a third party in order to practice the LICENSED TECHNOLOGY in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD in order to avoid infringing the patent or other intellectual property rights of such third party, then LICENSEE shall be entitled to a credit of such third party royalties against royalties due to UNIVERSITY under Section 4.1(b), and Section 4.1(c), provided that (i) in no event shall the royalty rate applicable to NET SALES in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD be less than [***] percent ([***]%) and (ii) in no event shall the royalty rate applicable to NET SALES in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD from a sub-Licensee be less than [***] percent ([***]%)."

(h) Article 6.3 is hereby deleted and replaced in its entirety as follows:

"6.3. LICENSEE shall own any new patent application, and any patent that issues therefrom, or new technology in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD developed independently of the UNIVERSITY and UNIVERSITY employees and shall not owe the UNIVERSITY any fee or

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royalty under section 4 relating to such a new patent application, and any patent that issues therefrom, or new technology."

(i) Article 7.2 is hereby deleted and replaced in its entirety as follows:

"During the term of this Agreement, LICENSEE shall have the right, but shall not be obligated, to prosecute at its own expense all infringements of the PATENT RIGHTS in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD if LICENSEE has notified UNIVERSITY in writing of its intent to prosecute. In furtherance of such right, UNIVERSITY hereby agrees that LICENSEE may include UNIVERSITY as a party plaintiff in any such suit, without expense to UNIVERSITY. [***]"

(j) Exhibit A of the Agreement is deleted and replaced with the attached Exhibit A.

(k) Exhibit B of the Agreement is hereby deleted.

2. Miscellaneous.

(a) Except as specifically amended above, all terms of the Agreement, as amended by the First Amendment, shall remain in full force and effect. To the extent that there are any inconsistencies between the terms of the Agreement, the First Amendment, and/or the terms of this Second Amendment, the terms of this Second Amendment shall prevail in effect.

(b) The parties acknowledge that this Second Amendment and the Agreement, as previously amended, set forth the entire understanding and intentions of the parties hereto as to the subject matter hereof and supersedes all previous understandings between the parties, written or oral, regarding such subject matter.

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

UNIVERSITY OF PITTSBURGH – OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION

By /s/ Jerome Cochran
Name: Jerome Cochran
Title: Executive Vice Chancellor

LICENSEE

By /s/ Ron Rocca
Name: Ron Rocca
Title: Chief Executive Officer

EXHIBIT A

PATENT RIGHTS FOR SECOND AMENDMENT TO AMENDED AND RESTATED EXCLUSIVE LICENSE AGREEMENT BETWEEN THE UNIVERSITY OF PITTSBURGH AND EXAGEN DIAGNOSTICS

Univ. Case No.	Application No.	Application Filing Date	Patent No.	Patent Issuance Date	Title	Country
[***]	[***]	[***]	[***]	[***]	[***]	[***]
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Exhibit 10.18

CERTAIN MATERIAL (INDICATED BY AN ASTERISK) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

EXCLUSIVE LICENSE AGREEMENT

This Agreement is made and entered into as of the 30th day of September, 2013 ("Effective Date"), by and between the University of Pittsburgh – Of the Commonwealth System of Higher Education, a non-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with an office at 200 Gardner Steel Conference Center, Thackeray and O'Hara Streets, Pittsburgh, Pennsylvania 15260 ("University"), and EXAGEN DIAGNOSTICS, INC., a corporation organized and existing under the laws of Delaware, having an office at 800 Bradbury Drive SE Suite 108, Albuquerque, NM 87106 ("Licensee").

WHEREAS, UNIVERSITY is the owner by assignment from the inventors of certain PATENT RIGHTS, entitled "Diagnosis and Monitoring of Systemic Lupus Erythematosus," developed by Drs. Susan Manzi and Joseph Ahearn of the UNIVERSITY faculty, consisting of certain patents and patent applications, and the UNIVERSITY has the right to grant licenses under such PATENT RIGHTS;

WHEREAS, the parties have previously entered into a United States-restricted Amended and Restated License Agreement with respect to the PATENT RIGHTS, effective August 2, 2011 and amended on May 17, 2012, and whereas the parties are contemporaneously entering into a Second Amendment To the Amended and Restated License Agreement with respect to the PATENT RIGHTS;

WHEREAS, University desires to have the PATENT RIGHTS utilized worldwide in the public interest;

WHEREAS, LICENSEE has represented to UNIVERSITY, to induce UNIVERSITY to enter into this Agreement, that LICENSEE is experienced in the development, production, manufacture, marketing and sale of products and/or the use of similar products to the LICENSED TECHNOLOGY and that LICENSEE shall commit itself to a thorough, vigorous and diligent program of exploiting the PATENT RIGHTS so that public utilization results therefrom; and

WHEREAS, Licensee desires to obtain a license under the non-US PATENT RIGHTS upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE 1 – DEFINITIONS

For purposes of this Agreement, the following words and phrases shall have the following meanings:

1.1 "AFFILIATE" shall mean, with respect to the UNIVERSITY, any clinical or research entity that is operated or managed as a facility under the UPMC Health System, whether or not owned by UNIVERSITY.

1.2 "COMMERCIALLY REASONABLE BEST EFFORTS" shall mean, with respect to the research, development and commercialization of any product, compound or process, [***].

1.3 "LICENSEE" shall mean Exagen Diagnostics, Inc. and all entities at least fifty percent (50%) owned or controlled by Exagen Diagnostics, Inc.

1.4 "LICENSED TECHNOLOGY" shall mean any product or part thereof or service which is:

(a) Covered in whole or in part by an issued, unexpired or pending claim contained in the PATENT RIGHTS in the country in which any such product or part thereof is made, used or sold or in which any such service is used or sold; or

(b) Manufactured by using a process or is employed to practice a process which is covered in whole or in part by an issued, unexpired claim or a pending claim contained in the PATENT RIGHTS in the country in which any such process that is included in the SLE FIELD or the MONITORING OF ORGAN

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TRANSPLANTATION & ORGAN REJECTION FIELD is used or in which such product or part thereof or service is used or sold.

1.5 "NON-COMMERCIAL EDUCATION AND RESEARCH PURPOSES" shall mean use of PATENT RIGHTS (including distribution of biological materials covered by the PATENT RIGHTS) for academic research or other not-for-profit scholarly purposes which are undertaken at a nonprofit or governmental institution that does not use the PATENT RIGHTS in the production or manufacture of products for sale or the performance of services for a fee.

1.6 "NON-ROYALTY SUBLICENSE INCOME" shall mean [***]

1.7 "PATENT RIGHTS" shall mean UNIVERSITY intellectual property described below and assigned to the UNIVERSITY:

(a) The foreign patents and/or patent applications listed in Exhibit A;

(b) Foreign patents issued from the applications listed in Exhibit A and from divisionals and continuations and continuations in part of these applications; and

(c) Claims of foreign continuation in part and divisional applications, and of the resulting patents, which are directed to subject matter specifically described in the foreign applications listed in Exhibit A.

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1.8 "NET SALES" shall mean gross [***] price actually charged by LICENSEE or its Sublicensee to third parties for LICENSED TECHNOLOGY and services or testing using the LICENSED TECHNOLOGY and services, less the following deductions where they are factually applicable and are not already reflected in the gross invoice price:

(a) Actual cost of freight, shipping and insurance charges or freight absorption, separately stated in such invoice;

(b) Actual trade, quantity or cash discounts actually allowed, to include discounts to managed care organizations, so long as such discounts: (i) are in amounts customary in the trade, and (ii) do not violate federal state laws or regulations;

(c) Actual credits and allowances granted for product returns, rejection for damages and recalls;

(d) Rebates paid or credited to managed care organizations and governmental agencies with respect to Medicaid, Medicare or similar state and federal government programs; and

(e) Sales taxes, tariff duties and/or use taxes actually paid and separately stated on each invoice.

1.9 "SLE FIELD" shall mean any and all applications of the Patent Rights in Systemic Lupus Erythematosus.

1.10 "TERRITORY" shall mean worldwide, with the exception of the United States.

1.11 "MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD" shall mean any and all applications of the Patent Rights in Monitoring of Organ Transplantation & Organ Rejection.

ARTICLE 2 – GRANT

2.1 Subject to the terms and conditions of this Agreement, UNIVERSITY hereby grants to LICENSEE, to the extent it may lawfully do so, the right and exclusive license in the

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TERRITORY to make, have made, use, offer for sale, import and sell the LICENSED TECHNOLOGY in the SLE FIELD and the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD and to practice under the PATENT RIGHTS in the SLE FIELD and the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD to the end of the term for which the PATENT RIGHTS are granted, unless this Agreement is terminated as provided herein. UNIVERSITY reserves the royalty-free, nonexclusive right to practice under the PATENT RIGHTS for NON-COMMERCIAL EDUCATION AND RESEARCH PURPOSES and to use the LICENSED TECHNOLOGY for NON-COMMERCIAL EDUCATION AND RESEARCH PURPOSES.

2.2 The license granted hereby is subject to the rights of the United States government, if any, as set forth in 35 U.S.C. §200, et seq. Pursuant to this law, the United States government may have acquired a nonexclusive, nontransferable, paid up license to practice or have practiced for or on behalf of the United States the inventions described in the PATENT RIGHTS throughout the world. Pursuant to 35 U.S.C. §200, et seq. LICENSED TECHNOLOGY produced for sale in the United States shall be substantially manufactured in the United States (unless a waiver under 35 U.S.C. §204 is granted by the appropriate United States government agencies).

2.3 LICENSEE shall have the right to enter into sublicensing arrangements (without the right to further sublicense) for the rights, privileges and licenses granted hereunder. Prior written approval of each sublicensee by UNIVERSITY, which approval shall not be unreasonably withheld or delayed, will be required for all sublicensees except in such cases where the sublicensee: (1) has at least one FDA approved medical diagnostic test currently on the market: and (2) has yearly revenues from the commercial sale of diagnostic products in excess of [***] dollars ($[***]). Upon termination of this Agreement, rights of any sublicensee granted by Licensee pursuant to this Section 2.3 shall survive such termination at the written request of such sublicensees provided to UNIVERSITY, provided that the action or inaction of such sublicensee was not the cause of such termination.

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2.4 LICENSEE agrees that any sublicense granted by it shall provide that the obligations to UNIVERSITY of Articles 2, 7, 8, 9, 10, and 13 of this Agreement shall be binding upon the sublicensee as if it were party to this Agreement. Each sublicense granted by LICENSEE pursuant to this Agreement shall include an audit right by UNIVERSITY of sublicensee of the same scope as provided in Section 5.2 with respect to LICENSEE.

2.5 LICENSEE agrees to forward to UNIVERSITY a copy of any and all sublicense agreements promptly upon execution thereof, but in no event later than thirty (30) days after each such sublicense agreement has been executed by both parties thereto.

2.6 The license granted hereunder shall not be construed to confer any rights upon LICENSEE by implication, estoppel or otherwise as to any technology other than PATENT RIGHTS.

ARTICLE 3 – DUE DILIGENCE

3.1 LICENSEE shall use its [***] to bring the LICENSED TECHNOLOGY to market outside the United States as soon as practicable, consistent with sound and reasonable business practice and judgment, and to continue active, diligent marketing efforts outside the United States for the LICENSED TECHNOLOGY throughout the term of this Agreement.

3.2 In addition, LICENSEE shall adhere to each of the following milestones:

(a) Within thirty (30) months from the Effective Date of this Agreement, execute a commercial partnership agreement with a third party, or be acquired by a third party, for the purpose of commercialization of the LICENSED TECHNOLOGY outside the United States; and

(b) Within fifty-four (54) months from the Effective Date of a commercial partnership agreement with a third party, or an acquisition by a third party, achieve first commercial sale of LICENSED TECHNOLOGY outside of the United States.

3.3 LICENSEE's failure to perform in accordance with Section 3.1 or to fulfill on a timely basis anyone of the milestones set forth in Section 3.2 hereof shall be grounds for

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UNIVERSITY to terminate this Agreement pursuant to Section 10.2(a); except that for a single time, if a milestone in Section 3.2 has not been completed within the time frame allotted through no fault of LICENSEE and following the best efforts of LICENSEE to meet such milestone, LICENSEE may, on a one-time basis, notify the UNIVERSITY in writing that it desires a single six (6) month extension to meet such milestone and LICENSEE shall be deemed to have fulfilled the milestone requirement if LICENSEE makes a penalty payment of [***] dollars ($[***]) with both notice and penalty payment to be received by the UNIVERSITY within ten days of the applicable milestone achievement date. In such case the LICENSEE and UNIVERSITY shall negotiate a new time for attainment of such missed milestone (not to exceed six months) and subsequent timeframes relying upon the meeting of previous milestones may also be adjusted. If LICENSEE fails to meet any revised milestone including first missed milestone, UNIVERSITY may terminate the License and upon termination all rights and interest to the PATENT RIGHTS and any other rights granted by UNIVERSITY shall revert to UNIVERSITY.

3.4 LICENSEE shall notify UNIVERSITY in writing of the achievement of each milestone in Section 3.2 within thirty (30) days upon the achievement of the respective milestone.

ARTICLE 4 – LICENSE CONSIDERATION

4.1 In consideration of the rights, privileges and license granted by UNIVERSITY hereunder, LICENSEE shall pay royalties and other monetary consideration as follows:

(a) Initial license fee, nonrefundable and noncreditable against royalties, of [***] Dollars ($[***]) due immediately and payable within ten (10) business days from the Effective Date of this Agreement;

(b) Royalties in an amount equal to [***] Percent ([***]%) of NET SALES of the LICENSED TECHNOLOGY per calendar quarter and royalties in an amount equal to [***] Percent ([***]%) of sublicensee NET SALES per calendar quarter;

(c) A share of NON-ROYALTY SUBLICENSE INCOME of [***] Percent ([***]%).

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4.2 In the event that it should prove necessary for LICENSEE to license intellectual property rights owned by a third party in order to practice the LICENSED TECHNOLOGY in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD in order to avoid infringing the patent or other intellectual property rights of such third party, then LICENSEE shall be entitled to a credit of such third party royalties against royalties due to UNIVERSITY under Section 4.1(b) provided that (i) in no event shall the royalty rate applicable to NET SALES in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD be less than [***] percent ([***]%) and (ii) in no event shall the royalty rate applicable to NET SALES in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD from a sub-Licensee be less than [***] percent ([***]%).

4.3 All payments pursuant to this Agreement may be made by check or by wire transfer (along with applicable wire transfer, transaction, and/or foreign translation fees) in United States dollars without deduction or exchange, collection or other charges and directed to the address or, in the case of wire transfer, to the bank, set forth in Article 11. Royalty payments pursuant to Section 4.1(b) hereof shall be due within sixty (60) days after each March 31, June 30, September 30 and December 31. NON-ROYALTY SUBLICENSE INCOME payments pursuant to Section 4.1(c) hereof shall be paid within thirty (30) days after receipt of payment by LICENSEE from sublicense. Payments under Section 4.1(b) are payable on a country by country basis only in those countries in which there are PATENT RIGHTS with respect to the applicable LICENSED TECHNOLOGY.

4.4 Taxes imposed by any foreign or United States governmental agency on any payments to be made to UNIVERSITY by LICENSEE shall be paid by LICENSEE without deduction from any payment due to UNIVERSITY hereunder.

4.5 The balance of any payments pursuant to this Agreement, including those specified in Section 6.2, which are overdue shall bear interest, compounded monthly, calculated from the due date until payment is received at the rate of five percent (5%) per annum, or the prime rate (as quoted by The Wall Street Journal) plus two percent (2%), whichever is

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higher. Payment of such interest by LICENSEE shall not negate or waive the right of UNIVERSITY to seek any other remedy, legal or equitable, to which it may be entitled because of the delinquency of any payment, including, but not limited to, termination of this Agreement as set forth in Article 10. Licensee shall reimburse University for any costs and expenses incurred in connection with collecting any overdue balance of payments with respect to Licensee's payment and reimbursement obligations under this Agreement, including the costs of engaging counsel or a collection agency for such purpose.

4.6 LICENSEE shall sell products and/or services resulting from LICENSED TECHNOLOGY to UNIVERSITY and its AFFILIATES upon request at such price(s) and on such terms and conditions as such products and/or services are made available to LICENSEE'S most favored customer.

ARTICLE 5 – REPORTS AND AUDIT

5.1 Within sixty (60) days after each March 31, June 30, September 30 and December 31 of each year during the term of this Agreement beginning in the year of the first commercial sale of LICENSED TECHNOLOGY, LICENSEE shall deliver to UNIVERSITY true, accurate and detailed reports of the following information in a form as illustrated in Exhibit B:

(a) Number of product and service NET SALES for LICENSEE and all sublicensees;

(b) Total billings and receivables for all such products and services;

(c) Deductions set forth in Section 1.8, each stated separately;

(d) Total royalties due;

(e) Name and addresses of sublicensees; and

(f) Total NON-ROYALTY SUBLICENSE INCOME received during such calendar quarter and total amount of payment due pursuant to Section 4.1(c).

5.2 LICENSEE shall keep full, true and accurate books of account, in accordance with generally accepted accounting principles, containing all information that may be necessary for the purpose of showing the amounts payable to UNIVERSITY hereunder. Such books of account shall be kept at LICENSEE'S principal place of business. Such books of account shall be open at all reasonable times for [***] years following the end of the calendar year to which they pertain, and for [***] years after the expiration or termination of this Agreement, for inspection by UNIVERSITY or its agents for the purpose of verifying LICENSEE'S royalty statement or compliance in other respects with this Agreement. The fees and expenses of UNIVERSITY'S representatives shall be borne by UNIVERSITY; however, if an error of more than [***] percent ([***]%) of the total payments due or owing for any year is discovered, then LICENSEE shall bear UNIVERSITY'S fees and expenses.

5.3 No later than ninety (90) days after December 31 of each calendar year during the term of this Agreement, LICENSEE shall provide to UNIVERSITY a written annual progress report, as illustrated in Exhibit C, describing LICENSEE'S progress on research and development, regulatory approvals, manufacturing, sublicensing, marketing and sales during the preceding twelve-month period ending December 31.

5.4 Notwithstanding the above, UNIVERSITY shall have the right, on an annual basis during the term of this Agreement to inspect technical and other information from LICENSEE sufficient to evidence whether and to what extent LICENSEE is: (a) practicing the PATENT RIGHTS; and (b) meeting its diligence obligations under Article 3, above.

5.5 LICENSEE shall report to the UNIVERSITY the date of the first commercial sale of a LICENSED TECHNOLOGY within sixty (60) days of occurrence in each country.

ARTICLE 6 – PATENT PROSECUTION

6.1 UNIVERSITY has or shall apply for and seek prompt issuance of and maintain during the term of this Agreement the PATENT RIGHTS in such foreign countries as may be designated by LICENSEE in a written notice to UNIVERSITY within a reasonable time in advance of the required foreign filing dates. LICENSEE shall have the opportunity to

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advise and cooperate with UNIVERSITY in the prosecution, filing and maintenance of such patents. If UNIVERSITY decides to abandon the preparation, filing, prosecution or maintenance of any patent or patent application covered by the PATENT RIGHTS, then UNIVERSITY shall provide written notice to LICENSEE, and LICENSEE shall have the right at its sole expense to assume control of the preparation, filing, prosecution and maintenance of such patent application or patent. If LICENSEE no longer wishes to support the prosecution or maintenance of any patent or patent application covered by the PATENT RIGHTS, then LICENSEE shall provide written notice to UNIVERSITY, and LICENSEE shall not be responsible for such corresponding patent expenses that are incurred subsequent to the date of receipt by UNIVERSITY of such written notice by LICENSEE; such returned patent or patent application shall be excluded from the PATENT RIGHTS. Licensee shall notify UNIVERSITY immediately if, at any time during the term of this Agreement, LICENSEE or any of its sublicensees does not qualify as a “Small Entity” as provided by the United States Patent and Trademark Office.

6.2 All fees and costs, including attorneys’ fees, relating to the filing, prosecution, maintenance, and post grant proceedings relating to the PATENT RIGHTS shall be the responsibility of LICENSEE, whether incurred prior to or after the Effective Date. LICENSEE shall not be required to reimburse the UNIVERSITY for any fees under this section that have been paid to the UNIVERSITY by prior licensees or any other third party. Fees and costs incurred shall be paid by LICENSEE within thirty (30) days after receipt of UNIVERSITY’S invoice therefor. Additionally, Licensee shall be liable to UNIVERSITY for all of UNIVERSITY’S out-of-pocket filing, prosecution, and maintenance costs (including all attorneys’ fees and costs), for any and all patent prosecution and maintenance actions that will be taken by patent counsel after the term of this Agreement but in response to any instructions that were sent during the term of this Agreement from UNIVERSITY to patent counsel relating to the PATENT RIGHTS, with the proviso that such instructions were approved in writing by LICENSEE. Payments pursuant to this Section 6.2 are not creditable against royalties or any other payment due to UNIVERSITY under this Agreement.

6.3 LICENSEE shall own any new patent application, and any patent that issues therefrom, or new technology in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD developed independently of the UNIVERSITY and UNIVERSITY employees and shall not owe the UNIVERSITY any fee or royalty under section 4 relating to such a new patent application, and any patent that issues therefrom, or new technology.

ARTICLE 7 – INFRINGEMENT ACTIONS

7.1 LICENSEE shall inform UNIVERSITY promptly in writing of any alleged infringement of the PATENT RIGHTS by a third party and of any available evidence thereof.

7.2 During the term of this Agreement, LICENSEE shall have the right, but shall not be obligated, to prosecute at its own expense all infringements of the PATENT RIGHTS in the SLE FIELD or the MONITORING OF ORGAN TRANSPLANTATION & ORGAN REJECTION FIELD and in the TERRITORY if LICENSEE has notified UNIVERSITY in writing of its intent to prosecute; provided, however, that such right to bring such an infringement action shall remain in effect only for so long as the license granted herein remains exclusive. In furtherance of such right, UNIVERSITY hereby agrees that LICENSEE may include UNIVERSITY as a party plaintiff in any such suit, without expense to UNIVERSITY. [***]

7.3 If within six (6) months after having been notified of any alleged infringement, LICENSEE shall have been unsuccessful in persuading the alleged infringer to desist and shall not have brought and shall not be diligently prosecuting an infringement action, or if LICENSEE shall notify UNIVERSITY at any time prior thereto of its intention not to bring suit against any alleged infringer, then, and in those events only, UNIVERSITY shall have the right, but shall not be obligated, to prosecute at its own expense any

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infringement of the PATENT RIGHTS, and UNIVERSITY may, for such purposes, use the name of LICENSEE as party plaintiff. [***]

7.4 In the event that a declaratory judgment action alleging invalidity or infringement of any of the PATENT RIGHTS shall be brought against UNIVERSITY, LICENSEE, at its option, shall have the right, within thirty (30) days after commencement of such action, to intervene and take over the sole defense of the action at its own expense.

7.5 In any infringement suit either party may institute to enforce PATENT RIGHTS pursuant to this Agreement, the other party shall, at the request and expense of the party initiating such suit, cooperate in all respects and, to the extent possible, have its employees testify when requested and make available relevant records, information, samples, specimens, and other evidence upon request.

ARTICLE 8 – INDEMNIFICATION/INSURANCE/LIMITATION OF LIABILITY

8.1 LICENSEE shall at all times during the term of this Agreement and thereafter indemnify, defend and hold UNIVERSITY, its trustees, officers, faculty member, employees and Affiliates ("INDEMNIFIED PARTIES") harmless against all claims and expenses, including legal expenses and reasonable attorneys' fees, arising out of the death of or injury to any person or persons or out of any damage to property or the environment, and against any other claim, proceeding, demand, expense and liability of any kind whatsoever resulting from: (i) the production, manufacture, sale, use, lease, consumption or advertisement of the LICENSED TECHNOLOGY by Licensee to its sublicensees, (ii) the practice by LICENSEE or any Affiliate or sublicensee of the PATENT RIGHTS; or (iii) arising from or relating to this License Agreement. LICENSEE shall provide this defense and indemnity whether or not any INDEMNIFIED PARTIES, either jointly or severally, is named as a party defendant and whether or not any INDEMNIFIED PARTIES is alleged to be negligent or otherwise responsible for any injuries to person or property. The obligation of LICENSEE to defend and indemnify as set forth herein shall

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survive termination of this Agreement and shall not be limited by any other limitation of liability elsewhere in this Agreement.

8.2 LICENSEE shall obtain and carry in full force and effect liability insurance which shall protect LICENSEE and UNIVERSITY in regard to events covered by Section 8.1 above, as provided below:

	COVERAGE	LIMITS
(a)	Commercial General Liability, including, but not limited to, Products, Contractual, Fire, Legal and Personal Injury	$1,000,000 Combined Single Limits for Bodily Injury and Property Damage
(b)	Professional Liability	$5,000,000
(c)	Products Liability	$5,000,000, to be effective on or before the date of first sale of LICENSED TECHNOLOGY products.

The UNIVERSITY of Pittsburgh is to be named as an additional insured with respect to insurance policies identified in Sections 8.2(a), 8.2(b), and 8.2(c) above. Certificates of insurance evidencing the coverage required above shall be filed with the UNIVERSITY'S Office of Technology Management, 200 Gardner Steel Conference Center, Pittsburgh, PA 15260, no later than fifteen (15) days after execution of this Agreement and annually thereafter. Such certificates shall provide that the insurer will give the UNIVERSITY not less than thirty (30) days advance written notice of any material changes in or cancellation of coverage.

8.3 UNIVERSITY, AND ITS AGENTS AND/OR EMPLOYEES, MAKE NO REPRESENTATION AND EXTEND NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND VALIDITY OF PATENT RIGHTS CLAIMS, ISSUED OR PENDING. NOTHING IN THIS AGREEMENT SHALL BE CONSTRUED AS A REPRESENTATION OR WARRANTY THAT THE PRACTICE BY LICENSEE OF THE LICENSE GRANTED HEREUNDER SHALL NOT INFRINGE THE PATENT RIGHTS OF ANY THIRD

PARTY. UNIVERSITY ADDITIONALLY DISCLAIMS ALL OBLIGATIONS AND LIABILITIES ON THE PART OF UNIVERSITY, ITS AGENTS AND/OR EMPLOYEES FOR DAMAGES, INCLUDING, BUT NOT LIMITED TO, DIRECT, INDIRECT, SPECIAL AND CONSEQUENTIAL DAMAGES, ATTORNEYS' AND EXPERTS' FEES, AND COURT COSTS (EVEN IF UNIVERSITY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, FEES OR COSTS), ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, INCLUDING THE MANUFACTURE, USE OR SALE OF THE PRODUCT(S) AND SERVICE(S) LICENSED UNDER THIS AGREEMENT. LICENSEE ASSUMES ALL RESPONSIBILITY AND LIABILITY FOR LOSS OR DAMAGE CAUSED BY A PRODUCT THAT IS MANUFACTURED, USED OR SOLD BY LICENSEE (INCLUDING SUBLICENSEE SALES) WHICH IS LICENSED TECHNOLOGY HEREUNDER.

ARTICLE 9 – ASSIGNMENT

Except as expressly provided hereunder, this Agreement is not assignable without the prior written consent of UNIVERSITY which consent shall not be unreasonably withheld, and any attempt to do so shall be null and void, provided that LICENSEE may assign this Agreement and its rights and obligations thereunder, without the UNIVERSITY'S prior written consent in connection with the transfer or sale of all or substantially all of the LICENSEE'S business relating to the PATENT RIGHTS and LICENSED TECHNOLOGY to a third party, whether by merger, sale of stock, sale of assets or otherwise subject to LICENSEE providing at least 10 business days written notification to UNIVERSITY and further subject to the assignee agreeing in writing to be bound to all the terms and conditions of this License. The rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties. Any assignment not in accordance with this Article 9 shall be null and void.

ARTICLE 10 – TERM AND TERMINATION

10.1 This Agreement shall terminate upon the expiration of the last surviving claim of the PATENT RIGHTS.

10.2 UNIVERSITY shall have the right to terminate this Agreement, upon written notice, if:

(a) LICENSEE defaults in the performance of any of the obligations herein contained and such default has not been cured within [***] days after receiving written notice thereof from UNIVERSITY; or

(b) LICENSEE ceases to carry out its business, becomes bankrupt or insolvent, applies for or consents to the appointment of a trustee, receiver or liquidator of its assets or seeks relief under any law for the aid of debtors.

10.3 LICENSEE may terminate this Agreement upon six (6) months prior written notice to UNIVERSITY and upon payment of all amounts accrued or due to UNIVERSITY through the effective date of termination, including patent cost reimbursement pursuant to Article 6 hereof.

10.4 Upon termination of this Agreement, neither party shall be released from any obligation that matured prior to the effective date of such termination. LICENSEE and any sublicensee may, however, after the effective date of such termination, sell all products under the LICENSED TECHNOLOGY which LICENSEE produced prior to the effective date of such termination, provided that LICENSEE shall pay to UNIVERSITY the royalties thereon as required by Article 4 hereof and submit the reports required by Article 5 hereof.

ARTICLE 11 – NOTICES

11.1 Any notice or communication pursuant to this Agreement shall be sufficiently made or given if sent by certified or registered mail, postage prepaid, or by overnight courier, with proof of delivery by receipt, addressed to the address below or as either party shall designate by written notice to the other party, or if in accordance with Section 11.3.

In the case of University:

Associate Vice Chancellor for Technology Management and Commercialization

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Office of Technology Management
University of Pittsburgh
200 Gardner Steel Conference Center
Thackeray & O'Hara Streets
Pittsburgh, PA 15260

In the case of LICENSEE:

Exagen Diagnostics, Inc.
800 Bradbury Drive SE
Suite 108
Albuquerque, NM 87106
Attn: President and CEO

11.2 Any payments to University hereunder by wire transfer shall be directed as follows:

Bank: Mellon Bank, NA, Pittsburgh, PA
ABA Routing No.: 043000261-University of Pittsburgh
Account No.: 0015510
Mellon SWIFT Code: MELNUS3P (international transfers)
Reference Code: Office of Technology Management, Accountant - otmfinbx@pitt.edu - (412) 648-2226

LICENSEE shall be responsible for all applicable fees and costs relating to any wire transfer, to include translation fees, without any deduction of such fees from amounts due to the UNIVERSITY pursuant to this Agreement.

11.3 All invoices to LICENSEE generated by UNIVERSITY under this Agreement will be sent electronically, via e-mail, in PDF format, unless instructed otherwise by LICENSEE in writing.

ARTICLE 12 – AMENDMENT, MODIFICATION

This Agreement may not be amended or modified except by the execution of a written instrument signed by the UNIVERSITY'S Executive Vice Chancellor, or its successor and/or designated UNIVERSITY employee having signatory authority, and LICENSEE'S President. In connection with any agreed upon amendment or modification of this Agreement pursuant to this Article 12, LICENSEE shall be required to pay an Amendment Fee.

ARTICLE 13 – MISCELLANEOUS

13.1 This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania. The forum for any action relating to this Agreement, including those brought against individuals such as UNIVERSITY employees or agents, shall be the Courts of Allegheny County, Pennsylvania, or, if in a federal proceeding, the United States District Court for the Western District of Pennsylvania.

13.2 The parties acknowledge that this Agreement sets forth the entire understanding and intentions of the parties hereto as to the subject matter hereof and supersedes all previous representations, negotiations, or understandings between the parties and/or its employees or agents, whether written or oral, regarding the subject matter of this Agreement.

13.3 Nothing contained in this Agreement shall be construed as conferring upon either party any right to use in advertising, publicity or other promotional activities any name, trade name, trademark, or other designation of the other party, including any contraction, abbreviation, or simulation of any of the foregoing. Without the express written approval of the other party, neither party shall use any designation of the other party in any promotional activity associated with this Agreement or the LICENSED TECHNOLOGY. Neither party shall issue any press release or make any public statement in regard to this Agreement without the prior written approval of the other party, except LICENSEE may make such disclosures as are necessary or appropriate to comply with its obligations under applicable laws, rules and regulations of the Securities and Exchange Commission and securities exchange upon which LICENSEE'S securities are listed.

13.4 If one or more of the provisions of this Agreement shall be held invalid, illegal or unenforceable, the remaining provisions shall not in any way be affected or impaired thereby. In the event any provision is held illegal or unenforceable, the parties shall use reasonable efforts to substitute a valid, legal and enforceable provision which, insofar as is practical, implements purposes of the provision held invalid, illegal or unenforceable.

13.5 Failure at any time to require performance of any of the provisions herein shall not waive or diminish a party's right thereafter to demand compliance therewith or with any other

provision. Waiver of any default shall not waive any other default. A party shall not be deemed to have waived any rights hereunder unless such waiver is in writing and signed by a duly authorized officer of the party making such waiver.

13.6 LICENSEE acknowledges that UNIVERSITY is free to publish the results of the research activities of its faculty, staff and students, even though such publication may involve the PATENT RIGHTS or LICENSED TECHNOLOGY. UNIVERSITY agrees to submit to LICENSEE any proposed publication or presentation regarding the subject matter specifically described in the PATENT RIGHTS for prior review by LICENSEE at least [***] days before its submittal for publication or its presentation. LICENSEE may, within [***] days after receipt of such proposed publication, request that such proposed publication be delayed not more than [***] days in order to allow for protection of intellectual property rights.

13.7 The term “Confidential Information” shall mean any and all proprietary or confidential information of UNIVERSITY or LICENSEE which may be exchanged between parties at any time and from time to time during the term of this Agreement. Information shall not be considered confidential to the extent that either party can establish by competent proof that it: (i) is publically disclosed through no fault of any party hereto, either before or after it becomes known to the receiving party; (ii) was known to the receiving party prior to the date of this Agreement, which knowledge was acquired independently and not from another party hereto (or such party’s employees); (iii) is subsequently disclosed to the receiving party in good faith by a third party who has a right to make such disclosure; or (iv) has been published by a third party as a matter of right. The parties agree that during the term of this Agreement, and for a period of [***] years after this Agreement terminates, a party receiving Confidential Information of the other party will (a) maintain in confidence such Confidential Information; (b) not disclose such Confidential Information to any third party and (c) not use such confidential Information for any purpose except those permitted in this Agreement. Notwithstanding the foregoing, if a party is required by law, regulation or court order to disclose Confidential Information of the other party, the party required to make such disclosure shall limit the same to the minimum required to make such disclosure shall limit the same to the minimum required

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to comply with the law or court order, and shall use reasonable efforts to attempt to seek confidential treatment for that disclosure, and prior to making such disclosure that party shall notify the other party shall notify the other party, not later than ten (10) days (or shorter period of time as may be practicable under the circumstances) before the disclosure in order to allow that other party to comment and/or to obtain protective or other order, including extensions of time and the like, with respect to such disclosure. In addition, a party may disclose Confidential Information to the other party to employees, to sublicensees and potential sublicensees (in the case of LICENSEE), or to other third parties in connection with due diligence or similar investigations by third parties or potential third party investors in confidential financing document, provided, in each case, that any such employee, consultant, agent, sublicense, potential sublicense or other third party agrees in writing to be bound by terms of confidentiality and non-use at least as stringent as those set forth in this Section 13.7.

13.8 The parties acknowledge that they consulted, or had the opportunity to investigate and/or consult, with their legal counsel and/or other advisors with respect to the PATENT RIGHTS, LICENSED TECHNOLOGY, and the terms of this Agreement.

13.9 The parties agree that this Agreement constitutes an arm's length business transaction and does not create a fiduciary relationship.

13.10 LICENSEE agrees that with respect to the performance of this Agreement or the practice of the rights granted by the UNIVERSITY hereunder, it shall comply with any and all applicable United States export control laws and regulations, as well as any and all embargoes and/or other restrictions imposed by the Treasury Department's Office of Foreign Asset Controls.

13.11 If LICENSEE challenges the validity or enforceability of UNIVERSITY'S PATENT RIGHTS or UNIVERSITY'S ownership of the PATENT RIGHTS anywhere in the world, the LICENSEE shall continue to pay to UNIVERSITY all royalties and other financial obligations required under this Agreement, to include patent costs and fees. If any such challenge is unsuccessful by Licensee, the royalty rates and any non-royalty sublicense income rate set forth in Article 4.1 above shall automatically double in value,

to include all royalty minimums and floors; and Licensee shall reimburse the University for all fees and costs associated with defending such action, including but not limited to attorneys fees and expert fees. The effective date of such increase in royalty rates shall be the date of the first court order or date of issuance of a re-examination certificate (or foreign equivalents thereof) declaring any claim of the PATENT RIGHTS as valid or enforceable. Within thirty (30) days prior to filing any such challenge, LICENSEE shall provide the UNIVERSITY with written notice of its intent to make such challenge.

13.12 Licensee shall mark all Licensed Technology with applicable foreign patent numbers in accordance with the applicable laws of the countries in which Licensed Technology is used or sold.

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IN WITNESS WHEREOF, the parties represent and warrant that each has the authority to bind the party to this Agreement and have set their hands and seals as of the date set forth on the first page hereof.

UNIVERSITY OF PITTSBURGH – OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION

By /s/ Jerome Cochran
Jerome Cochran
Executive Vice Chancellor

EXAGEN DIAGNOSTICS, INC.

By /s/ Ron Rocca
Name: Ron Rocca
Title: C.E.O.

EXHIBIT A

PATENT RIGHTS FOR EXCLUSIVE LICENSE AGREEMENT BETWEEN THE UNIVERSITY OF PITTSBURGH AND EXAGEN DIAGNOSTICS, INC.

Univ. Case No.	Application No.	Application Filing Date	Patent No.	Patent Issuance Date	Title	Country
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EXHIBIT B
SAMPLE ROYALTY REPORT

Licensee name:
Reporting period:
Date of report:

Royalty Reporting Form

Product	No. units sold (including sublicense)	Invoiced price per unit	Gross sales	Allowable deductions	Net sales
Product name					
Product name					
Product name					
Product name					
Total					

Total net sales	$
Royalty rate	
Royalty due	$

Total royalty due: $

Name and addresses of sublicensees:

Total non-royalty sublicense income: $

Report prepared by:
Title:
Date:

EXHIBIT C
SAMPLE PROGRESS REPORT

Licensee name:
Report date:
Technology title:

Progress Report

A. Date development plan initiated and time period covered by this report

B. Development report

1. Activities, e.g., research and development, regulatory approvals, manufacturing, sublicensing, marketing and sales, etc., completed since last report including the object and parameters of the development, when initiated, when completed and the results

2. Activities currently under investigations, i.e., ongoing activities including object and parameters of such activities, when initiated, and projected date of completion

C. Future development activities

1. Activities to be undertaken before next report including, but not limited to, the type and object of any studies conducted and their projected starting and completion dates

2. Estimated total development time remaining before a product will be commercialized

D. Changes to initial development plan

1. Reasons for change

2. Variables that may cause additional changes

E. Items to be provided if applicable:

1. Information relating to product that has become publicly available, e.g., published articles, competing products, patents, etc.

2. Development work being performed by third parties other than Licensee to include name of third party, reasons for use of third party, planned future use of third parties including reasons why and type of work

3. Update of competitive information trends in industry, government compliance, and market plan

Exhibit 10.19

CERTAIN MATERIAL (INDICATED BY AN ASTERISK) HAS BEEN OMITTED FROM THIS DOCUMENT PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT. THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

EXCLUSIVE LICENSE AGREEMENT

This Agreement ("Agreement") is made and entered into as of the 5th day of September, 2011 ("EFFECTIVE DATE"), by and between Thierry DERVIEUX an individual and his company DeNovo, a California limited liability corporation, located at, 240 Coral Rose Irvine, CA 92603 ("DERVIEUX"), and EXAGEN DIAGNOSTICS, INC., a corporation organized and existing under the laws of Delaware, having an office at 801 University Blvd. SE Suite 103 Albuquerque, NM 87106 ("EXAGEN").

WHEREAS, DERVIEUX is the inventor and owner of certain PATENT RIGHTS, as noted in Schedule A, consisting of certain patents and patent applications, and has the right to grant licenses under such PATENT RIGHTS and has certain DERVIEUX KNOW-HOW;

WHEREAS, EXAGEN is experienced in the development, production, manufacture, marketing and sale of products and/or the use of similar products to the LICENSED TECHNOLOGY and

WHEREAS, EXAGEN desires to obtain a license under the PATENT RIGHTS AND DERVIEUX KNOW-HOW upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I - DEFINITIONS

For purposes of this Agreement, the following words and phrases shall have the following meanings:

1.1 "AFFILIATE" shall mean, with respect to either party, any entity that is controlled, operated or managed by a party, whether or not owned by such party.

1.2 "KNOW-HOW" shall mean any and all technical, scientific and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulas, instructions, skills, techniques, procedures, ideas, data, results and other information and materials relating to LICENSED TECHNOLOGY.

1.3 “EXAGEN TECHNOLOGY” shall mean any and all technical, scientific and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulas, instructions, skills, techniques, procedures, ideas, data, results and other information and materials used by EXAGEN to make products.

1.3 “FIELD OF USE” shall mean and include LICENSED TECHNOLOGY for use in the human healthcare market.

1.4 “IMPROVEMENTS” for DERVIEUX shall mean any improvements or enhancements made by either party to LICENSED TECHNOLOGY. For EXAGEN it shall mean any improvements made to EXAGEN TECHNOLOGY.

1.5 “LICENSED TECHNOLOGY” shall be the Patents Rights, Improvements and Know-How described in this Agreement including the Exhibit A herein.

1.6 “PATENT RIGHTS” shall mean the intellectual property described below:

(a) Patents and/or patent applications listed in Exhibit A;

(b) All patents issued from the applications listed in Exhibit A and from divisionals and continuations and continuations in part of these applications; and

(c) Claims of all continuation in part and divisional applications, and of the resulting patents, which are directed to subject matter specifically described in applications listed in Exhibit A.

1.7 “NET SALES” shall mean the amount collected by EXAGEN or its AFFILIATES to third parties while using LICENSED TECHNOLOGY and services or testing using the LICENSED TECHNOLOGY and services. Such amount shall be the net amount collected less only:

(a) Actual cost of freight, shipping and insurance charges or freight absorption if separately stated in such invoice;

(b) Actual trade, quantity or cash discounts actually allowed, to include discounts to managed care organizations, so long as such discounts: (i) are in amounts customary in the trade, and do not violate federal state laws or regulations;

(c) Actual credits and allowances granted for rightful product returns and recalls;

(d) Rebates paid or credited to managed care organizations and governmental agencies with respect to Medicaid, Medicare or similar state and federal government programs; and

(e) Sales taxes, tariff duties and/or use taxes actually paid if separately stated on each invoice.

(f) Pass through costs for cost of acquiring the blood sample.

1.8 "TERRITORY" shall mean Worldwide except Australia and New Zealand.

ARTICLE 2 – LICENSE GRANT

Subject to the terms and conditions of this Agreement, DERVIEUX hereby grants to EXAGEN, the exclusive right and license to develop, make, have made, use, offer for sale, import and sell the LICENSED TECHNOLOGY in the TERRITORY within the FIELD OF USE and in such connection to practice under DERVIEUX KNOW-HOW and the PATENT RIGHTS until the last patent expires on a country by country basis, unless this Agreement is terminated as provided herein.

ARTICLE 3 - DUE DILIGENCE

3.1 EXAGEN shall use its commercially reasonable efforts to bring the LICENSED TECHNOLOGY to market as soon as practicable, consistent with sound and reasonable business practice and judgment, and to continue active, diligent efforts for the commercialization of the LICENSED TECHNOLOGY in the TERRITORY throughout the term of this Agreement.

3.2 Upon execution of this Agreement, DERVIEUX will provide EXAGEN access and support to the following products, services and other activities:

(a) Assistance with technology transfer.

(b) Assistance with the establishment of clinical performances.

(c) DERVIEUX will use its commercially reasonable efforts to assist with ongoing clinical validation of the Licensed Technology.

(d) Preparation and compilation of Key scientific publications.

(e) Sharing of new clinical data especially on-going clinical activities.

3.3 The parties agree to work on new product development using the LICENSED TECHNOLOGY.

3.4. EXAGEN shall own any IMPROVEMENTS made to LICENSED TECHNOLOGY made by EXAGEN or by DERVIEUX while employed by or is a consultant of EXAGEN, including any IMPROVEMENTS that is a result of the efforts described in section 3.2 and 3.3 above. EXAGEN shall have the option and right to file, prosecute, maintain, defend and enforce any relevant patents, at its sole expense and in its sole name or the name of its designee. Such IMPROVEMENTS are for the duration of this Agreement to the extent necessary/applicable included under the license grant in section 2.

3.5 EXAGEN shall own any IMPROVEMENTS made to all non-LICENSED TECHNOLOGY, including those to EXAGEN TECHNOLOGY and any IMPROVEMENTS that is a result of the efforts described in section 3.2 and 3.3 above.

3.5 EXAGEN's material failure to perform in accordance with Section 3.1 hereof shall be grounds for DERVIEUX to terminate this Agreement pursuant to Section 10.3(a); except that through no fault of EXAGEN and following the commercially reasonable efforts of EXAGEN. Upon termination or expiration of this Agreement for any reason (except for DERVIEUX'S material breach) all rights and interest to the PATENT RIGHTS, DERVIEUX KNOW-HOW AND DERVIEUX IMPROVEMENTS and any other rights granted by DERVIEUX shall revert to DERVIEUX.

ARTICLE 4 - LICENSE CONSIDERATION – DELIVERY CONDITIONS

4.1 In consideration of the rights, privileges and license granted by DERVIEUX hereunder, EXAGEN shall pay royalties and other monetary consideration as follows:

(a) One time [***] dollars ($[***] US$) upon the issuance of first invoice for sale or use of LICENSED TECHNOLOGY using PATENT RIGHTS.

(b) One time [***] dollars ($[***] US$) upon attaining $[***] in NET SALES in a calendar year using LICENSED TECHNOLOGY and PATENT RIGHTS.

(c) One time Five Hundred thousand dollars ($[***] US$) upon attaining $[***] in NET SALES in a calendar year using LICENSED TECHNOLOGY and PATENT RIGHTS.

(d) Royalty of [***]% of NET SALES for products using or comprising LICENSED TECHNOLOGY, using PATENT RIGHTS. If LICENSED TECHNOLOGY is used in combination with other technologies not using LICENSED TECHNOLOGY, the Royalties will be calculated using that portion of NET SALES attributable to LICENSED TECHNOLOGY.

(e) If such LICENSED TECHNOLOGY is sub licensed to a third party, DERVIEUX shall receive [***]% of all license fees and royalties attributed to the LICENSED TECHNOLOGY.

4.5 In the event that it should prove necessary for EXAGEN to license intellectual property rights owned by a third party in order to practice the LICENSED TECHNOLOGY in order to avoid infringing the patent or other intellectual property rights of such third party, then EXAGEN shall be entitled to [***]% of a credit of such third party royalties against royalties due to DERVIEUX under Section 4.1, provided that (i) in no event shall the royalty rate applicable to NET SALES payable to DERVIEUX be less than [***] percent ([***]%).

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4.6 All payments pursuant to this Agreement may be made in United States dollars. Payments under Section 4.1(d) are payable on a country by country basis only in those countries in which there are Patent Rights with respect to the applicable Licensed Technology.

ARTICLE 5 - REPORTS

5.1 Within sixty (60) days after each March 31, June 30, September 30 and December 31 of each year during the term of this Agreement beginning in the year of the first commercial sale of LICENSED TECHNOLOGY, EXAGEN shall make payment and deliver to DERVIEUX reports of:

(a) Total collections for all such products; and

(b) Total royalties due.

5.2 EXAGEN shall keep full, true and accurate books of account, in accordance with generally accepted accounting principles, containing all information that may be necessary for the purpose of showing the amounts payable to DERVIEUX hereunder. Such books of account shall be kept at EXAGEN's principal place of business. Such books and the supporting data related thereto shall be made available at reasonable times for no more than once a calendar year for three (3) years following the end of the calendar year to which they pertain to the inspection of DERVIEUX or its agents for the purpose of verifying EXAGEN'S royalty statement or compliance in other respects with this Agreement. The fees and expenses of DERVIEUX'S representatives shall be borne by DERVIEUX; however, if an error of more than [***] percent ([***]%) of the total payments, then EXAGEN shall bear the fees and expenses of DERVIEUX'S representatives.

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ARTICLE 6 - PATENT PROSECUTION

6.1 EXAGEN with DERVIEUX shall apply for and seek prompt issuance of and maintain during the term of this Agreement the PATENT RIGHTS in the United States, Australia and other countries it may designate as pertinent in the TERRITORY. EXAGEN shall have the right to determine and manage the legal strategy and prosecute the PATENT RIGHTS.

6.2 If EXAGEN decides not to seek patent coverage in any country in the Territory, then DERVIEUX may give a 60 day notice to EXAGEN that it will seek patent coverage. If EXAGEN does not take action within that time period, DERVIEUX shall have the right to file for such coverage at his own cost. [***]

6.3 Except as noted in Section 6.2 all fees and costs including attorneys' fees relating to the filing, prosecution and maintenance of the PATENT RIGHTS in the TERRITORY shall be the responsibility of EXAGEN.

ARTICLE 7 - INFRINGEMENT ACTIONS

7.1 EXAGEN shall inform DERVIEUX promptly in writing of any alleged infringement of the PATENT RIGHTS by a third party and of any available evidence thereof.

7.2 During the term of this Agreement, EXAGEN shall be responsible, but shall not be obligated, to prosecute at its own expense all infringements of the PATENT RIGHTS in the TERRITORY. In furtherance of such right, DERVIEUX hereby agrees that EXAGEN may include DERVIEUX as a party plaintiff in any such suit, without expense to DERVIEUX. The total cost of any such infringement action commenced or defended solely by EXAGEN shall be borne by EXAGEN and EXAGEN shall receive any recovery or damages for past infringement derived therefrom.

7.3 If within thirty (30) days after having been notified of any alleged infringement, EXAGEN shall have been unsuccessful in persuading the alleged infringer to desist and shall not have brought and shall not be diligently prosecuting an infringement action, or if EXAGEN shall notify DERVIEUX at any time prior thereto of its intention not to bring

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suit against any alleged infringer, then, and in those events only, DERVIEUX shall have the right, but shall not be obligated, to prosecute at its own expense any infringement of the PATENT RIGHTS, and DERVIEUX may, for such purposes, use the name of EXAGEN as party plaintiff. DERVIEUX shall bear all costs and expenses of any such suit. In any settlement or other conclusion, by litigation or otherwise, [***]

7.4 In the event that a declaratory judgment action alleging invalidity or infringement of any of the PATENT RIGHTS shall be brought against DERVIEUX, at its option, shall have the right, within thirty (30) days after commencement of such action, to intervene and take over the sole defense of the action at its own expense.

7.5 In any infringement suit either party may institute to enforce the PATENT RIGHTS pursuant to this Agreement, the other party shall, at the request and expense of the party initiating such suit, cooperate in all respects and, to the extent possible, have its employees testify when requested and make available relevant records, papers, information, samples, specimens, and the like.

ARTICLE 8 – DERVIEUX WARRANTIES - INDEMNIFICATION - DISCLAIMER/LIMITATION OF LIABILITY

8.1.1 DERVIEUX hereby warrants that the Patent filings, delivered to EXAGEN to the best of his knowledge not infringe any existing or filed patents by himself or a third party and that no other parties have right to the disclosures make within. DERVIEUX makes no representation or warranty that the end products developed by EXAGEN will meet the requirements of regulatory authorities.

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES A REPRESENTATION OR WARRANTY OF ANY KIND WHATSOEVER, WHETHER EXPRESS OR IMPLIED

8.2 EXAGEN shall at all times during the term of this Agreement and thereafter indemnify, defend and hold DERVIEUX harmless against all claims and expenses, including legal

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expenses and reasonable attorneys' fees, arising out of a) EXAGEN's activities under this Agreement or b) EXAGEN's breach of this Agreement. EXAGEN shall provide this defense and indemnify, the parties are named either jointly or severally, as a party defendant. The obligation of EXAGEN to defend and indemnify as set forth herein shall survive termination of this Agreement and shall not be limited by any other limitation of liability elsewhere in this Agreement.

8.3 DERVIEUX shall at all times during the term of this Agreement and thereafter indemnify, defend and hold EXAGEN harmless against all claims and expenses, including legal expenses and reasonable attorneys' fees, arising out of DERVIEUXS breach of warranties made under this Agreement. DERVIEUX shall provide this defense and indemnify, the parties named either jointly or severally, as a party defendant. The obligation of DERVIEUX to defend and indemnify as set forth herein shall survive termination of this Agreement and shall not be limited by any other limitation of liability elsewhere in this Agreement.

ARTICLE 9 - ASSIGNMENT

9 Except as expressly provided hereunder, this Agreement is not assignable without the prior written consent of the other party which consent shall not be unreasonably withheld, provided that either party may assign this Agreement and its rights and obligations thereunder, without the other party's prior written consent in connection with the transfer or sale of all or substantially all of the assignee's business relating to this agreement to a third party, whether by merger, sale of stock, sale of assets or otherwise subject to the assigning party providing at least 10 business days written notification to the other party and further subject to the assignee agreeing writing to be bound to all the terms and conditions of this License. The rights and obligations of the parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the parties.

ARTICLE 10 - TERMINATION

10.1 This Agreement shall remain in force until terminated by a party pursuant to the provisions below.

10.2 EXAGEN may terminate this Agreement for convenience upon 12 months written notice.

10.3 Either party shall have the right to terminate this Agreement for material breach if:

(a) A party shall default in the performance of any of the obligations herein contained and such default has not been cured within [***]days after receiving written notice thereof; or

(b) Either party shall cease to carry out its business, become bankrupt or insolvent, apply for or consent to the appointment of a trustee, receiver or liquidator of its assets or seek relief under any law for the aid of debtors.

10.4 Upon termination of this Agreement, neither party shall be released from any obligation that matured prior to the effective date of such termination. EXAGEN and any affiliate may, however, for a maximum of six months after the effective date of such termination, sell all products under the LICENSED TECHNOLOGY which EXAGEN produced prior to the effective date of such termination, provided that EXAGEN shall pay to DERVIEUX the royalties thereon as required by Article 4 hereof.

ARTICLE 11 – NOTICES

11 Any payment, notice or communication pursuant to this Agreement shall be sufficiently made or given if sent by certified or registered mail, postage prepaid, or by overnight courier, with proof of delivery by receipt, addressed to the address below or as either party shall designate by written notice to the other party.

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In the case of DERVIEUX:

Thierry Dervieux
240 Coral Rose
Irvine, CA 92603

In the case of EXAGEN:

EXAGEN Diagnostics, Inc.
801 University Blvd SE
Suite 103
Albuquerque, NM 87106
Attn: President

ARTICLE 12 - AMENDMENT, MODIFICATION

12 This Agreement may not be amended or modified except by the execution of a written instrument signed by the parties hereto.

ARTICLE 13 - MISCELLANEOUS

13.1 This Agreement shall be construed and interpreted in accordance with the laws of the state of New Mexico. Any dispute arising out of or in connection with this contract, including any disputes regarding the existence, validity or termination, shall be settled by arbitration arranged by using an arbiter of mutual agreement.

13.2 The parties acknowledge that this Agreement sets forth the entire understanding and intentions of the parties hereto as to the subject matter hereof and all previous understandings between the parties, written or oral, regarding such subject matter.

13.3 Nothing contained in this Agreement shall be construed as conferring upon either party any right to use in advertising, publicity or other promotional activities any name, trade name, trademark, or other designation of the other party, including any contraction, abbreviation, or simulation of any of the foregoing.

13.4 If one or more of the provisions of this Agreement shall be held invalid, illegal or unenforceable, the remaining provisions shall not in any way be affected or impaired thereby. In the event any provision is held illegal or unenforceable, the parties shall use reasonable efforts to substitute a valid, legal and enforceable provision which, insofar as is practical, implements purposes of the provision held invalid, illegal or unenforceable.

13.5 Failure at any time to require performance of any of the provisions herein shall not waive or diminish a party's right thereafter to demand compliance therewith or with any other provision. Waiver of any default shall not waive any other default. A party shall not be deemed to have waived any rights hereunder unless such waiver is in writing and signed by a duly authorized officer of the party making such waiver.

13.6 The parties acknowledge that both parties are free to publish the results of the research and commercial activities under this Agreement and that the publications may involve the PATENT RIGHTS or LICENSED TECHNOLOGY. DERVIEUX agrees to supply to EXAGEN any proposed publication or presentation regarding the subject matter specifically described in the PATENT RIGHTS at least [***] days before its submittal for publication or its presentation so it may have ample time to prepare commercial strategies and support material.

13.7 The term "Confidential Information" shall mean any and all proprietary or confidential information of DERVIEUX or EXAGEN which may be exchanged between parties at any time and from time to time during the term of this Agreement. Information shall not be considered confidential to the extent that either party can establish by competent proof that it: (i) is publically disclosed through no fault of any party hereto, either before or after it becomes known to the receiving party; (ii) was known to the receiving party prior to the date of this Agreement, which knowledge was acquired independently and not from another party hereto (or such party's employees); (iii) is subsequently disclosed to the receiving party in good faith by a third party who has a right to make such disclosure; or (iv) has been published by a third party as a matter of right. The parties agree that during the term of this Agreement, and for a period of five (5) years after this Agreement terminates, a party receiving Confidential Information of the other party will (a) maintain in confidence such Confidential Information; (b) not disclose such Confidential Information to any third party and (c) not use such confidential Information for any purpose except those permitted in this Agreement. Notwithstanding the foregoing, if a party is required by law, regulation or court order to disclose Confidential Information of the other party, the party required to make such disclosure shall limit the same to the minimum required to make such disclosure shall limit the same to the minimum required

to comply with the law or court order, and shall use reasonable efforts to attempt to seek confidential treatment for that disclosure, and prior to making such disclosure that party shall notify the other party shall notify the other party, not later than ten (10) days (or shorter period of time as may be practicable under the circumstances) before the disclosure in order to allow that other party to comment and/or to obtain protective or other order, including extensions of time and the like, with respect to such disclosure. In addition, a party may disclose Confidential Information to the other party to employees, board members and potential partners, acquirers, or to other third parties in connection with due diligence or similar investigations by third parties or potential third party investors in confidential financing document, provided, in each case, that any such employee, consultant, agent, sublicense, potential sublicense or other third party agrees to be bound by terms of confidentiality and non-use.

IN WITNESS WHEREOF, the parties have set their hands and seals as of the date set forth on the first page hereof.

DERVIEUX

By /s/ Thierry Dervieux
Thierry Dervieux

EXAGEN DIAGNOSTICS, INC.

By /s/ Scott L. Glenn
Scott L. Glenn
Chairman/CEO

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EXHIBIT A

PATENT RIGHTS

Title	Inventor	Application No. Filing Date
[***]	[***]	[***]

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STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE - NET
AIR COMMERCIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease ("**Lease**"), dated for reference purposes only January 13, 2012, is made by and between RGS Properties ("**Lessor**") and Exagen Diagnostics, Inc. ("**Lessee**"), (collectively the "**Parties**", or individually a "**Party**").

1.2(a) **Premises:** That certain portion of the Project (as defined below), including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 1261 Liberty Way, Suite C, located in the City of Vista, County of San Diego, State of California, with zip code 92083, as outlined on Exhibit A attached hereto ("**Premises**")
and generally described as (describe briefly the nature of the Premises): approximately 6,582 square feet of a larger industrial building. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the any utility raceways of the building containing the Premises ("**Building**") and to the common Areas (as defined in Paragraph 2.7 below), but shall not have any rights to the roof or exterior walls of the Building or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "**Project**." (See also Paragraph 2)

1.2(b) **Parking:** thirteen (13) unreserved vehicle parking spaces. (See also Paragraph 2.6)

1.3 **Term:** five (5) years and zero (0) months ("**Original Term**") commencing February 12, 2012 ("**Commencement Date**") and ending January 31, 2017 ("**Expiration Date**"). (See also Paragraph 3)

1.4 **Early Possession:** See Paragraph 57 ("**Early Possession Date**"). (See also Paragraphs 3.2 and 3.3)

1.5 **Base Rent:** $4,804.86 per month ("**Base Rent**"), payable on the first day of each month commencing February 1, 2012. (See also Paragraph 4)

☒ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 50

1.6 **Lessee's Share of Common Area Operating Expenses:** twenty three point seventy seven percent (23. 77%) ("**Lessee's Share**"). Lessee's Share has been calculated by dividing the approximate square footage of the Premises by the approximate square footage of the Project. In the event that the size of the Premises and/or the Project are modified during the term of this Lease, Lessor shall recalculate Lessee's Share to reflect such modification.

1.7 **Base Rent and Other Monies Paid Upon Execution:**

(a) **Base Rent:** $4,804.86 for the period February 2012.

(b) **Common Area Operating Expenses:** $1,571.10 for the period February 2012.

(c) **Security Deposit:** $7,500.00 ("**Security Deposit**"). (See also Paragraph 5)

(d) **Other:** $60,000.00 for prepaid rent - see Paragraph 57.

(e) **Total Due Upon Execution of this Lease:** $73,875.96.

1.8 **Agreed Use:** General office and lab space for a diagnostics company. (See also Paragraph 6)

1.9 **Insuring Party**. Lessor is the "**Insuring Party**". (See also Paragraph 8)

1.10 **Real Estate Brokers:** (See also Paragraph 15)

(a) **Representation:** The following real estate brokers (the "**Brokers**") and brokerage relationships exist in this transaction (check applicable boxes):

☒ Colliers International - Peter Merz/Daniel Knoke represents Lessor exclusively ("**Lessor's Broker**");

☒ Cassidy Turley/BRE - Steven Field represents Lessee exclusively ("**Lessee's Broker**"); or

☐ represents both Lessor and Lessee ("**Dual Agency**").

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of 22,737.44 or approximately 7% (split 4% to Cassidy Turley/BRE & 3% to Colliers) % of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor**. The obligations of the Lessee under this Lease are to be guaranteed by N/A ("**Guarantor**"). (See also Paragraph 37)

1.12 **Attachments**. Attached hereto are the following, all of which constitute a part of this Lease:

☒ an Addendum consisting of Paragraphs 50 through 60;

☐ a site plan depicting the Premises;

☒ a site plan depicting the Project; Exhibit A

☐ a current set of the Rules and Regulations for the Project;

☐ a current set of the Rules and Regulations adopted by the owners' association;

that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less. **NOTE: Lessee is advised to verify the actual size prior to executing this Lease**.

2.2 **Condition**. Lessor shall deliver that portion of the Premises contained within the Building (**"Unit**") to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), loading doors, sump pumps, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects, and that the Unit does not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fall within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls - see Paragraph 7).

2.3 **Compliance**. Lessor warrants that to the best of its knowledge the improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof, was constructed, and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date ("**Applicable Requirements**"). Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 49), or to any Alterations or Utility installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the Applicable Requirements and especially the zoning are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date that on which the Base Rent is due, an amount equal to 144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements**. Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant**. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking**. Lessee shall be entitled to use the number of parking spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "**Permitted Size Vehicles.**" Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicle other than

right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas - Definition**. The term "**Common Areas**" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas - Lessee's Rights**. Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas - Rules and Regulations**. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations ("**Rules and Regulations**") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and shall use its best efforts to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas - Changes**. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term**.

3.1 **Term**. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 **Early Possession**. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such early possession shall not affect the Expiration Date.

3.3 **Delay in Possession**. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of the delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance**. Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent**.

4.1 **Rent Defined**. All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("**Rent**").

4.2 **Common Area Operating Expenses**. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions;

(a) "**Common Area Operating Expenses**" are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, and if necessary the

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) The cost of trash disposal, pest control services, property management, security services, owners' association dues and fees, the cost to repaint the exterior of any structures and the cost of any environmental inspections.

(iv) Reserves set aside for maintenance, repair and/or replacement of Common Area improvements and equipment.

(v) Real Property Taxes (as defined in Paragraph 10).

(vi) The cost of the premiums for the insurance maintained by Lessor pursuant to Paragraph 8.

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) Auditors', accountants' and attorneys' fees and costs related to the operation, maintenance, repair and replacement of the Project.

(ix) The cost of any capital improvement to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such capital improvement over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such capital improvement in any given month.

(x) The cost of any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project.

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses is payable monthly on the same day as the Base Rent is due hereunder. The amount of such payments shall be based on Lessor's estimate of the annual Common Area Operating Expenses. Within 60 days after written request (but not more than once each year) Lessor shall deliver to Lessee a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments during such year exceed Lessee's Share, Lessor shall credit the amount of such over-payment against Lessee's future payments. If Lessee's payments during such year were less than Lessee's Share, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of the statement.

(e) Common Area Operating Expenses shall not include any expenses paid by any tenant directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other tenant, or insurance proceeds. Landlord shall cap the common area expense increase to five percent (5%) per year for the initial Lease Term.

4.3 **Payment**. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason. Lessee agrees to pay to Lessor the sum of $25 in addition to any Late Charge and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Common Area Operating Expenses, and any remaining amount to any other outstanding charges or costs.

5. **Security Deposit**. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the Increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use**.

6.1 **Use**. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the

Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the Building or the mechanical or electrical systems therein and/or is not significantly more burdensome to the Project. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor’s objections to the change in the Agreed Use.

statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to inform Lessor**. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation**. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification**. Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification**. Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which are suffered as a direct result of Hazardous Substances on the Premises prior to Lessee taking possession or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations**. Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Lessee taking possession, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined In paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option**. If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force end effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements**. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to such Requirements, without regard to whether said Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (**MSDS**) to Lessor within 10 days of the receipt of written request therefor.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations**.

7.1 **Lessee's Obligations**.

(a) **In General**. Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair.

(b) **Service Contracts**. Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler and pressure vessels, and (iii) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform**. If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) **Replacement**. Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance but may prepay its obligation at any time.

7.2 **Lessor's Obligations**. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 **Utility Installations; Trade Fixtures; Alterations**.

(a) **Definitions**. The term "**Utility Installations**" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "**Trade Fixtures**" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "**Alterations**" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "**Lessee Owned Alterations and/or Utility Installations**" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent**. Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Liens; Bonds**. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialman's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee

Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal**. By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration**. Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. **Insurance; Indemnity**.

8.1 **Payment of Premiums**. The cost of the premiums for the insurance policies required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b), shall be a Common Area Operating Expense. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Start Date or Expiration Date.

8.2 **Liability Insurance**.

(a) **Carried by Lessee**. Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "**Insured contract**" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its Insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess Insurance only.

(b) **Carried by Lessor**. Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance - Building, Improvements and Rental Value**.

(a) **Building and Improvements**. Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full Insurable replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available Insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value**. Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.

(c) **Adjacent Premises**. Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements**. Since Lessor is the Insuring Party, Lessor shall not be required to Insure Lessee Owned Alterations and Utility Installations unless the Item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance**.

(a) **Property Damage**. Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) **Business Interruption**. Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention

of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage**. Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the Insurance required to be carried by It, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation**. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or Incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of Insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage Insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the Insurance is not invalidated thereby.

8.7 **Indemnity**. Except for Lessor's gross negligence or willful misconduct, Lessee shall Indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or Indemnified.

8.8 **Exemption of Lessor and its Agents from Liability**. Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 **Failure to Provide Insurance**. Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required Insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such Insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. **Damage or Destruction**.

9.1 **Definitions**.

(a) "**Premises Partial Damage**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee In writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total. Notwithstanding the foregoing, Premises Partial Damage shall not include damage to windows, doors, and/or other similar items which Lessee has the responsibility to repair or replace pursuant to the provisions of Paragraph 7.1.

(b) "**Premises Total Destruction**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "**Insured Loss**" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "**Replacement Cost**" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "**Hazardous Substance Condition**" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires restoration.

9.2 **Partial Damage - Insured Loss**. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written

notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full

reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor, Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction**. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term**. If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies**.

(a) **Abatement**. In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies**. If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments**. Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. **Real Property Taxes**.

10.1 **Definition**. As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project, (ii) a change in the improvements thereon, and/or (iii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes**. Except as otherwise provided in Paragraph 10.3, Lessor shall pay the Real Property Taxes applicable to the Project, and said payments shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements**. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations. Trade Fixtures or Utility installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.4 **Joint Assessment**. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes**. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee s property.

shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. **Assignment and Subletting**.

12.1 **Lessor's Consent Required**.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent, and such consent shall not be reasonably withheld.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of ~~25%~~ 49% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The Involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than ~~25%~~ 49% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, ie. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 **Terms and Conditions Applicable to Assignment and Subletting**.

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 **Additional Terms and Conditions Applicable to Subletting**. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults

against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies**.

13.1 **Default; Breach**. A "**Default**" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "**Breach**" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41, (viii) material data safety sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies**. If Lessee falls to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

to as "**Inducement Provisions**", shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges**. Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs Include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest**. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear Interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for In Paragraph 13.4.

13.6 **Breach by Lessor**.

(a) **Notice of Breach**. Lessor shall not be deemed in breach of this Lease unless Lessor falls within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor**. In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation**. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the floor area of the Unit, or more than 25% of the parking spaces Is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees**.

15.1 **Additional Commission**. In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations**. Any buyer or transferee of Lessor's Interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to Its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships**. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee In connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably Incurred with respect thereto.

16. **Estoppel Certificates**.

(a) Each Party (as "**Responding Party**") shall within 10 days after written notice from the other Party (the "**Requesting**

Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance, prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor**. The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability**. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days**. Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability**. The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence**. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease,

22. **No Prior or Other Agreements; Broker Disclaimer**. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. **Notices**.

23.1 **Notice Requirements**. All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mall or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice**. Any notice sent by registered or certified mall, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mall. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers**.

(a) No waiver by Lessorof the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee maybe accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship**.

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction, Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) *Lessor's Agent*. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: (a) Diligent exercise of reasonable skills and care in performance of the agent's duties. (b) A duty of honest and fair dealing and good faith. (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the

diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) *Lessee's Agent*. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for

(iii) *Agent Representing Both Lessor and Lessee.* A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: (a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee, (b) Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any Default or Breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover**. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies**. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement**. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law**. This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance**.

30.1 **Subordination**. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "**Lender**") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment**. In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Devise to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 **Non-Disturbance**. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "**Non-Disturbance Agreement**") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing**. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees**. If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred, In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation).

32. **Lessor's Access; Showing Premises; Repairs**. Lessor and Lessor's agents shall have the right to enter the Premises at any time. In the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective

34. **Signs**. Lessor may place on the Premises ordinary “For Sale” signs at any time and ordinary “For Lease” signs during the last 6 months of the term hereof. Except for ordinary “For Sublease” signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor’s prior written consent. All signs must comply with all Applicable Requirements.

35. **Termination; Merger**. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor’s failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor’s election to have such event constitute the termination of such interest.

36. **Consents**. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor’s actual reasonable costs and expenses (including but not limited to architects’, attorneys’, engineers’ and other consultants’ fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor’s consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor’s consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor**.

37.1 **Execution**. The Guarantors, If any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association.

37.2 **Default**. It shall constitute a Default of the Lessee If any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor’s behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still In effect.

38. **Quiet Possession**. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee’s part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options**. If Lessee is granted an option, as defined below, then the following provisions shall apply.

39.1 **Definition**. “**Option**” shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee**. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options**. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options**.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee’s Inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee’s due and timely exercise of the Option, If, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) If Lessee commits a Breach of this Lease.

40. **Security Measures**. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations**. Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest**. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment “under protest” and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so

much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid “under protest” within 6 months shall be deemed to have waived its right to protest such payment.

43. **Authority; Multiple Parties; Execution**.

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as “Lessee”, each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such

45. **Offer**. Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments**. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Waiver of Jury Trial**. **THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT**.

48. **Mediation and Arbitration of Disputes**. An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease ☐ is ☒ is not attached to this Lease.

49. **Americans with Disabilities Act.** Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

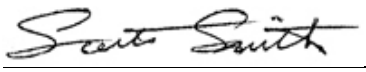
1. SEEK ADVICE OF COUNSELAS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

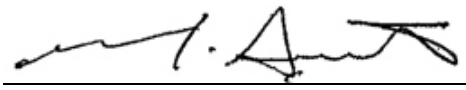
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: SAN MARCOS, CA
On: 1/19/12
By LESSOR:
RGS Properties

By: 
Name Printed: Scott Smith
Title: Owner

By: 
Name Printed: Greg L. Smith
Title: RGS Properties c/o Harman Asset Management
Address: P.O. Box 2463
La Jolla, CA 92038-2463

Telephone: (858) 454-0101
Facsimile:( )
Federal ID No.

BROKER:
Colliers International

Attn: Peter Merz/Daniel Knoke
Title:
Address: 5901 Priestly Drive, Suite 100
Carlsbad, CA 92008
Telephone: (760) 438-8950

Executed at: Carlsbad CA
On: 01/16/12
By LESSEE:
Exagen Diagnostics, Inc.

By: 
Name Printed: Ron Rocca
Title: CEO

By:
Name Printed:
Title:
Address: 801 University Blvd., Ste 103
Albuquerque, NM 87106

Telephone:( )
Facsimile:( )
Federal ID No.

BROKER:
Cassidy Turley/BRE

Attn: Steven Field
Title:
Address: 1000 Aviara Parkway, Suite 100

Facsimile: (760) 438-8925	Carlsbad, CA 92011
Email:	Telephone: (760) 431-4200
Federal ID No.	Facsimile: (760) 454-3869
	Email:
	Federal ID No. 20-0434866

NOTICE: Those forms are often modified to meet changing requirements of law and industry needs, Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 800 W 6th Street, Suite 800, Los Angeles, CA 90017. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

FOR THE PREMISES KNOWN AS 1261 LIBERTY WAY, SUITE C, VISTA, CALIFORNIA 92083.

50– RENT SCHEDULE:

Per Paragraph 50, Base Rent shall be as follows:

February 1-28, 2012	$4,804.86 Prepaid at lease execution
March 1-31, 2012	$2,402.43 (1/2 month rent)
April 1, 2012 - January 31, 2013	$4,804.86 Per month
February 1, 2013 - January 31, 2014	$5,397.24 Per month
February 1, 2014 - January 31, 2015	$5,559.18 Per month
February 1, 2015 - January 31, 2016	$5,725.93 Per month
February 1, 2016 - January 31, 2017	$5,897.71 Per month

51– LEASE COMMENCEMENT:

Lease shall commence upon substantial completion of Tenant Improvements listed in Paragraph 52 which is estimated to be February 1, 2012. If Tenant Improvements are not completed by this date, Commencement will be delayed per Paragraph 3.3.

52– TENANT IMPROVEMENTS:

Prior to lease commencement, Lessor at Lessor's sole cost and expense shall complete the following as depicted in Exhibit A.

A. Completely demise space.

B. Thoroughly clean office and lab areas.

C. Remove and replace water damaged floor tiles along wall in lab area.

D. Seal or install weather strip to exit door in lab area and clean surrounding area.

E. Replace stained and/or damaged ceiling tiles to match existing tiles and grid. Replace existing transparent light diffusers with new ceiling tiles.

F. Lessor to investigate and repair water damage to ceiling grid adjacent to last fume hood and make necessary repairs/remediation and replace ceiling tiles.

G. Lab flooring: clean and polish existing VCT flooring. Replace damaged VCT tiles where bolts from previous benches/racking (multiple locations) and where settling has occurred (east end of lab area).

H. Replace broken plate glass window in front area.

I. Install door, remove cabinetry, and convert "New Office". This area will include new carpet and paint.

J. Provide new carpet and paint to enclosed area – to be used as office/conference space for lab personnel.

K. Remove existing fume hood that is not connected to ventilation system. Existing bench to be left intact and surface to be repaired.

53– SIGNAGE:

Tenant shall be allowed to install signage per city codes and project criteria.

54– LEESEE'S SHARE OF COMMON AREA OPERATING EXPENSES:

Lessee's share of Common Area Operating Expenses shall not increase by more than five percent (5%) per year for initial Lease Term.

55– EARLY ACCESS:

Lessee shall be granted occupancy, free of Base Rent and Operating Expenses, upon lease execution for the purpose of set-up and fixturation, so long as Lessee's activities do not interfere with Lessor's works.

Prior to Lease execution, Lessor to provide equipment list and maintenance records for Lessee's review. In the event any of the existing HVAC units are in poor condition or if the term of the lease exceeds the remaining useful life of any of the units, then Lessor shall be responsible for the repair and/or replacement at its sole cost.

57– PRE-PAID RENT:

Upon execution of this lease, Lessee shall pay Lessor pre-paid rent of $60,000. Provided Lessee is not in default of the Lease, Lessor shall apply portions of the pre-paid rent to the following months:

- Year 2 (months 23&24): $10,000 towards Base Rent (approx. 2 months)
- Year 3 (months 33-36): $20,000 towards Base Rent (approx. 4 months)
- Year 4 (months 44-48): $25,000 towards Base Rent (approx. 5 months)
- Year 5 (month 59): $5,000 towards Base Rent (approx. 1 month)

58– EARLY TERMINATION OPTION:

Lessee shall have one option to terminate the Lease at the end of the 36th month. Lessee shall provide written notice to Lessor of election to terminate Lease at least six (6) months prior to the end of the 36th month of the Lease. If written notice is not received at least six (6) months prior to the end of the Lease, the option to terminate the Lease will automatically expire. In consideration of granting this option to terminate, Lessee shall pay Lessor a fee equal to five (5) months Base Rent and pay for all unamortized leasing commissions and tenant improvement costs.

59– ADDITIONAL FRONT OFFICE:

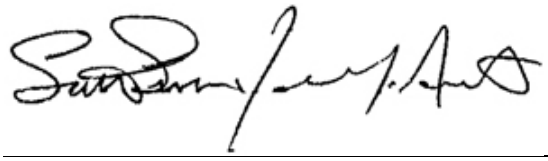
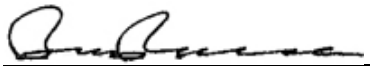
Lessor shall provide Lessee with an Improvement Allowance equal to fifteen thousand dollars ($15,000.00) to be used towards Premises modifications in the front office area. Lessee shall fund and construct their own tenant improvements to the Premises subject to a final plan mutually agreed upon by Lessee and Lessor (Lessor's approval shall not be unreasonably withheld or delayed) with all work completed by licensed contractors. Upon completion of tenant improvements and Lessee's submittal of contractor billings and lien releases to Lessor, Lessor shall apply an amount not to exceed $15,000 towards Base Rent.

Additionally, and separate from the improvement Allowance, Lessor shall pay for the cost of new carpet/base and paint to the front office area labeled as "L", "I" & "J" on the enclosed Exhibit A. Lessee shall coordinate carpet and paint installation as part of its tenant improvements and Lessor shall pay selected contractor directly and will cover costs associated with the removal of existing and installation of new paint and carpet, Colors to be of Lessee's choosing and shall be of similar quality of existing materials and finishes. If Lessor's payment for the costs of carpet and paint shall be withheld or delayed, then Lessee shall apply that costs towards Base Rent. If Lessee has not completed this work within twelve (12) months of Lease Commencement, this Improvement Allowance will automatically expire and Lessor will not be responsible to pay for any work completed by Lessee.

60– EXPANSION:

Lessor shall give Lessee first right of opportunity to lease adjacent Suite B.

concurrently with the Lease of even date herewith.

"LESSOR"	"LESSEE"
RGS PROPERTIES	EXAGEN DIAGNOSTICS, INC.
By: 	By: 
	Ron Rocca
Its: OWNERS	Its: CEO
Date: 1/17/12	Date: 01/16/12

OPTION(S) TO EXTEND
STANDARD LEASE ADDENDUM

Dated January 13, 2012

By and Between (Lessor) RGS Properties

By and Between (Lessee) Exagen Diagnostics, Inc.

Address of Premises: 1261 Liberty Way, Suite C
Vista, CA 92083

Paragraph 61

A. OPTION(S) TO EXTEND:

Lessor hereby grants to Lessee the option to extend the term of this Lease for two (2) additional thirty six (36) month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) In order to exercise an option to extend, Lessee must give written notice of such election to Lessor and Lessor must receive the same at least 3 but not more than 6 months prior to the date that the option period would commence, time being of the essence. If proper notification of the exercise of an option is not given and/or received, such option shall automatically expire. Options (if there are more than one) may only be exercised consecutively.

(ii) The provisions of paragraph 39, including those relating to Lessee's Default set forth in paragraph 39.4 of this Lease, are conditions of this Option.

(iii) Except for the provisions of this Lease granting an option or options to extend the term, all of the terms and conditions of this Lease except where specifically modified by this option shall apply.

(iv) This Option is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and without the intention of thereafter assigning or subletting.

(v) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

☐ **I. Cost of Living Adjustment(s) (COLA)**

a. On (Fill in COLA Dates):

the Base Rent shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ☐ CPI W (Urban Wage Earners and Clerical Workers) or ☐ CPI U (All Urban Consumers), for (Fill in Urban Area):

All Items (1982-1984 = 100), herein referred to as "CPI".

b. The monthly rent payable in accordance with paragraph A.I.a. of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the CPI of the calendar month 2 months prior to the month(s) specified in paragraph A.I.a. above during which the adjustment is to take effect, and the denominator of which shall be the CPI of the calendar month which is 2 months prior to (select one): ☐ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or ☐ (Fill in Other "Base Month"):

The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the rent adjustment.

c. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that the Parties cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said Association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitration shall be paid equally by the Parties.

☒ **II. Market Rental Value Adjustment(s) (MRV)**

a. On (Fill in MRV Adjustment Date(s)) February 1, 2017, February 1, 2020 the Base Rent shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to each Market Rental Value Adjustment Date described above, the Parties shall attempt to agree upon what the new MRV will be on the adjustment date. If agreement cannot be reached, within thirty days, then:

(a) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the Parties, or

(b) Both Lessor and Lessee shall each immediately make a reasonable determination of the MRV and submit such determination, in writing, to arbitration in accordance with the following provisions.

Parties. The submitted MRV which is determined to be the closest to the actual MRV shall thereafter be used by the Parties.

(iii) if either of the Parties fails to appoint an arbitrator within the specified 15days, the arbitrator timely appointed by one of them shall reach a decision on his or her own, and said decision shall be binding on the Parties.

(iv) The entire cost of such arbitration shall be paid by the party whose submitted MRV is not selected, ie. the one that is NOT the closest to the actual MRV.

2) Notwithstanding the foregoing, the new MRV shall not be less than the rent payable for the month immediately preceding the rent adjustment.

b. Upon the establishment of each NewMarket Rental Value:

1) the new MRV will become the new "Base Rent" for the purpose of calculating any further Adjustments, and

2) the first month of each Market Rental Value term shall become the new "Base Month" for the purpose of calculating any further Adjustments.

☐ **III. Fixed Rental Adjustments) (FRA)**

The Base Rent shall be increased to the following amounts on the dates set forth below:

On (Fill in FRA Adjustment Date(s)):	The New Base Rent shall be:

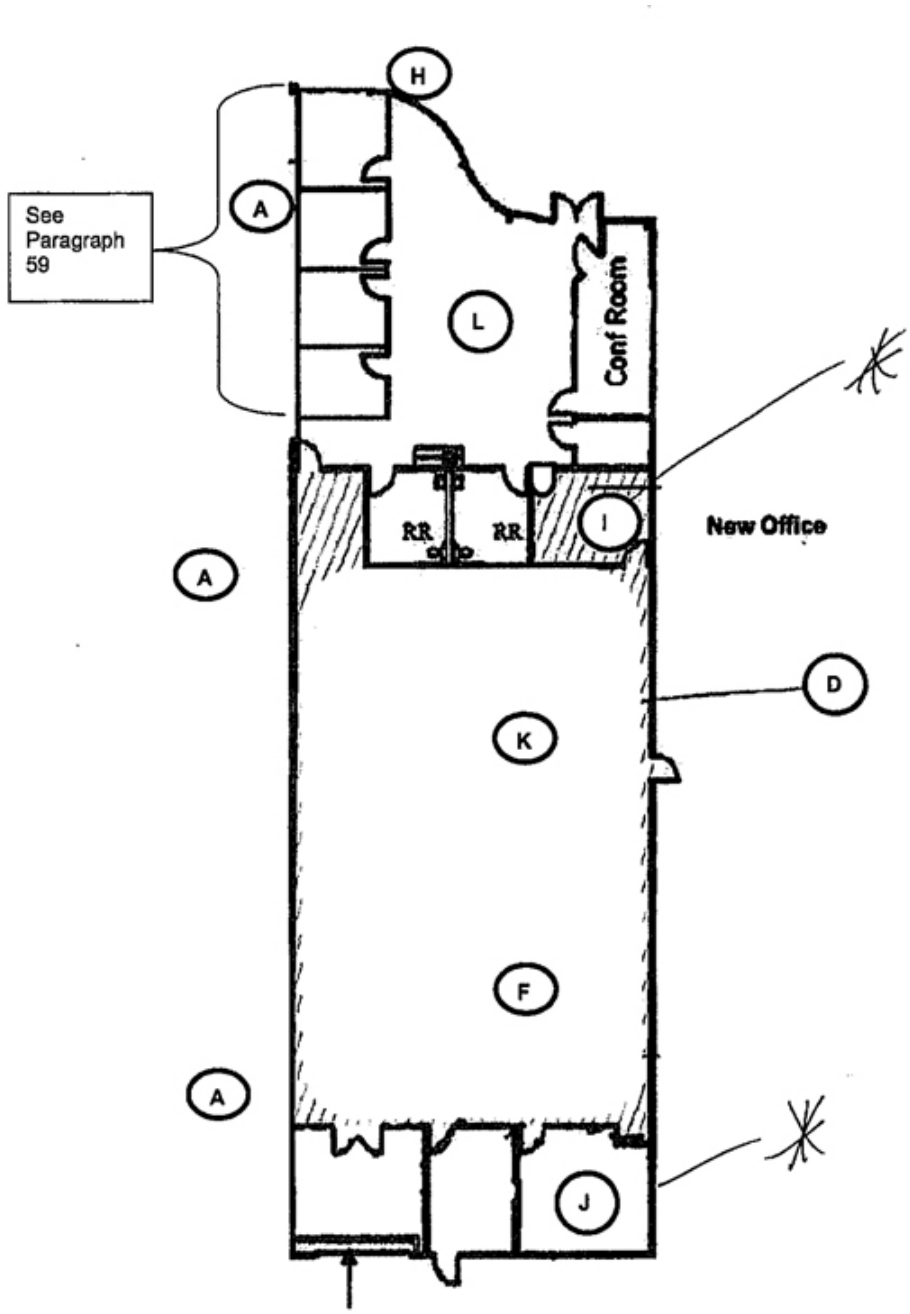
B. NOTICE:

Unless specified otherwise herein, notice of any rental adjustments, other than Fixed Rental Adjustments, shall be made as specified in paragraph 23 of the Lease.

C. BROKER'S FEE:

The Brokers shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the Lease or if applicable, paragraph 9 of the Sublease.

Suite C



1261 Liberty Way
Suite C
Vista, CA 92083

Exhibit 10.21

This Lease Agreement may not be modified in any manner without prior approval of the Director of Real Estate, UNM or University Counsel.

LEASE OF REAL PROPERTY

Between

The Regents of the University of New Mexico, Landlord

And

Exagen Diagnostics, Inc, Tenant

Date: May 7, 2013

LEASE

THIS LEASE is entered into by Landlord and Tenant on the Lease Date as defined in Article 1.00 Definitions.

Landlord and Tenant agree:

ARTICLE 1.00 Definitions

In addition to the terms which are defined elsewhere in this Lease, the following defined terms are used in this Lease:

(a) Base Year: Not applicable

(b) Building: 800 Bradbury SE, Albuquerque, New Mexico 87106. The Building is located at the Science & Technology Park @ UNM. Tract 1D1A of the Replat of Tracts 1B and 1D1 University Center, now comprising Tracts 1 D1 and 1 A1 A recorded in the Office of the Bernalillo County Clerk and Records on June 6, 1996 at Volume 96C, Folio 246.

(c) Building Common Area(s): Facilities of the Building in which the Leased Premises are located, that are intended for use by all occupants of the Building, including but not limited to stairs, corridors, lobby, toilet rooms, janitorial rooms, the elevator, mechanical and electrical and telephone rooms. Landlord shall have the right to regulate, modify or restrict the use of Building Common Areas.

(d) Common Area(s): Facilities and areas of the Project, including park infrastructure, which are designated from time to time for the general use, benefit, convenience, health, safety and general welfare of Tenant and the other tenants or occupants of the Project and their employees, customers and invitees, including, without limitation, parking areas, parking structures, sidewalks, walkways, streets, access and perimeter roads, curbs, shrubbery, landscaped areas, planters, outside lighting fixtures, signage, utilities, storm water and drainage facilities, and other similar common areas, facilities, infrastructure and systems, including General Common Properties and Special Common Properties as defined in the Regulations and Restrictions attached as Exhibit “B” of this Lease, and further including without limitation, any services or facilities provided or used for the purposes of promoting the health, safety, welfare and convenience of Tenant, and the other tenants or occupants of the Park including without limitation, security, police and transit. Landlord, or its assigns, shall have the right to regulate, modify or restrict the use of the Common Areas.

(e) Common Area Charge: The cost associated with the operation and maintenance of the Common Area(s). As a Gross Lease, this cost is paid by Landlord under this Lease, and is

included in the monthly rate specified is Section 4.02 of this Lease.

(f) Gross Lease: For consideration of Lease Monthly Rent paid by Tenant to Landlord, Landlord agrees to pay costs and expenses as set forth in this Lease associated with the operation and maintenance of the Leased Premises and the Building, including Operating Costs as defined in Section 6.02, and also including the Common Area Charge, the Park Common Facilities Charge and the Parking Structure Base Rent.

(g) Landlord: The Regents of the University of New Mexico, a body corporate of the State of New Mexico.

(h) Landlord's Address:

Science & Technology Park @ UNM
Property Management Office
851 University Blvd SE
Suite 202
Albuquerque, NM 87106

with a copy to:

UNM Real Estate Office
MSC06 3595
1 University of New Mexico
2811 Campus Drive NE
Albuquerque, New Mexico 87131-0001

(i) Lease Additional Rent: Not applicable.

(j) Lease Adjusted Monthly Rent: Not applicable.

(k) Lease Commencement Date: May 15, 2013

(1) Lease Date: May 7, 2013

(m) Lease Expiration Date: This Lease is for a one (1) year and seventeen (17) day term, not to exceed May 31, 2014.

(n) Lease Monthly Rent: The monthly rent paid by Tenant to Landlord as set forth in Section 4.02 of this Lease.

(o) Lease Occupancy Date: May 15, 2013.

(p) Lease Parking Spaces: Landlord shall provide, or cause to be provided, at no cost to Tenant, no fewer than 9 parking spaces within the Parking Structure.

(q) Leased Premises: Suite 108 located at 800 Bradbury SE, as depicted on Exhibit "A" to this Lease, together with Tenant's Share of Building Common Areas. The Leased Premises contain a total of 3,154 +/- rentable square feet ("rsf"), which includes a seventeen percent (17%) building "load factor" to account for building Common Areas. The Building contains a total of 54,467 rentable square feet.

(r) Lease Rent: The Lease Monthly Rent and any other amounts due under this Lease.

(s) Lease Term: The Lease Term is for one (1) year and seventeen (17) days, beginning on the Lease Commencement Date and expiring on the Lease Expiration Date, unless extended as provided in Section 3.02 of this Lease.

(t) Lease Year(s):

(u) Operating Costs: As defined in Section 6.02 of this Lease. As a Gross Lease, these costs are paid by Landlord under this Lease, and are included in the monthly rate specified in Section 4.02 of this Lease.

(v) Park Common Facilities: Facilities and areas within the Building or other buildings of the Project designated for use by Tenant, and the other tenants or occupants of the Project and their employees, customers, and invitees, including without limitation conference rooms, auditoriums, meeting rooms and classrooms. Landlord, or its assigns, shall have the right to regulate, modify or restrict the use of Park Common Facilities.

(w) Park Common Facilities Charge: The cost associated with the operation and maintenance of the Park Common Facilities. As a Gross Lease, this cost is paid by Landlord under this Lease, and is included in the monthly rate specified in Section 4.02 of this Lease.

(x) Parking Structure: The parking structure (Phase I) located on Tract 1E1 (attached as Exhibit "C"), containing approximately 407 parking spaces.

(y) Parking Structure Base Rent: The cost associated with the debt service on the Parking Structure. As a Gross Lease, this cost is paid by Landlord under this Lease, and is included in the monthly rate specified in Section 4.02 of this Lease.

(z) Project: Science & Technology Park@ UNM

(aa) Tenant: Exagen Diagnostics, Inc.

(bb) Tenant's Address: 800 Bradbury Dr, SE, Suite 108
Albuquerque, New Mexico 87106.

(cc) Tenant's Adjustment Dates: Not applicable

(dd) Tenant's Broker(s): Not applicable.

(ee) Tenant Improvements: Landlord shall provide, at Landlord's expense, improvements to the premises limited to, demising suite according to the premises as outlined in Exhibit "A," carpet tiled area in 112-A, and clean existing carpet throughout Suite. Any additional tenant improvements shall be approved by the Landlord and at Tenant's sole cost.

(ff) Tenant's Property: As defined in Section 13.06 of this Lease.

(gg) Tenant's Share:

Building: Tenant's share of the building shall be 5.7%, calculated by dividing the rentable square feet of the space (3,154) by the rentable square feet of the building (54,467).

Parking: There are 407 total parking spaces in the Parking Structure, of which 163 spaces are allocated to the Building. The amount of spaces allocated to the space is calculated by multiplying the total spaces (163) allocated to the building by the Tenant's share of the building (5.7%). Therefore, the space is entitled to the use of 9 parking space(s).

Common Areas: The Tenant's common area share of the entire park is currently calculated by dividing the rentable square feet of the space (3,145) by the total gross square feet of all completed buildings located at the Project (663,729), adjusted annually. Therefore, the Tenant's common area share is 0.5%. Once the gross square feet of the space is calculated, the Landlord may recalculate the Tenant's common area share by dividing the gross square feet of the space by the gross square feet of all completed buildings located at the Project.

If any other provision of this Lease contradicts any definition of this Article, the other provision will prevail.

The following exhibits are attached to this Lease and are made parts of this Lease:

Exhibit A - The Leased Premises

Exhibit B - Regulations and Restrictions

Exhibit C - Parking Structure (Tract 1E1)

Exhibit D - Building Rules and Regulations

Exhibit E - Insurance Certificate (to be provided by Tenant)

Exhibit F - Tenant Improvements

ARTICLE 2.00 Agreement

Landlord leases the Leased Premises to the Tenant, and the Tenant leases the Leased Premises from the Landlord, according to this Lease.

ARTICLE 3.00 Term

3.01 General. The duration of this Lease will be the Lease Term. The Lease Term will commence on the Lease Commencement Date and will expire on the Lease Expiration Date, unless extended by Tenant as provided below in Section 3.02.

3.02 Option to Extend Initial Term. Tenant shall have the right to extend the Initial Term of Lease for two (2) one (1) year options, by giving the Landlord written notification of said intent to extend, at least ninety (90) days prior to the end of the initial term. The rent for the First Option term shall be $16.00 per RSF. The rent for the Second Option term shall be $16.00 per RSF.

Option	Duration	Monthly Rent	Annual Rent
1	June 1, 2014 - May 31, 2015	$ 4,205.34	$50,464.00
2	June 1, 2015 - May 31, 2016	$ 4,205.34	$50,464.00

ARTICLE 4.00 Lease Monthly Rent

4.01 Rent. In partial consideration of this Lease, for each month of the Lease Term, including any extension pursuant to Section 3.02, Tenant shall pay Lease Monthly Rent to Landlord in accordance with the schedule set forth in Section 4.02 as rent for the Leased Premises beginning on the Lease Occupancy Date. Lease Monthly Rent shall be due and payable in advance on the first day of each calendar month of the Lease Term. If the Lease Monthly Rent is due on a day other than the first day of a calendar month or the Lease Term ends on a day other than the last day of a calendar month, the Lease Monthly Rent will be appropriately prorated by Landlord for such month. If the Lease Monthly Rent is due on a day other than the first day of a calendar month, then the prorated Lease Monthly Rent for such month will be paid within ten (10) days after the Lease Occupancy Date. Lease Monthly Rent will be paid to Landlord, without notice or demand, and without deduction or offset, in lawful money of the United States of America at Landlord’s Address or to such other person or at such other place as Landlord may from time to time designate in writing. Tenant may prepay Lease Monthly Rent no more than three (3) months in advance, at its option.

Lease Monthly Rent payments made by Tenant under this Lease are separate and distinct from any sponsored agreement between Tenant and the University, and therefore is not subject to any facility and administrative charges by the University.

4.02 Rent Schedule.

Year	Duration	Monthly Rent	Term Rent
	May 15, 2013 – May 31, 2013	Waived	Waived
1	June 1, 2013 – May 31, 2014	$ 3,942.50	$47,310.00

due on the first day of each month.

4.03 Rent Abatement. Omitted.

4.04 Parking Structure Base Rent. None

4.05 Park Common Facilities Charge. None

4.06 Common Area Charge. None

4.07 Gross Lease. Landlord and Tenant agree that this Lease shall be a Gross Lease, and that for good and valuable consideration given by Landlord to Tenant, including Landlord's obligation to pay Operating Costs, as set forth in Article 6.00, Tenant agrees to pay for the Lease Term, at Tenant's sole cost and expense, the Lease Monthly Rent.

4.08 Late Charge. Tenant acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which would be extremely difficult and impractical to ascertain. Such costs include, but are not limited to, processing and accounting charges due to any supplier of services to the Leased Premises. Therefore, in the event Tenant should fail to pay any installment of rent or any sum due hereunder after such amount is due, Tenant shall, within 10 days, pay to Landlord, as additional rent, a late charge equal to 10% of each such installment or other sum or $25.00 per month, whichever is greater. Said late charge shall be assessed on the eleventh (11th) day of each month.

4.09 Security Deposit. Waived.

4.10 Holding Over. Tenant's holding over or continued use or occupancy beyond the expiration date of the Initial Lease Term shall be construed as a tenancy from month to month at 150 percent (150%) of the most recent monthly rent and subject to the same conditions set forth in this lease.

4.11 Right to Relocate. Landlord hereby reserves the right, at Landlord's sole option, to move the Tenant within the Park. Landlord shall give Tenant thirty days' written notice of its election to move Tenant to other space within the Park and shall provide Tenant, at no cost to

Tenant, comparable Tenant Improvements and equal or greater gross square feet of floor space. Landlord shall, at no out-of-pocket cost to Tenant, move Tenant's personal property and make arrangements for Tenant's telephone and computer ports in the new Premises. Further, if Landlord elects to move Tenant to other space in the Park, Tenant shall have the right to decline the move by written submission to Landlord of notice of termination of its Lease effective the date Landlord has proposed to effect the relocation within the Park.

ARTICLE 5.00 Possession

5.01 Delivery of Possession. If Landlord, for any reason whatsoever, fails to deliver possession of the Leased Premises to Tenant on the Lease Commencement Date, Tenant may, at its option, terminate this Lease by giving the Landlord written notice prior to Landlord's delivery of possession of the Leased Premises. Landlord shall not be liable to Tenant for any loss or damage resulting from Landlord's failure to deliver possession of the Leased Premises. If permission is given to Tenant to occupy the Leased Premises prior to the Lease Commencement Date, such occupancy shall be subject to all provisions of this Lease, and if the term hereof commences on a date later than the Lease Commencement Date the parties agree to execute and acknowledge a written statement setting forth the actual date of commencement of this Lease. This Lease shall be in full force and effect even though either party may fail or refuse to execute such statement.

5.02 Acceptance. The taking of possession of the Leased Premises by Tenant shall be conclusive evidence as against the Tenant that said Leased Premises were in good and satisfactory condition when possession of same was taken, except for matters which could not be ascertained by inspections. Tenant acknowledges that no hazardous materials are present at the Leased Premises as of the Lease Commencement Date.

ARTICLE 6.00. Operating Costs

6.01 General. Landlord shall pay all Operating Costs associated with the Leased Premises, the Building, the Parking Structure, the Common Areas, and the Park Common Facilities as defined in Section 6.02 below.

6.02 Definition. Operating Costs shall mean all expenses, costs and disbursements incurred or paid by Landlord in connection with the management, maintenance and operation of the Building, including associated parking and landscaped areas, the Parking Structure, the Common Areas, and the Park Common Facilities. These costs include but are not limited to (1) utility charges for electricity, gas, sewer, water and refuse collection or other utilities, including any taxes thereon; (2) janitorial services (five days per week) and supplies; landscape and grounds maintenance and repair; (3) insurance premiums and costs for liability, fire and property damage insurance carried by Landlord; (4) maintenance, repair, cleaning and painting of the Building exterior and interior surfaces, including windows, the electrical, plumbing, sewage, heating, ventilation or air conditioning, utility systems, elevators, and other building service equipment, and the irrigation systems and landscaping; and (5) any additional expenditures, furnished to or associated with the Leased Premises, Building, Parking Structure, Common

Areas, and Park Common Facilities, which may be required from time to time in maintaining the operation an office building and office park.

ARTICLE 7.00 Maintenance and Real Estate Taxes

7.01 Maintenance. Subject to the terms of this Lease covering destruction or damage, Landlord will, at its expense, keep the Leased Premises and the Building in compliance with Codes, Statutes, ordinances and regulations applicable to the Building and Leased Premises throughout the Lease Term, and in as good condition as existed at the start of the Lease Term, including, but not limited to, structural repairs, interior and exterior common areas, HVAC system, security system of the Building at points of entry into the Building and the major tenant areas, and occupied space, except for reasonable wear and tear or damage to the Leased Premises or the Building caused by Tenant. Tenant will repair any damage to any additions, alterations or improvements, including the Tenant Improvements, placed on the Leased Premises, caused by Tenant. Landlord or Tenant, as applicable, will make all required repairs in compliance with applicable laws.

7.02 Real Estate Taxes. Landlord shall be responsible for the payment of all real estate taxes, if applicable, on the land and improvements associated with the Building and the Parking Structure. Tenant shall be responsible for the payment of all real estate and/or personal property taxes, if any, associated with Tenant's Property and its leasehold interest in the Lease. In the event rents paid hereunder become subject to taxation, Tenant shall pay Tenant's Share of such additional expense.

ARTICLE 8.00 Insurance

8.01 Landlord's Insurance. Landlord and Tenant acknowledge that Landlord's insurance under this Lease is provided by the Risk Management Division of the State of New Mexico and that such coverage, including limits to coverage, is defined by New Mexico state law.

Landlord shall procure and maintain in effect during the Lease Term, at its sole cost and expense, comprehensive general liability and property damage insurance with respect to the Building, the operation and maintenance of Landlord's obligations with respect to the Leased Premises, the Parking Structure, the Common Area, and the Park Common Facilities, providing personal injury and broad form fire and extended coverage property damage coverage. The parties agree that such insurance shall be provided by the Risk Management Division of the State of New Mexico.

8.02 Tenant's Insurance. During the term of this Lease and any extension thereof, Tenant shall maintain in force, at its sole cost and expense, a policy or policies of insurance providing "commercial general liability" coverage of not less than $1,000,000 limit per occurrence or such other amounts as reasonably required by Landlord, including coverage for property damage, bodily injury and wrongful death (which limit may be increased by written notice from Landlord to correspond to any increase in the limits specified in the New Mexico Tort Claims Act). All insurance required to be carried by Tenant hereunder shall be issued by responsible insurance companies acceptable to Landlord and qualified to do business in the State.

Each policy shall name Landlord as an additional insured, the issuing companies shall have a rating of not less that "A" in the latest edition of Best's Insurance Guide and shall be at least a Class XII company. Each policy shall contain (a) a cross-liability endorsement, (b) a provision that such policy and the coverage evidenced thereby shall be primary and noncontributing with respect to any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance, and (c) a waiver by the insurer of any right of subrogation against Landlord, its agents, employees and representatives, which arises or might arise by reason of any act or omission of Landlord, its agents, employees or representatives. Landlord may, at any time and from time to time, inspect and/or copy any insurance policies required to be maintained by Tenant hereunder. No such policy shall be cancelable or subject to reduction of coverage or other modification or cancellation except after thirty (30) days written notice to Landlord by the insurer. Tenant shall furnish Landlord with renewals or "binders" of any such policy at least twenty (20) days prior to the expiration thereof. A certificate evidencing such insurance shall be furnished and attached to this Lease as Exhibit "E".

To the extent permitted under their respective insurance policies, Landlord and Tenant hereby waive all rights of recovery against the other and against the officers, employees, agents and representatives, contractors, and invitees of the other, on account of loss by or damage to the waiving party or its property or the property of others under its control, to the extent that such loss or damage is insured against under any insurance policy which may have been in force at the time of such loss or damage.

ARTICLE 9.00 Use

9.01 General. Tenant shall use the Leased Premises for general office purposes.

9.02 Observance of Law. Tenant shall not use or occupy the Leased Premises or permit anything to be done in or about the Leased Premises in violation of any covenant, condition or restriction, or law, statute, ordinance or governmental rules, regulations or requirements now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, upon notice from Landlord, immediately discontinue any use of the Leased Premises which is declared by any governmental authority having jurisdiction to be a violation of law or the certificate of occupancy and promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force which shall by reason of the nature of Tenant's use or occupancy of the Leased Premises, impose any duty upon Tenant or Landlord with respect to the nature of Tenants use or occupation. The judgment of any court of competent jurisdiction or the admission by Tenant in any action or proceeding against Tenant, whether Landlord is a party thereto or not, that Tenant has violated any such law, statute, ordinance, or governmental regulation, rule or requirement in the use of the Leased Premises shall be conclusive of the fact as between Landlord and Tenant.

9.03 Insurance. Tenant shall not do or permit to be done anything which will invalidate or increase the cost of any fire, extended coverage or other insurance policy covering the Leased Premises, Building, Parking Structure or Project and/or property located therein, and

shall comply with all rules, orders, regulations, requirements and recommendations of Landlord's insurance carrier(s) or any board of fire insurance underwriters or other similar body now or hereafter constituted, relating to or affecting the condition, use or occupancy of the Leased Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. Tenant shall promptly upon demand reimburse Landlord for any additional premium charged for violation of this Section.

9.04 Nuisance and Waste. Tenant shall not do or permit anything to be done in or about the Leased Premises or the Building which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building, or injure them, or use or allow the Leased Premises to be used for any unlawful purpose, nor shall Tenant cause, maintain or permit any nuisance in, or about the Leased Premises. Tenant shall not do anything on the Leased Premises which will cause damage to the Leased Premises or threaten or impair the structural strength of the Leased Premises or the Building. Tenant shall not commit or suffer to be committed any waste in or upon the Leased Premises.

9.05 Load and Equipment Limits. Tenant shall not place a load upon any floor of the Leased Premises which exceeds the load per square foot which such floor was designed to carry as determined by Landlord or Landlord's structural engineer. The cost, of any such determination made by Landlord's structural engineer in connection with Tenant's violation of this Section shall be paid by Tenant upon Landlord's demand. Tenant shall not install business machines or mechanical equipment which will in any manner cause noise objectionable to other tenants of the Building or injure, vibrate or shake the Leased Premises.

9.06 Toxic Materials. Unless Tenant obtains prior written consent of Landlord, Tenant shall not create, generate, use, bring, allow, emit, dispose, or permit on the Leased Premises any toxic or hazardous gaseous, liquid or solid material or waste ("Toxic Material"), including without limitation, material or substance (a) having characteristics of ignitability corrosivity, reactivity, or extraction procedure toxicity, or (b) which is listed on any of the Environmental Protection Agency's lists of hazardous wastes or as identified in the Hazardous Waste Management Regulations promulgated by the Environmental Improvement Board of the New Mexico Health and Environment Department as required under the New Mexico Hazardous Waste Act Section 74-4-1 et seq, NMSA 1978, or (c) which has been determined by New Mexico, federal or local governmental or public authority or agency to be capable of posing a risk of injury to health, safety or property.

Landlord hereby acknowledges that Tenant hereunder does not intend to use Toxic Materials on the Leased Premises and therefore does not need to consent to such use of Toxic Materials in Tenants use of the Leased Premises as in a research and development laboratory. If applicable tenant will provide to Landlord a list of such Toxic Materials and their quantities. Landlord's consent to the use of Toxic Materials by Tenant is limited to use of the Leased Premises as a research and development laboratory, and such consent shall not be construed as a waiver of the requirements to obtain the prior written consent of Landlord hereunder for any other use of the Leased Premises. Nothing contained herein shall relieve Tenant of the obligations contained in this Article nor from compliance with all applicable environmental laws.

Tenant shall indemnify and hold Landlord harmless from any claims, liabilities, costs or expenses incurred or suffered by Landlord arising from Tenant's activities in bringing, allowing, using, permitting, generating, creating, emitting or disposing of Toxic Materials whether or not consent to same has been granted by Landlord. Tenant's indemnification and hold harmless obligations include, without limitation (a) claims, liability, costs or expenses resulting from or based upon administrative, judicial (civil or criminal) or other action, legal or equitable, brought by any private or public person under common law or any federal, state, county or municipal law, ordinance or regulation, (b) claims liabilities, costs or expenses pertaining to the cleanup or containment of Toxic Materials, the identification of any pollutants in the Toxic Materials, the identification of the scope of any environmental contamination, the removal of pollutants from soils, riverbeds or aquifers, the provision of an alternative public drinking water source, (c) all costs and fees incurred in defending such claims, and (d) all costs or losses to Landlord arising from inability or delay in selling or leasing the Leased Premises after the expiration of this Lease, including, without limitation, lost or reduced rents and/or reduction in the market value of the Leased Premises. Tenant shall comply at its sole cost, with all laws pertaining to such Toxic Materials. Tenant's hold harmless and indemnity obligations pursuant to this Section shall survive the expiration or termination of this Lease for a period of three (3) years from the date of expiration or termination.

Tenant shall provide to Landlord a copy of any permit applications and/or permits issued by any governmental agency concerning Tenant's use or generation of Toxic Materials on or about the Leased Premises.

Since Landlord has granted Tenant permission to bring, allow, use, permit, generate, create, emit or dispose of Toxic Materials as set forth in this Article, Tenant shall provide to Landlord on a periodic basis, but not less than annually, a report from a person who is, to Landlord's reasonable satisfaction, appropriately qualified or licensed as an expert in the field of Toxic Materials laws compliance matters, certifying that Tenant is complying with all applicable governmental statutes and regulations concerning Toxic Materials, and that there have been no spills or contamination's by Tenant at the Leased Premises, the Building or the Project that have not been fully corrected and cleaned up. Tenant shall pay the costs and expenses of obtaining any report or study required by this Article, which may be provided by the Safety, Health and Environmental Affairs Department at the University of New Mexico.

In the event of contamination by Toxic Materials at, from, of or around the Leased Premises, the Building or the Project, the cleanup of which is the responsibility of Tenant, Landlord may require within fifteen (15) days after written notification from Landlord that Tenant post a bond or other adequate security to the benefit of Landlord, in an amount equal to Landlord's reasonable estimate of costs for cleaning up the contamination. The posting of the bond does not relieve Tenant from fulfilling its responsibility to clean up the contamination. After the contamination has been cleaned up and certified as set forth in this Article, the bond or other adequate security shall be returned to Tenant.

9.07 Building Common Areas. Tenant is hereby granted, for so long as it is not in

default hereunder, a non-exclusive license to use the Building Common Areas, if any, in common with other occupants of the Building. Tenant shall use the Building Common Areas in conformity with the reasonable rules and regulations adopted by Landlord. The Landlord reserves the right to make changes from time to time in the shape, size, location and extent, of same, provided (i) that any such change shall be after notice to Tenant, except as may be required by law or government agencies, (ii) that any such change shall not impose additional costs on Tenant, and (iii) that such changes shall not unreasonably interfere with, or deprive Tenant of the use and enjoyment of the Leased Premises.

9.08 Park Common Facilities. Tenant is hereby granted, for so long as it is not in default hereunder, a non-exclusive license to use the Park Common Areas, if any, in common with other occupants of the Project, subject to Landlord's right to regulate, amend and modify the Park Common Facilities. Tenant's use of the Park Common Facilities will be on a "first come, first served" basis upon prior notification to Landlord, and will be at no additional cost to Tenant, however, Tenant will be responsible for any ancillary costs associated with its use of the Park Common Facilities, such as food and beverage service, special cleaning, special security and special furniture or facilities set up. Tenant shall use the Park Common Facilities in conformity with the reasonable rules and regulations adopted by Landlord. The Landlord reserves the right to make changes from time to time in the shape, size, location and extent, of same provided, (i) that any such change shall be after notice to Tenant, except as may be required by law or government agencies, (ii) that any such change shall not impose additional costs on Tenant, and (iii) that such changes shall not unreasonably interfere with, or deprive Tenant of the use and enjoyment of the Leased Premises.

9.09 Parking. Tenant is hereby granted the right to use the Lease Parking Spaces for its employees, customers and guests at no additional cost to Tenant throughout the Lease Term, including any extensions pursuant to Section 3.02 of this Lease. The Lease Parking Spaces shall not be designated for exclusive use by Tenant. Tenant shall use the Building Common Areas in conformity with the reasonable rules and regulations adopted by Landlord. The Landlord reserves the right to make changes from time to time in the shape, size, location and extent, of same provided, (i) that any such change shall be after notice to Tenant, except as may be required by law or government agencies, (ii) that any such change shall not impose additional costs on Tenant, and (iii) that such changes shall not unreasonably interfere with, or deprive Tenant of the use and enjoyment of the Leased Premises. Landlord will cooperate, to the extent possible, with Tenant's request for additional parking when notified by Tenant.

ARTICLE 10.00 Assignment and Subletting

10.01 Landlord's Consent. Tenant shall not lease all or any part of the Leased Premises or assign its rights under this Lease without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld, however Tenant shall have the right to sublease the Leased Premises or assign this Lease to a subsidiary organization controlled by Tenant without prior written consent of the Landlord. Prior to any assignment or sublease, Tenant, Landlord and assignee (or sublessee) shall execute formal assignment or sublease agreement(s) in a form acceptable to Landlord.

ARTICLE 11.00 Building Rules and Regulations

11.01 Tenant and its employees, agents, licensees and visitors will at all times observe faithfully, and comply strictly with the Building Rules and Regulations attached as Exhibit "D", as the same may be amended from time to time.

ARTICLE 12.00 Park Infrastructure and Common Areas

12.01 Park Infrastructure and Common Areas. Landlord grants Tenant a non-exclusive license for the Lease Term to use the Common Areas, as that term is defined in Section 1.00 (d). Landlord, or its assigns, shall have the right to regulate, modify or restrict the use of the Common Areas.

ARTICLE 13.00 Alterations

13.01 Landlord's Consent. Tenant shall not make any additions, alterations or improvements to the Leased Premises without obtaining the prior written consent of the Landlord. Landlord may require Tenant to submit plans and specifications for the requested alteration work. Landlord's consent may be conditioned on Tenant's removing any such additions, alterations or improvements upon the expiration of the Term and restoring the Leased Premises to the same condition as on the date Tenant took possession, except that this provision regarding removal and restoration shall not apply to the Tenant Improvements.

13.02 Conditions to Making Alterations or Additions. All work with respect to any addition, alteration or improvement shall comply with all applicable laws, ordinances and rules of any public authority including but not limited to the Americans With Disabilities Act. Before any alterations are begun, Tenant shall procure, at its own sole cost and expense all necessary permits from all governmental authorities and shall, on demand, deliver photocopies thereof to Landlord. Upon Tenant's request, Landlord, at no cost or expense to Landlord, shall join in the application for such permits whenever such action is necessary.

In making any alterations, Tenant shall not violate the terms or conditions of any insurance policy obtained or required pursuant to the provisions of this Lease affecting or relating to the Leased Premises or any part thereof.

No alterations shall be made which would affect the outside appearance or strength of the Leased Premises, or adversely affect the proper functioning of any utility systems.

No alterations shall be made which would effect title to the Leased Premises or any part thereof, or which would reduce the value of the Leased Premises below the value thereof immediately prior to the making of such alterations; or violate any of the terms, conditions and covenants of any easement, covenant or restriction affecting the Leased Premises.

Any alteration shall be done in a good and workmanlike manner by properly qualified

and licensed personnel approved by Landlord, and such work shall be diligently prosecuted to completion. The work shall be performed in a manner that will not interfere with the quiet enjoyment of the other tenants in the Building in which the Leased Premises is located.

Landlord may require, in Landlord's sole discretion and at Tenant's sole cost and expense, that Tenant provide Landlord with a performance and/or payment bond, and a bond to release mechanic's lien in the event a lien is ever filed, in an amount equal to the total estimated cost of any additions, alterations or improvements to be made in or to the Leased Premises. Nothing contained herein shall relieve Tenant of its obligation to keep the Leased Premises and Building free of all liens.

Promptly after the completion of any alterations, Tenant shall procure, at Tenant's sole cost and expense, all permits of governmental authorities for the completed alterations as may be required by any applicable laws, if any, and, on demand, shall promptly deliver photocopies thereof to the Landlord.

13.03 Payment. Tenant shall pay the costs of any work done on the Leased Premises pursuant to Article 13.00 and shall keep the Leased Premises and Building free and clear of liens of any kind. Tenant hereby indemnifies and agrees to defend against and keep Landlord free and harmless from all liability, loss, damages, costs, attorney's fees and any other expense incurred on account of Tenant's failure to pay for work performed or materials supplied at the request of Tenant, its officers or employees, or agents.

13.04 Notice. Tenant shall give Landlord at least ten (10) business days prior written notice of the expected date of commencement of any work relating to alterations, additions or improvements to the Leased Premises. Landlord retains the right to enter the Leased Premises and post such notices as Landlord deems proper at any reasonable time with prior notice to Tenant.

13.05 Leasehold Improvements. Except for additions, alterations or improvements made during the Lease Term which Landlord requires Tenant to remove pursuant to Section 13.01, all fixtures, equipment, improvements and appurtenances attached to or built into the Leased Premises at the commencement of or during the Lease Term, whether or not by or at the expense of Tenant ("Leasehold Improvements"), shall be and remain a part of the Leased Premises, shall be the property of Landlord, and shall not be removed by Tenant, except upon Landlord's request or, as expressly provided in Section 13.06 of this Article. Tenant accepts the premises in "as is" condition.

13.06 Tenant's Property. All signs, notices displays, movable partitions, business and trade fixtures, machinery and equipment, communications equipment and office equipment located in the Leased Premises and acquired by or for the account of Tenant, without expense to Landlord, which can be removed without damage to the Leased Premises, and all furniture, furnishings and other articles of tangible personal property owned by Tenant and located in the Leased Premises (collectively "Tenant's Property") shall be and shall remain the property of Tenant and may be removed by Tenant at any time during the Lease Term; provided that if any

of Tenant's Property is removed, Tenant shall promptly repair any damage to the Leased Premises resulting from such removal, including without limitation repairing the carpet, ceiling, flooring and patching and painting the walls where required by Landlord to Landlord's reasonable satisfaction, all at Tenant's sole cost and expense.

13.07 Security Agreement. Tenant hereby grants Landlord a security interest in all of the Tenant's Property. Tenant agrees to execute and deliver financing statements, continuation statements and other related documents upon Lender's request. A carbon copy, photographic or other reproduction of this Lease is sufficient as a financing statement. Ten (10) days notice following a default shall constitute commercially reasonable notice regarding any public sale, private sale of other disposition of all or any portion of Tenant's Property.

ARTICLE 14.00 Mechanic's Liens

As provided in Section 13.02 of the Lease, Tenant shall keep the Leased Premises, Building and Project free and clear of liens of any kind.

ARTICLE 15.00 Surrender of Leased Premises

15.01 Clean and Same Condition. Upon the Lease Expiration Date or earlier termination of this Lease, Tenant shall peaceably surrender the Leased Premises to Landlord clean and in the same condition as when received, except for (a) reasonable wear and tear, (b) loss by fire or other casualty, and (c) loss by condemnation. Tenant shall remove Tenant's Property no later than the Lease Expiration Date. If Tenant is required by Landlord to remove any Tenant Improvements under Article 13.01, Tenant shall complete such removal no later than ten (10) days after the Lease Expiration Date. Any damage to the Leased Premises, including any structural damage, resulting from removal of any addition, alteration, or improvement made pursuant to Article 13.01 and/or from Tenant's use or from the removal of Tenant's Property, or from the removal of Tenant Improvements, pursuant to Article 13.00 shall be repaired no later than ten (10) days after the Lease Expiration Date by Tenant at Tenant's sole cost and expense. On the Lease Expiration Date Tenant shall surrender all keys to the Leased Premises.

15.02 Failure to Deliver Possession. If Tenant fails to vacate and deliver possession of the Leased Premises to Landlord on expiration or termination of this Lease as required by Section 15.01, Tenant, subject to the provisions of this Lease, shall, to the extent permitted by law, indemnify and hold Landlord harmless from all claims, liabilities and damages resulting from Tenant's failure to vacate and deliver possession of the Leased Premises, including, without limitation, claims made by a succeeding tenant resulting from Tenant's failure to vacate and deliver possession of the Leased Premises and rental loss which Landlord suffers.

15.03 Holdover. Any occupancy by Tenant after expiration of Lease will be construed as a month to month tenancy. Tenant's Monthly Lease Rent during the holdover period will not exceed 150% of the most recent Monthly Lease Rent.

15.04. Property Abandoned. If Tenant abandons or surrenders the Leased Premises, or is dispossessed by process of law or otherwise, any of Tenant's Property left on the Leased

Premises shall be deemed to be abandoned, and, at Landlord's option, title shall pass to Landlord under this Lease as by a bill of sale, subject to any prior lienholder, consistent with state law. If Landlord elects to remove all or any part of such Tenant's Property, the cost of removal, including repairing any damage to the Leased Premises caused by such removal, including repairing any damage to the Leased Premises caused by such removal, shall be paid by Tenant.

ARTICLE 16.00 Eminent Domain

16.01 Eminent Domain. If the whole of the Building is lawfully taken by condemnation or in any other manner for any public or quasi-public purpose, this Lease will terminate as of the date of such taking, and the Lease Monthly Rent will be prorated to the date of termination. If less than the whole of the Building is so taken, this Lease will be unaffected by such taking, provided that (i) Tenant will have the right to terminate this Lease by written notice to Landlord given within thirty (30) days after the date of such taking if twenty percent (20%) or more of the Leased Premises is taken and the remaining area of the Leased Premises is not reasonably sufficient for Tenant to continue operation of its business, and (ii) Landlord will have the right to terminate this Lease by written notice to Tenant given within ninety (90) days after the date of such taking if the remaining area of the Building is not reasonably sufficient for the Landlord to continue operation of the Building. If either Landlord or Tenant exercises such right to terminate this Lease, the Lease will terminate as of the date of the taking and the Lease Monthly Rent will be prorated to the date of termination. If the Lease continues in force upon such partial taking the Lease Monthly Rent will be proportionately adjusted based on the reduction in rentable square footage of the Leased Premises.

16.02 Condemnation Proceeds. In the event of any taking, partial or whole, all of the proceeds of any award, judgment or settlement payable by the condemning authority will be the exclusive property of Landlord, and Tenant hereby assigns to Landlord all of its right, title and interest in any award, judgment or settlement from the condemning authority. Tenant, however, will have the right, to the extent that Landlord's award is not reduced or prejudiced, to claim from the condemning authority (but not from Landlord) such compensation as may be recoverable by Tenant in its own right for relocation expenses, damage to Tenant's Property, and loss of Tenant's leasehold estate.

ARTICLE 17.00 Damage and Destruction

17.01 Uninsured Risks. If, during the Lease Term, the Leased Premises are totally or partially destroyed from a risk not covered by insurance through no fault of the Landlord, Landlord, at its option, can elect to terminate this Lease by giving notice to Tenant within thirty (30) days of the date of destruction; provided, however, Landlord shall have no right to terminate the Lease if within ten (10) days following receipt of Landlord's notice of its election to terminate, Tenant provides to Landlord reasonable assurance that Tenant shall pay for the cost of restoring the Leased Premises. However, as to any such uninsured destruction which was caused by an act or omission of Tenant, its employees, agents, invitees or permittees, then Tenant shall reimburse Landlord the full cost of the restoration of the Leased Premises.

17.02 Insured Risks. If, during the Lease Term, the Leased Premises are totally or partially destroyed from a risk covered by insurance, Landlord shall forthwith repair the Leased Premises to substantially the same condition they were in immediately prior to the destruction provided (a) such repairs can, in Landlord's opinion, be completed within ninety (90) days under then applicable laws and regulations, (b) proceeds received under such insurance are available to pay ninety percent (90%) or more of the cost of restoration, and (c) Tenant performs its obligations pursuant to Section 17.03 hereof. Within thirty (30) days of any damage affecting the Leased Premises, Landlord will give Tenant notice indicating whether the foregoing requirements (a) and (b) can, in the Landlord's reasonable opinion, be satisfied. Such destruction shall not annul or void this Lease. During the period of any such repairs the Lease Monthly Rent shall be proportionately reduced to the extent Tenant's use of the Leased Premises is impaired, commencing with the date of damage and continuing until completion of the repairs required of Landlord. If such repairs cannot be made in ninety (90) days or if Landlord fails to provide the notice required under this Section 17.02, Tenant may terminate this Lease by written notice to Landlord. Tenant must exercise this termination option, if at all, within thirty (30) days of the date of destruction. If the damage is due to the neglect of Tenant, its employees, agents, invitees or permittees, there shall be no abatement of Lease Monthly Rent. In the event that Landlord does not so elect to make such repairs which cannot be made in ninety (90) days, or such repairs cannot be made under such then existing laws or regulations, this Lease shall terminate. In the event that the Leased Premises are destroyed to the extent of thirty-three percent (33%) or more of the replacement cost thereof or during the last year of the Term, Landlord may elect to terminate this Lease.

17.03 Tenant Repair. If the Leased Premises are to be repaired under this Article 17.00, Landlord shall repair at its cost any injury or damage to the Leased Premises including the Tenant Improvements installed in the Leased Premises pursuant to Exhibit "F". Tenant shall be responsible at its sole cost and expense for the repair, restoration and replacement of any other Leasehold Improvements installed by Tenant during the Lease Term and Tenant's Property. Landlord shall not be liable for any loss of business, inconvenience or annoyance arising from any repair or restoration of any portion of the Leased Premises or Building as a result of any damage from fire or other casualty.

ARTICLE 18.00 Entry by Landlord

18.01 Right of Entry. Upon twenty-four (24) hours advance notice, except in the case of emergencies, Landlord and its authorized representatives shall have the right and Tenant shall permit entry to the Leased Premises at all reasonable times for any of the following purposes:

To determine whether the Leased Premises are in good condition and whether Tenant is complying with its obligations under this Lease;

To do any necessary or appropriate maintenance and to make any restoration to the Leased Premises and other improvements in which the Leased Premises are located that the Landlord has under this Lease the right or obligation to perform;

To serve, post, or keep posted any notices required or allowed under the provisions of this Lease;

To post "for sale" signs at any time during the Term, to post "for rent" or "for lease" signs during the last one hundred eighty (180) days of the Term or any extension thereof or during any period while the Tenant is in default;

To show the Leased Premises to prospective brokers, agents, buyers, tenants, or persons interested in an exchange, at any time during the Term; and

To shore the foundations, footings, and walls of the Leased Premises, and to erect scaffolding and protective barricades around and about the Leased Premises, but not so as to prevent entry to the Leased Premises, and to do any other act or thing necessary for the safety or preservation of the Leased Premises and other improvements in which the Leased Premises are located if any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street. To the extent authorized, Landlord's right under this provision may extend to the owners or users of adjacent property on which excavation or construction is to take place, and to the adjacent property owner s or user's authorized representatives.

18.02 Exculpation. Landlord shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or other damages arising out of Landlord's entry on the Leased Premises as provided in this Article 18.00, nor shall any such entry constitute a constructive eviction or in any way affect Tenant's obligations under this Lease or entitle Tenant to any abatement or reduction of Lease Monthly Rent and, for other than emergency matters, Landlord agrees to use its best efforts to accomplish such entry in a manner reasonably calculated to minimize the disruption to Tenant and its business operations.

18.03 Movement of Landlord's Equipment. Omitted

ARTICLE 19.00 Quiet Enjoyment

19.01 Landlord covenants and agrees with Tenant that so long as Tenant pays the Lease Monthly Rent and the Lease Rent, and observes and performs all the terms, covenants and conditions of the Lease on Tenant's part to be observed and performed, Tenant may peaceably and quietly enjoy the Leased Premises, subject to the terms and conditions of the Lease, and this Lease and Tenant's possession will not be disturbed by anyone claiming by, through or under Landlord.

19.02 Landlord represents and warrants to Tenant that Landlord is the fee simple owner of the Building and the real property on which the Building is located.

19.03 Landlord represents and warrants to Tenant that the Building and Tenant's proposed use, as described in Section 9.01, comply with all restrictive covenants applicable to

the Building.

ARTICLE 20.00 Default

20.01 Events of Default. The following events are referred to collectively, as "Events of Default," or individually, as an "Event of Default:"

(a) Tenant defaults in the due and punctual payment of Lease Monthly Rent or Lease Rent, and such default continues for five *(5)* days after notice from Landlord;

(b) Tenant vacates or abandons the Leased Premises;

(c) This Lease or the Leased Premises or any part of the Leased Premises are taken upon execution or by other process of law directed against Tenant, or are taken upon or subject to any attachment at the instance of any creditor or claimant against Tenant, and said attachment is not discharged or disposed of within thirty (30) days after its levy;

(d) Tenant files a petition in bankruptcy or insolvency or for reorganization or arrangement under the bankruptcy laws of the United States or under any insolvency act of any state, or admits the material allegations of any such petition by answer or otherwise, or it dissolved or makes an assignment for the benefit of creditors;

(e) Involuntary proceedings under any such bankruptcy law or insolvency act or for the dissolution of Tenant are instituted against Tenant, or a receiver or trustee is appointed for all or substantially all of the property of Tenant, and such proceedings are not dismissed or such receivership or trusteeship vacated within sixty (60) days after such institution or appointment;

(f) Tenant fails to take possession of the Leased Premises within thirty (30) days of the Lease Commencement Date; or

(g) Tenant breaches any of the other agreements, terms, covenants or conditions which this Lease requires Tenant to perform, and such breach continues for a period of thirty (30) days after notice from Landlord to Tenant; or if such breach cannot be cured reasonably within such thirty (30)-day period and Tenant fails to commence to cure such breach within thirty (30) days after notice from Landlord or fails to proceed diligently to cure such breach within a reasonable time period thereafter.

20.02 Remedies. Upon the occurrence of any one or more of the Events of Default, without further notice or demand, and without limiting Landlord from the exercise of any right or remedy which Landlord may have by reason of such default, Landlord may:

(a) Terminate Tenant's right to possession of the Leased Premises. In such event, Tenant agrees to immediately surrender possession of the Leased Premises to Landlord.

(b) Recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including but not limited to, the cost of recovery of possession of the Leased Premises and expense of reletting, including the expenses of renovation and alteration of the Leased Premises, unamortized expenses of Landlord, Tenant Improvements, advertising and broker's commissions.

(c) Maintain Tenant's right to possession, in which case this Lease shall continue in effect, whether or not Tenant shall have abandoned or surrendered, or attempted to abandon or surrender, the Leased Premises.

(d) Accelerate all amounts to be due from Tenant to Landlord pursuant to this Lease.

(e) Exercise Landlord's lien rights and/or take possession of and sell any of the Tenant's Property located in the Leased Premises.

(f) Exercise any "self-help" remedy available to Landlord, including but not limited to the changing of locks, the plugging of locks or the erection of barriers. Tenant specifically consents to all such "self-help" remedies.

(g) Initiate legal proceedings, as deemed appropriate by Landlord.

(h) Pursue any other remedy now or hereafter available to Landlord at law, in equity, pursuant to this Lease or otherwise.

Except when otherwise agreed to in writing by Landlord, Tenant shall remain liable to Landlord following any surrender or attempted surrender of the Leased Premises. Landlord can re-enter the Leased Premises and relet the Leased Premises, without such action constituting a surrender of the Leased Premises or a termination of this Lease. The initiation of legal proceedings, including but not limited to a forcible entry and detainer action, by Landlord against Tenant shall not be deemed to terminate this Lease

20.03 Re-Entry By Landlord Default Provisions. In addition to other remedies, if this Lease shall terminate for any reason whatsoever, Landlord or Landlord's agents and employees may, without further notice, immediately or at any time thereafter, enter upon and reenter the Leased Premises or any part thereof, and possess or repossess itself thereof either by summary process proceedings, ejectment or by any suitable action or proceeding at law or by agreement, or by force or otherwise, and may dispossess and remove Tenant and all other persons and property from the Leased Premises without being liable to tenant therefor, and may repossess the same, and may remove any persons therefrom, to the end that Landlord may have, hold and enjoy the Leased Premises and the right to receive all rental income therefrom. The words "enter" or "reenter", "possess" or "repossess" as herein used, are not restricted to their technical legal meaning.

20.04. Threatened Breach. In the event of any breach or threatened breach by Tenant of

any of the agreements, terms, covenants or conditions contained in this Lease, Landlord shall be entitled to enjoin such breach or threatened breach and shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as though reentry, summary proceedings, and other remedies were not provided for in this Lease.

20.05 Cumulative Remedies. Each right and remedy of Landlord provide for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Landlord of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise. The doctrine of "election of remedies" shall not apply to this Lease.

20.06 No Offset. No offset or claim that Tenant may have now or in the future against Landlord shall relieve Tenant from performing any of its obligations under this Lease. Once a default has occurred under this Lease, Landlord, in its sole discretion, may require that all future payments from Tenant pursuant to this Lease be in the form of certified funds or wire transfer.

20.07. Interest. Upon the occurrence of an Event of Default, all amounts owed by Tenant to Landlord pursuant to this Lease shall accrue interest at the rate of 15% simple interest per annum.

20.08. Waiver of Redemption. Tenant waives any and all rights of redemption, if any, arising in conjunction with this Lease, as a result of Landlord's exercise of any remedy regarding this lease, or otherwise.

ARTICLE 21.00 Indemnification

21.01 Hold Harmless Agreement. As between the parties, each party acknowledges that it will be responsible for claims or damages arising from personal injury or damage to persons or property to the extent they result from negligence of its employees or agents. The liability of the University of New Mexico shall be subject in all cases to the immunities and limitations of the New Mexico Tort Claims Act, Section 41-4-1 et seq., NMSA 1978, as amended.

21.02 Limitations on Indemnification. To the extent, if at all, Section 56-7-1 NMSA 1978 is applicable to any agreement to indemnify contained in this Lease; such agreement to indemnify will not extend to liability, claims, damages, losses or expenses, including attorneys' fees, arising out of(l) the preparation or approval of maps, drawings, opinions, reports, surveys, change orders, designs, or specifications by any indemnitee or (2) the giving of or failure to give directions or instructions is the primary cause of bodily injury to persons or damages to property.

ARTICLE 22.00 Tenant's Broker

22.01 Tenant's Broker Fees. None.

Landlord and Tenant each represent and warrant to each other that they have had no dealings with any broker or agent, in connection with the negotiation and/or execution of this Lease. Each party hereby indemnifies and holds harmless the other party from any and all damages, claims, costs, and expenses, including but not limited to attorneys; fees, arising out of the breach of such warranty.

ARTICLE 23.00 Miscellaneous

23.01 Costs and Attorneys' Fees. If this Lease is breached by Tenant, Tenant shall be liable to Landlord for all costs and expenses, including but not limited to attorneys' fees, incurred by Landlord as a result of Tenant's default.

23.02 Governing Law. This Lease shall be construed by and governed in accordance with the law of the State of New Mexico.

23.03 Amendment. No change, amendment, modification, or revision of this Lease shall be valid unless it is in writing and signed by the parties to this Lease.

23.04 Waiver. No waiver or failure by Landlord to enforce any breach of any provision by Tenant shall be construed to be a waiver of any subsequent breach by Tenant, regardless of the time, nature or form of the subsequent breach.

23.05 Notice. All notices pursuant to this Lease shall be in writing and shall be deemed received when personally delivered, one business day after sending by way of overnight courier (for next day delivery), or three business days after the deposit in the U.S. Mail, postage prepaid, by certified mail, return receipt requested, addressed as follows:

LANDLORD:

Science & Technology Park @ UNM
Property Management Office
851 University SE, Suite 202
Albuquerque, New Mexico 87106

and

Director of Real Estate
MSC06 3595

1 University of New Mexico
2811 Campus Drive NE
Albuquerque, New Mexico 87131-0001

TENANT:

Exagen Diagnostics, Inc.
800 Bradbury Dr. SE
Suite 108
Albuquerque, New Mexico 87106

23.06 Captions. The headings or captions used in this Lease are for convenience and reference purposes only, and in no way define, limit or describe the scope or intent of this Lease, any part, section, paragraph or subparagraph of the Lease.

23.07 No Recording. This Lease shall not be recorded by Tenant or Landlord. A Memorandum in a form acceptable to Landlord and Tenant may be recorded.

23.08 Signs. Landlord has no obligation to post any sign at Building other than listing for Tenant in the Building's directory. No sign shall be placed by Tenant at the Leased Premises and/or the Building without Landlord's prior written consent.

23.09 Additional Documents. The parties to this Lease agree to execute such other and further documents as are reasonably necessary to carry out the transactions covered by and/or related to this Lease.

23.10 Exhibits and Addendums. All exhibits and addendums to this Lease are incorporated herein by reference.

23.11 Legal Proceedings. In the event either party commences a legal proceeding to enforce any of the terms of this Lease, the prevailing party in such action shall have the right to recover reasonable attorneys' fees and costs from the other party, to be fixed by the court in the same action. "Legal Proceedings" includes appeals from a lower court judgment as well as proceedings in the Federal Bankruptcy Court ("Bankruptcy Court"), whether or not they are adversary proceeding or contested matters. The "Prevailing Party" (i) as used in the context of proceedings in the Bankruptcy Court means the prevailing party in an adversary proceeding or contested matter, or any other actions taken by the non-bankruptcy party which are reasonably necessary to protect its rights under this Lease, and (ii) as used in the context of proceedings in any court other than the Bankruptcy Court means the party that prevails in obtaining a remedy or relief which most nearly reflects the remedy or relief which the party sought; so that, for example, the prevailing party may be a party which is ordered to pay $100.00 where the obligation to pay $80.00 was undisputed and the claiming party alleged that it was entitled to $1,000.00.

LANDLORD: The Regents of the University of New Mexico a body corporate of the State of New Mexico

Approved as to form:

By: David W. Harris
Its: EVP for Administration, COO & CFO

By: Bruce Cherrin
Its: Chief Procurement Officer

TENANT: Exagen Diagnostics, Inc.

By: Wendy Swedick
Its: Chief Financial Officer and Chief Operations Officer

EXHIBIT A

LEASED PREMISES

Suite 108 at 800 Bradbury Dr SE

Floor Plan Follows

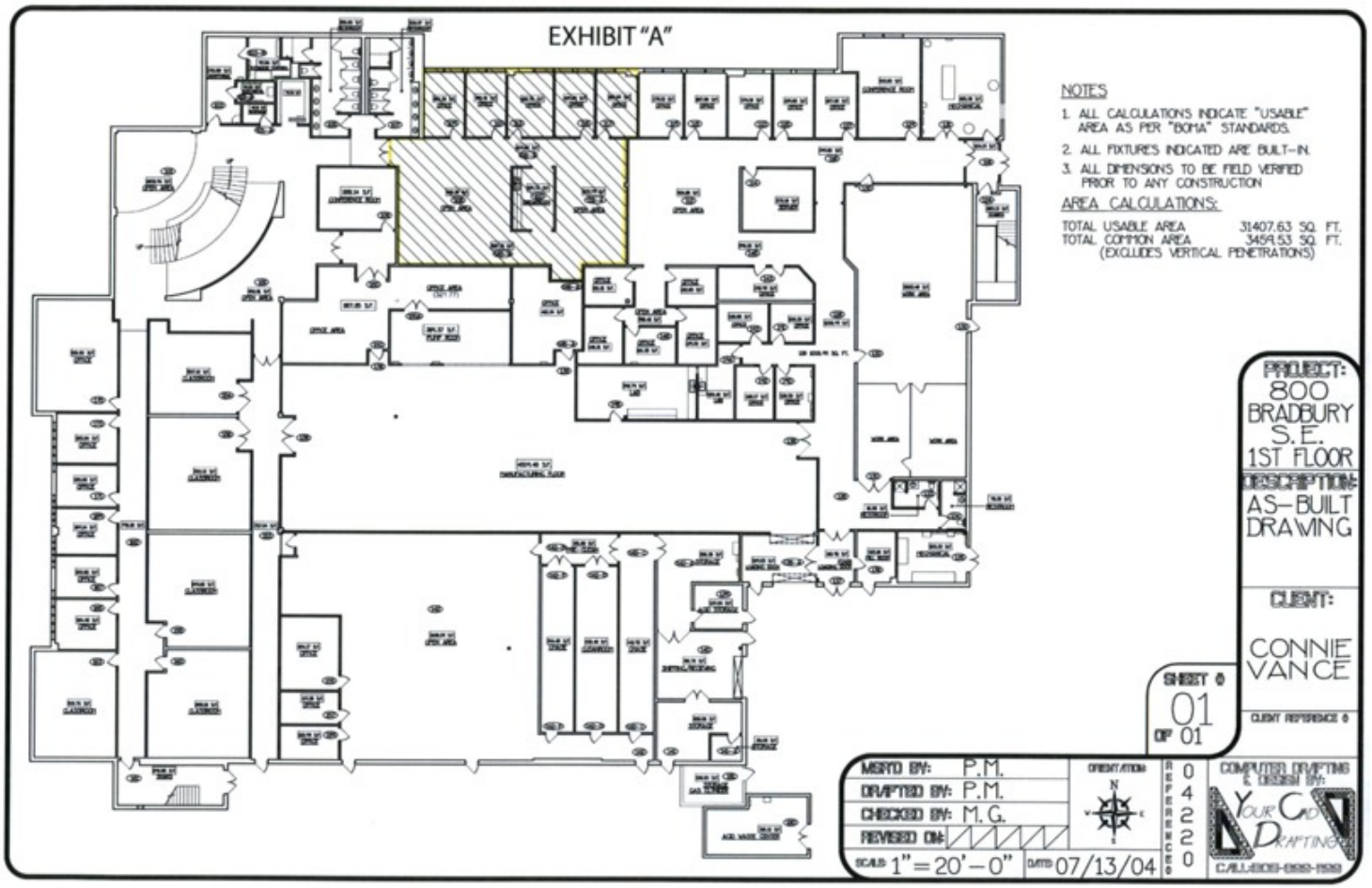


EXHIBIT "A"
NOTES
1. ALL CALCULATIONS INDICATE "USABLE" AREA AS PER "BOMA" STANDARDS.
2. ALL FIXTURES INDICATED ARE BUILT-IN.
3. ALL DIMENSIONS TO BE FIELD VERIFIED PRIOR TO ANY CONSTRUCTION
AREA CALCULATIONS:
TOTAL USABLE AREA 31407.63 SQ. FT.
TOTAL COMMON AREA 3459.53 SQ. FT.
(EXCLUDES VERTICAL PENETRATIONS)
PROJECT:
800 BRADBURY S.E.
1ST FLOOR
DESCRIPTION:
AS-BUILT DRAWING
CLIENT:
CONNIE VANCE
CLIENT REFERENCE #
SHEET #
01
OF 01
MSRD BY: P.M.
DRAFTED BY: P.M.
CHECKED BY: M.G.
REVISED ON:
ORIENTATION
N
W
E
S
SCALE 1" = 20'-0"
DATE 07/13/04
REFERENCE 042220
COMPUTER DRAFTING & DESIGN BY:
YOUR CAD DRAFTING

EXHIBIT “B”

REGULATIONS AND RESTRICTIONS

REGULATIONS AND RESTRICTIONS
FOR
UNIVERSITY CENTER RESEARCH PARK

EXHIBIT “B”

SECTION ONE
RESERVED

SECTION TWO
DEFINITIONS

2.1 DEFINITION OF TERMS

All terms defined in the Parcel Ground Lease to which these Regulations and Restrictions are attached as Exhibit D, called "Defined Terms" shall have the same meaning in these Regulations and Restrictions and are hereby incorporated by reference. Additional terms are defined herein.

A. Architectural Review Committee – the body established in accordance with Section 6.1 herein;

B. Building – shall mean any structure intended for use and occupancy by Tenant, Subtenant or Occupant which shall be constructed, erected or placed upon any Building Site, including, but not limited to, garages, outside platforms and docks, storage tanks, carports, canopies, enclosed malls and porches;

C. Building Site – shall mean any contiguous plot of land, the size and dimensions of which shall be established by the legal description in the original conveyance or Parcel Ground Lease from Landlord, to the first Tenant of said plot of land, other than Landlord. The Parcel is one Building Site. A Building Site may also be established by Landlord by an instrument in writing, executed, acknowledged and recorded by the Landlord, which designates a plot of land as a Building Site for purposes of these Regulations and Restrictions. After establishment of a Building Site the boundaries shall remain unchanged, unless revised pursuant to a recorded document executed by Landlord and Tenant thereof; provided, however, that if leasehold interest to two (2) or more adjacent Building Sites, as defined hereinabove, is acquired by the same Tenant, such commonly-owned Building Site may, at the option of said Tenant, be combined and treated as a single Building Site for the purpose of these Regulations and Restrictions;

D. General Common Properties – shall mean and refer to all land, improvements, and other properties heretofore or hereafter owned or in the possession of Landlord or a Tenant or Subtenant and which are designated by Landlord or Tenant as General Common Properties, including, but not limited to, Landscape Buffers, Signage Easements, Storm Drainage Easements, Pedestrian Easements, Parking and Roadway Easements in the Land and all Existing Infrastructure as defined in the Parcel Ground Lease. Landlord or Tenant shall have the right to designate by Subdivision Plat or Declaration of Easement which lands, improvements and other properties are General Common Properties in a document duly recorded in the office of the County Clerk of Bernalillo County, New Mexico;

E. Improvements – shall be defined as in the Parcel Ground Lease;

F. Land – shall be defined as in the Parcel Ground Lease;

G. Landscape Buffer – shall mean and refer to the specific rights, privileges and easements which are established on the Land by Landlord or on individual Building Sites by Landlord or Tenant thereof subsequent to approval pursuant to Section 6.3 hereof by the recording of a Declaration of Easement in the records of the Clerk and Recorder of Bernalillo County, New Mexico. If required by the Architectural Review Committee, with respect to an individual Building Site, the submittal of the Declaration of Easement to the Architectural Review Committee by Tenant shall be mandatory prior to the time of Site Plan approval by the Architectural Review Committee, in accordance with the provisions of Section 6.3 hereof. All such rights, privileges and easements shall be for the benefit of Landlord, all other Tenants and the Land. Such rights, privileges and easements shall be a nonexclusive easement over, across and under a portion of the Building Site or the Land for the purpose of permitting the installation and maintenance of initial landscaping and replacements thereof,

including, but not limited to, the sprinkler system serving the landscaping;

H. Parcel Ground Tenant or Owner – shall mean and refer to the record Tenant of any Parcel ground Lease, whether one or more persons or entities, to any Building Site which is subject to these Regulations and Restrictions; notwithstanding any applicable theory relating to mortgages, deeds of trust or other liens or encumbrances upon any such Building Site, “Parcel Ground Tenant” or “Owner” shall not include or refer to a leasehold mortgagee, beneficiary of a deed of trust, or lienholder unless and until such party has acquired title pursuant to foreclosure or any applicable procedure in lieu of foreclosure, nor shall “Parcel Ground Tenant” or “Owner” include or refer to a lessee or tenant under an occupancy lease;

I. Park Development Standards – shall mean the design standards and regulations of the Architectural Review Committee for the University Center Research Park which shall be adopted from time to time pursuant to Section 6.1 hereof or which have heretofore been adopted by the Landlord;

J. Parking and Roadway Easements – shall mean and refer to the specific rights, privileges and easements which are established on the Land by Landlord or on individual Building Sites by Landlord or the Tenant thereof subsequent to approval pursuant to Section 6.3 hereof by the recording of a Declaration of Easement in the records of the Clerk and Recorder of Bernalillo County, New Mexico. If required by the Architectural Review Committee, with respect to an individual Building Site, submittal of the Declaration of Easement to the Architectural Review Committee by the Tenant shall be mandatory prior to the time of the Site Plan approval by the Architectural Review Committee in accordance with the provisions of Section 6.3 hereof. All such rights, privileges and easements shall be for the benefit of the Landlord, all other Tenants and the Land. Such rights, privileges and easements shall be non-exclusive easements over and across the Building Site or the Land for the purpose of permitting the passage and parking of motor vehicles and the passage and accommodation of pedestrians;

K. Pedestrian Easement – shall mean and refer to the specific rights, privileges and easements which are established on the Land by Landlord or on individual Building Sites by Landlord or the Tenant thereof subsequent to approval pursuant to Section 6.3 hereof by the recording of a Declaration of Easement in the records of the Clerk and Recorder of Bernalillo County, New Mexico. If required by the Architectural Review Committee, with respect to an individual Building Site, a submittal of the Declaration of Easement to the Architectural Review Committee by the Tenant shall be mandatory prior to the time of Site Plan approval by the Architectural Review Committee in accordance with the provisions of Section 6.3 hereof. All such rights, privileges and easements shall be for the benefit of the Landlord, all other Tenants and the Land. Such rights, privileges and easements shall be a nonexclusive easement over and across the designated portions of the Building Site or the Land for the purpose of permitting the passage and accommodations of pedestrians;

L. Plans and Specifications – shall mean and refer to the documents required to be submitted to the Architectural Review Committee, as further described in Section 6.1;

M. Pro Rata Portion of General Common Property Expenses – shall mean and refer to the total amount of all expenses for maintenance, repairs, replacements and services required in connection with the General Common Properties as multiplied by a fraction, the numerator of which shall mean the total number of acres of each Building Site subject to assessment under Section 7 which each Tenant or Subtenant owns, and the denominator of which shall be the total number of acres within the Land subject to assessment under Section 7;

N. Pro Rata Portion of Special Common Property Expenses – shall mean and refer to as a Tenant’s or Subtenant’s pro rata portion of the expenses for maintenance, repairs, replacements and services required in connection with the Special Common Properties as determined by the Landlord at the time of the establishment of such Special Common Properties;

O. Signage Easement – shall mean and refer to the specific rights, privileges and easements which are

established on the Land by Landlord or on individual Building Sites by Landlord or the Tenant thereof subsequent to approval pursuant to Section 6.3 hereof by the recording of the Declaration of Easement in the records of the Clerk and Recorder of Bernalillo County, New Mexico. If required by the Architectural Review Committee, with respect to an individual Building Site, the submittal of the Declaration of Easement to the Architectural Review Committee by the Tenant shall be mandatory prior to the time of Site Plan approval by the Architectural Review Committee in accordance with the provisions of Section 6.3 hereof. All such rights, privileges and easements shall be for the benefit of Landlord, all other Tenants and the Land. Such rights, privileges and easements shall be a non-exclusive easement over and across a portion of the Building Site or the Land for the purpose of permitting the erection and maintenance of signs which advertise or give information regarding the Land;

P. Site Plan – shall mean and refer to the document required to be submitted to the Architectural Review Committee as further described in Section 6.2;

Q. Special Common Properties – shall mean and refer to all land, improvements and other properties heretofore or hereafter owned or in possession of Landlord or by two (2) or more Tenants but fewer than all Tenants, and which are specifically designated Special Common Properties. Special Common Properties shall be available for the use by such Tenants and their Occupants at such times and under such circumstances as are authorized by Landlord and such Tenants, as set forth in the documents creating the Special Common Properties. A Special Common Property shall be established by the Landlord recording a document covering certain portions or areas of the Land with such areas or facilities being owned and maintained for the benefit of certain Tenants and their Occupants;

R. Storm Drainage Easement – shall mean and refer to the specific rights, privileges and easements which are established on the Land by the Landlord or on individual Building Sites by Landlord or the Tenant thereof subsequent to approval pursuant to Section 6.3 hereof by the recording of a Declaration of Easement in the records of the Clerk and Recorder of Bernalillo County, New Mexico. If required by the Architectural Review Committee, with respect to an individual Building Site, the submittal of the Declaration of Easement to the Architectural Review Committee by the Tenant shall be mandatory prior to the time of Site Plan approval by the Architectural Review Committee in accordance with the provisions of Section 6.3 hereof. All such rights, privileges and easements shall be for the benefit of Landlord, and the Tenants, as more particularly described therein. Such rights, privileges and easements shall be a non-exclusive easement over and across a portion of the Building Site or the Land for the purpose of permitting construction and maintenance of storm drainage facilities and structures and the passage and accommodation of storm water.

SECTION THREE
ADDITIONAL REAL PROPERTIES WHICH MAY BECOME SUBJECT TO THESE REGULATIONS AND RESTRICTIONS

3.1 ADDITIONS TO THE PROPERTY

Additions may be made to the Land in the following ways

A. Landlord shall have the right, but shall be under no obligation except as hereinafter provided, to bring within the framework of these Regulations and Restrictions, and make subject to the provisions hereof, additional real properties that are contiguous to the Land. A property shall be “contiguous” for the purposes of this Section if a boundary of such property adjoins a boundary of the Land; property shall be deemed contiguous notwithstanding any intervening public streets or rights-of-way or utility easements.

B. All additional real properties added to and brought within the framework of these Regulations and Restrictions may include General Common Properties, Special Common Properties, Signage Easements, Pedestrian Easements, Landscaping Easements, Parking and Roadway Easements and

Storm Drainage Easements. All Tenants, Subtenants, Occupants and the Landlord shall have the rights to use and enjoy the General Common Properties and easements.

C. Although the right to include additional real properties within the scope of these Regulations and Restrictions is reserved to Landlord, no covenant is herein made by Landlord that any additional real properties will be so included.

3.2 PURSUANT TO MERGER

Any successor to Landlord, and subject to the limitation of Section 11.10, may administer the Regulations and Restrictions, together with the regulations and restrictions established with respect to any other real property additions, as one scheme. No merger or consolidation, however, shall effect any modification, change or addition to these Regulations and Restrictions except as hereinafter provided.

SECTION FOUR
PERMITTED USES AND PERFORMANCE

4.1 No noxious or offensive trades, services or activities shall be conducted on any Building Site nor shall anything be done thereon which may be or become an annoyance or nuisance to the Tenant, Subtenant or Occupant of other Building Sites within the Land by reason of unsightliness or the excessive emission of fumes, odors, glare, vibration, gases, radiation, dust, liquid waste, smoke or noise.

4.2. Building Sites shall be utilized for office, laboratory research and development, prototype manufacturing and assembly, hotel, conference facility, health club or incidental retail or such other uses as the Landlord shall permit on its sole discretion, consistent with applicable zoning codes and regulations applicable to the Land from time to time.

SECTION FIVE
REGULATIONS OF IMPROVEMENTS

5.1 IMPROVEMENTS GENERALLY. No Buildings or Improvements shall be constructed, erected, placed, altered, contained or permitted on any Building Site until the Site Plans, architectural renderings, sample materials and all other Plans and Specifications, as described hereinafter, therefore have been approved by the Architectural Review Committee as more fully set forth in Section 7 of these Regulations and Restrictions.

5.2 MINIMUM SETBACK LINES. The standards for building setbacks shall be as provided in the Park Development Standards. No Improvement of any kind, and no part thereof, shall be placed on any Building Site closer to a property line than therein provided. All building setbacks shall be measured from the property line.

5.3 BUILDING SITE COVERAGE. Building, open space and landscaping coverage allowed for each Building Site shall be in accordance with the Park Development Standards. Parking structures shall not be calculated as Building area; however, said structures shall be used only for the parking of vehicles of Tenants, Subtenants or Occupants.

5.4 ROOFS

A. Roofs, or portions thereof, will not be permitted so as to be visible from the street(s) or from buildings on other sites unless approved by the Architectural Review Committee.

B. All electrical, mechanical and solar apparatus, equipment, fixtures (other than lighting fixtures), satellite or communications antennae, conduit, ducts, vents, flues and pipes mounted or placed on the roof surface, or extending above the roofline of any Building or structure, or located on the exterior of any Building or structure, or outside a Building or structure, shall be concealed from view from the street(s) and from Buildings on other Building Sites in an architecturally treated manner approved by the Architectural Review Committee, unless the Architectural Review Committee has granted specific written approval of other measures which would minimize the visual effects as viewed from the street(s) and Buildings on other Building Sites.

5.5 EXTERIOR WALLS

A. There shall be no exterior walls of sheet or corrugated iron, steel, aluminum, asbestos or similar materials, unless specific written approval of the Architectural Review Committee is given. In general, exterior walls are to be stucco-finished masonry, concrete or equal material approved by the Architectural Review Committee.

B. Exterior walls shall be painted or suitably treated and maintained in a manner acceptable to the Architectural Review Committee. Exterior walls shall not be repainted or refinished unless and until the Architectural Review Committee has approved in writing the repainting or refinishing.

5.6 BUILDING HEIGHTS. The heights of all Buildings and Improvements shall be in accordance with the Development Standards.

5.7 OFF STREET PARKING. No parking shall be permitted on any street or at any place other than on the paved parking spaces provided for and described herein below, or in parking structures as designated by Landlord. Each Tenant or Subtenant shall be responsible for compliance with the foregoing by its Occupants. Adequate off-street parking shall be provided by each Tenant for the benefit of Tenant, Subtenant and all Occupants. The location, number and size of parking spaces shall be subject to approval by the Architectural Review Committee pursuant to Section 7 hereof. The minimum standards shall be determined in accordance with the Park Development Standards. All off-street parking and access drives and loading areas shall be paved and properly graded to assure proper drainage. The Architectural Review Committee shall have the right to require visual screening between any parking area and any other existing or proposed Building Site or General Common Property. Every Tenant shall be responsible for all costs and expenses incurred in the installation and maintenance of all parking spaces upon such Tenant ’s Building Site.

5.8 LOADING AREAS. All loading areas shall be screened, as may be required by the Architectural Review Committee under the Park Development Standards. Streetside loading will be allowed only if the loading area is at least seventy (70) feet from the street right-of-way or one hundred (100) feet from the street center line, whichever is greater, and screened as required in accordance with the Park Development Standards. Loading and service areas shall be designed as an integral part of the building architecture.

5.9 EXCAVATIONS. No excavations shall be made except in connection with construction of Improvements as approved by the Architectural Review Committee; and upon completion thereof exposed openings shall be backfilled and compacted, and disturbed ground shall be graded and leveled and restored in accordance with the approved Plans and Specifications.

5.10 STORAGE AREAS. All exterior storage, including passenger vehicles owned and operated by the Tenant, Subtenant or Occupants shall be visually screened from all streets and adjacent property by an opaque barrier adequate to screen stored materials, in accordance with the Park Development Standards. No storage shall be located between frontage street and any Building, and there shall be no junk, scrap, rubbish, trash, litter or other accumulate stored which will detract from the appearance of the Building Site.

5.11 SIGNS. No signs shall be permitted anywhere within the Property without prior written approval of the Architectural Review Committee. All signs shall conform with written sign standards for the Land as specified in the Park Development Standards and all applicable laws and governmental regulations.

5.12 REFUSE COLLECTION AREAS. All exterior refuse collection areas shall be totally enclosed and visually screened, in accordance with the Park Development Standards, by an opaque screen at least eight (8) feet in height, from all streets and adjacent property. No refuse collection areas shall be located between a frontage street and any Building.

5.13 LANDSCAPING

A. All Building Sites shall be landscaped only in accordance with the Park Development Standards and a landscape plan submitted to and approved in writing as part of the Plans and Specifications

by the Architectural Review Committee prior to any development of the Building Site. Such landscaping plan shall include and provide:

(1) Drawings and specifications with respect to lawns, shrubs, decorative plantings, trees and plants in the size, type and location thereof;

(2) An underground lawn sprinkling system;

(3) Screening or all storage, loading and unloading areas and additional screening as may be required under these Regulations and Restrictions and the Park Development Standards;

(4) The lighting of Buildings, parking areas and other areas where lighting is to be used;

(5) All other matters reasonably requested for inclusion in such landscaping plan by the Architectural Review Committee.

Further, it shall be the responsibility of the Tenant of a Building Site to landscape and maintain the area between the lot lines of said Tenant's Building Site and the curbs of any roadways adjacent to such Building Site, except as provided in Section 5.14 below. All landscaping shall be undertaken and completed in accordance with approved Plans and Specifications and said Plans and Specifications may not be altered, amended or revised without submitting a revised landscaping plan for prior approval by the Architectural Review Committee.

B. All landscaping required hereunder or otherwise to be provided on any Building Site shall be completed prior to occupancy of any Building to be constructed on the Building Site; provided, however, if weather conditions do not permit completion of the landscaping by such date, then Tenant shall notify the Architectural Review Committee as soon as the Tenant knows of such delay and the Architectural Review Committee may issue an extension upon good cause shown and such landscaping shall be completed as soon thereafter as weather conditions permit. The Tenant shall notify the Architectural Review Committee of the completion of landscaping required by the Plans and Specifications. If any Tenant fails to undertake and complete his landscaping within the time limit previously set forth herein, Landlord may, at its option, after giving the Tenant ten (10) days' written notice forwarded to Tenant (unless within said ten (10) day period the Tenant of the Building Site shall proceed and thereafter pursue with diligence the completion of such landscaping), undertake and complete the landscaping of the Building in accordance with the landscaping plan. If Landlord undertakes and completes such landscaping because of the failure of Tenant to complete the same, the costs of such landscaping shall be assessed against the Tenant, and if said assessment is not paid within thirty (30) days after written notice of such assessment from Landlord, said assessment will constitute a lien on the Building Site and the Improvements and may be enforced as set forth in Section 7.7 hereof. In addition to the foregoing, each Tenant shall deliver to Landlord no later than ten (10) days subsequent to approval of the landscaping plans by the Architectural Review Committee, an irrevocable letter of credit in form satisfactory to Landlord, issued by a commercial bank or savings and loan association approved by Landlord, in the amount of the estimated cost of the landscaping. Said letter may be drawn upon by Landlord to pay the costs of completion of the landscaping, in the event that the landscaping is not completed within the time schedule previously described herein and Landlord elects to undertake and complete the same. Upon completion of the landscaping in accordance with the approved Plans and Specifications, the letter of credit shall be promptly returned by Landlord to Tenant. Notwithstanding the above, a Tenant may, with prior written approval of Landlord, furnish other security satisfactory to Landlord to insure completion of the landscaping plans as approved.

C. It is the intent of Landlord that all Building Sites, including the Improvements and landscaping thereon, be maintained in a uniform, high quality, first-class manner. The Tenant or Subtenant of a Building Site shall be responsible for the landscaping maintenance of its Building Site, and may contract to have such work performed by an independent landscape contractor. If maintenance

performed by such Tenant or Subtenant or its contractor is not in compliance with the landscape maintenance standards established by the Architectural Review Committee and such landscape maintenance is not brought into compliance with such standards within thirty (30) days (or such longer period of time as designated by Landlord or the Architectural Review Committee, in its sole discretion) of the delivery pursuant to Section 11.5 herein of written notice from Landlord or said Committee setting forth the particulars of such non-compliance, Landlord or its designee may, in its sole discretion, enter upon the Building Site and undertake such landscape maintenance. All costs of such maintenance undertaken by Landlord or its designee under such circumstances shall be assessed against the Building Site upon which said landscaping maintenance is performed and the Improvements located thereon and failure to pay such assessment shall constitute a lien against the property enforceable pursuant to Section 7.7.

5.14 MAINTENANCE

A. Each Tenant or Subtenant of any Building Site shall keep his buildings, improvements and appurtenances thereon in a safe, clean, maintained, neat, wholesome condition and shall comply in all respects with all governmental statutes, ordinances, regulations, health and police and fire requirements. Each such Tenant or Subtenant shall remove at his own expense any rubbish or trash of any character which may accumulate on its Building Site. Rubbish, trash, garbage and other waste shall be kept only in sanitary containers. All equipment for the storage or disposal of such trash shall not be disposed of on the Land by burning in open fires.

B. Each Tenant or Subtenant shall pay his Pro Rata Portion of General Common Property Expenses, which shall include the expenses for the maintenance (including landscaping maintenance), repairs, replacements and services required in connection with the General Common Properties (including General Common Properties on additional properties pursuant to Section 3 hereof). Such expenses shall include, but not be limited to, lighting, landscaping, cleaning, liability insurance premiums attributable to such areas, expenses of attendants and security, if any, and all real and personal property taxes, if any. Failure of a Tenant or Subtenant to pay its Pro Rata Portion of General Common Property Expenses shall constitute a lien against the Building Site and the Improvements enforceable as set forth in Section 7.7 hereof. Each Tenant or Subtenant shall have the sole responsibility for the expenses of maintenance (including landscape maintenance), repairs, replacements and services required in connection with the Pedestrian Easements, Parking and Roadway Easements and Landscape Buffer, if any, located upon his Building Site, which expenses shall include, but not be limited to, lighting, landscaping, cleaning, liability insurance premiums attributable to such areas, costs of attendants, if any, and all real and personal property taxes, if any.

5.15 UTILITY CONNECTIONS. All utility connections, including all electrical cable and telephone connections and installations of wires to Buildings shall be made underground from the nearest available power source. No transformer, electric, gas or other meter of any type or other apparatus shall be located on any power pole nor hung on the outside of any Building, but the same shall be placed on or below the surface of the Building Site and where placed on the surface shall be adequately screened and fenced and all such installations shall be subject to prior written approval of the Architectural Review Committee. The Architectural Review Committee shall have the right to require any Tenant to grant on any Building Site easements for utilities and stormwater drainage facilities within the building setback of any Building Site to other Tenants of Building Sites or to such utility companies or public agencies or authorities as it shall deem necessary for the proper service to and maintenance of the Land.

5.16 SITE DRAINAGE

A. Each Tenant shall be required to provide adequate stormwater drainage facilities, including on-site ponding areas (if needed) and metering of storm water runoff resulting from precipitation or storm sewers, or both, in accordance with the requirements of the City of Albuquerque and Bernalillo County and any other applicable governmental agency or authority and with the Park

Development Standards and any master drainage plan for the Land as prepared by Landlord.

B. The change in storm water runoff between the historical (undeveloped) condition and the developed condition shall be measured as the increased flow resulting from changes in coefficient of storm water runoff and the time of concentration. An engineer's report comparing the historical and developed conditions and recommending adequate methods of developed conditions and recommending adequate methods of detention and drainage shall be submitted by each Tenant to the Architectural Review Committee for approval as part of the Plans and Specifications for any Building as provided herein. If required, detention shall be accomplished by providing ponding areas for storage of storm water on rooftops, in parking areas, in landscaped areas, in graded drainage swales, and by such other methods, including Storm Drainage Easements, as may be approved by the Architectural Review Committee.

SECTION SIX
APPROVAL OF PLANS

6.1 ARCHITECTURAL REVIEW COMMITTEE. There is hereby established an Architectural Review Committee whose members shall be appointed by the Landlord. This Committee shall consist of not less than three (3) nor more than five (5) members. Members of the Architectural Review Committee shall serve at the pleasure of the Landlord. The vote of a majority of members shall constitute the action of the Architectural Review Committee. The Landlord or the Architectural Review Committee shall adopt standards and regulations ("Park Development Standards") in accordance with the purposes and intent of these Regulations and Restrictions governing the design and construction of all Improvements on the Land. The Architectural Review Committee shall have the authority to amend the Park Development Standards from time to time, as it deems appropriate; provided, however, that any such amendments must receive the approval of the Landlord and the approval of each Tenant to the extent required by the Parcel Ground Lease for that Tenant. The Park Development Standards shall have the same force and effect and shall be enforceable as these Regulations and Restrictions.

6.2. No improvements shall be constructed, erected, placed, altered, maintained or permitted on any Building Site nor shall any construction or excavation whatsoever be commenced or construction vehicles be placed on a Building Site until plans and specifications with respect thereto in manner and form satisfactory to the Architectural Review committee showing:

(i) The Site Plan, showing, among other things, the location and dimension of all intended Improvements, including (a) Building(s), (b) other structures, (c) motor vehicle parking areas and facilities including the number and size of parking spaces, (d) loading and storage facilities and areas, (e) areas to be landscaped, (f) signs, (g) light fixtures, (h) means of ingress and egress, (i) curb cuts, (j) traffic patterns, (k) drives and driveways, (l) walkways and trails, and (m) screening;

(ii) Drawings and specifications of all exterior surfaces, showing elevations and including the color, quality and type of exterior construction materials;

(iii) Grading and drainage plans, including existing and proposed grade levels, the invert elevation of all sanitary and storm sewer connections and the location of all utility connections;

(iv) A landscaping plan;

(v) The type, style, size and candle power of all outdoor lighting fixtures;

(vi) Drawings and design specifications of all proposed signs, including the colors thereof and the quality and materials to be used in the manner of illumination;

(vii) Proposed use of Building(s) and the Building Site; and

(viii) All such other information as may be reasonably required which will enable the

Architectural Review Committee to determine the location, scale, design, character, style and appearance of the Tenant's intended improvements.

All of the foregoing (hereinafter collectively called "Plans and Specifications") shall conform to the applicable provisions of these Regulations and Restrictions and the Park Development Standards. Such Plans and Specifications shall be submitted in writing over the signature of the Tenant of the Building Site or the Tenant's authorized agent. The Architectural Review Committee shall have the right to charge persons submitting such plans, other than Landlord, a reasonable fee for reviewing each application for approval of the Plans and Specification in any amount established by Landlord from time to time. Such feel shall be payable at the time of submission by a Tenant or its agent of Plans and Specifications to the Architectural Review Committee.

6.3 The Architectural Review Committee may require that the Plans and Specifications be accompanied by a Declaration of Easement with respect to Landscape Buffer, Pedestrian Easements, Signage Easements, Parking and Roadway Easements and Storm Drainage Easements to be located upon the Building Site, in forms approved by the Architectural Review Committee, which forms shall include the approval of any Mortgagee of the Building Site, and shall be submitted with the appropriate recording fee. Upon completion of the Landscape Buffer, Pedestrian Easement, Signage Easement and Storm Drainage Easement, if any, on any individual building Site, the Tenant thereof shall submit to the Architectural Review Committee a revised Declaration of Easement, certifying the exact location of such Landscape Buffer, Pedestrian Easement, Signage Easement, Parking and Roadway Easement and Storm Drainage Easement, if any, due to construction discrepancy, and said revised Declaration of Easement, if any, shall be submitted with the appropriate recording fee. The Declarations of Easement, if any, and the revised Declarations of Easement, if any, shall conform to the overall scheme and plan for the development of the Land and Building Site as set forth herein.

6.4 Landlord and the directors, officers and employees of Landlord, and the Architectural Review Committee members (hereinafter called the "Committee Members") shall not be personally liable to the Tenants, Subtenants or Occupants, for any mistake of judgment or for any other acts or omissions of any nature whatsoever as directors, officers, employees or Committee Members, except for willful misconduct. The foregoing provision shall be in addition to Section 6.8 hereof and not in lieu thereof.

6.5 Until relinquished, Landlord, in its own name and/or on behalf of the Architectural Review Committee, and all Tenants, Subtenants and Occupants, shall have the right to enforce the terms and provisions of these Regulations and Restrictions and Park Development Standards. Landlord shall have the right to transfer its duties or responsibilities pursuant to Section 11.10, below, whereupon such transferee shall have the right and the duty to enforce these Regulations and Restrictions and Park Development Standards and attempt to prevent any violations thereof.

6.6 Approval of the Plans and Specifications shall be based, among other things, on adequacy of Building Site dimensions, conformity and harmony of external design with neighboring structures, effect of locations and use of improvements on neighboring Building Sites, operations and uses; relation of topography, grade and finished ground elevation of the Building Site being improved to that of neighboring Building Sites, proper facing of main elevation with respect to nearby streets; and conformity of the Plans and Specifications to the Park Development Standards, and the purpose and intent of these Regulations and Restrictions. The Architectural Review Committee shall not arbitrarily or unreasonably withhold its approval of such Plans and Specifications.

6.7 If the Architectural Review Committee fails either to approve or to disapprove such Plans and Specifications (including resubmissions of disapproved Plans and Specifications which have been revised) within thirty (30) days after the same have been submitted to it (provided that all required information has been submitted), it shall be conclusively presumed that said Plans and Specifications have been approved, subject, however, to the restrictions contained in Section 5 hereof. The Architectural Review Committee shall notify the Tenant or Subtenant in writing upon receipt of all required Plans and Specifications and the aforesaid thirty (30) day period shall commence on the date of such notification.

6.8 If the Landlord, the Architectural Review Committee or any other Tenant or Subtenant fails to commence an action to abate or enjoin any Improvement which is constructed upon a Building Site in violation of the provisions of this Section 6 within six (6) months after the completion of all Improvements upon the Building Site, the Improvements shall be conclusively presumed to have been approved, subject, however, to the restrictions contained in Section 5 hereof.

6.9 Neither the Architectural Review Committee, nor Landlord or their respective successors or assigns shall be liable in damages to anyone submitting Plans and Specifications to them for approval, or to any Tenant, Subtenant or Occupant of land affected by these Regulations and Restrictions by reason of mistake in judgment, negligence or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve any such Plans and Specifications. Every person who submits Plans and Specifications to the Architectural Review Committee for approval agrees, by submission of such Plans and Specifications, and every Tenant or Subtenant or Occupant of any said Building Sites agrees, by acquiring title hereto or an interest therein, that he will not bring any action or suit against the Architectural Review Committee, or Landlord to recover any such damages. Approval by the Architectural Review Committee or Landlord shall not be deemed to constitute compliance with the requirements of any local building codes, and it shall be the responsibility of the Tenant or Subtenant or agent submitting Plans and Specifications to the Architectural Review Committee to comply therewith. Approval in writing of all Plans and Specifications and amendments thereof must be obtained from the Architectural Review Committee prior to the issuance of any building permits.

6.10 Upon written request of any tenant or Subtenant or agent, the Architectural Review Committee may waive any of the requirements for obtaining approval of Plans and Specifications upon good cause shown. Any waiver issued by the Architectural Review Committee pursuant to this Section must be in writing and no waiver, express or implied, shall be granted unless in writing executed by a properly authorized person.

6.11 Any inconsistency between these Regulations and Restrictions and the Park Development Standards will be governed by the Regulations and Restrictions.

SECTION SEVEN
COVENANTS FOR MAINTENANCE AND ASSESSMENT

7.1 CREATION OF LIEN AND PERSONAL OBLIGATION FOR ASSESSMENTS. Each Tenant, by acceptance of a deed or Parcel Ground Lease to his Building Site, whether or not it shall be so expressed therein, or by acceptance or any other conveyance thereof (except a conveyance in connection with the establishment of a Mortgage), and every Occupant of such Building Site shall be deemed to covenant and agree to pay to Landlord (i) annual assessments or charges; (ii) special assessments for repair, replacement or maintenance of capital improvements; (iii) special assessments in connection with a Tenant's or Subtenant's failure to perform the required exterior maintenance of his Building Site and the Improvements located thereon, all as herein described with more particularity; and (iv) special assessments to provide for costs incurred by virtue of unforeseen emergencies, including, but not limited to, unusual snowfalls or heavy rains. All assessments herein provided for shall be assessed by Landlord or its assignee as provided in Section 11.10. The annual assessment shall be levied on an annual basis, and a special assessment shall be levied from time to time as and when determined by Landlord. All assessments described aforesaid together with such interest thereon and costs of collection thereof as are hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the Building Site and Improvements against which each such assessment is made, subject to foreclosure in accordance with applicable law, but any such lien shall be subordinate to any valid Mortgage affecting such Building Site. Each such assessment, together with interest thereon and costs of collection thereof, shall also be the personal obligation of the Tenant, Subtenant and Occupancy of such Building Site at the time the assessment falls due, and in the event there is more than one Tenant, Subtenant or Occupant, such obligations shall be joint and several and shall commence on the date of delivery of a deed or Parcel Ground Lease from Landlord to Tenant.

7.2 PURPOSE AND USE OF ANNUAL ASSESSMENTS OR CHARGES. The annual assessments or charges levied under this Section as provided for in Section 7.1 above shall be used exclusively for the purposes of promoting the health, safety and welfare of all Tenants, Subtenants and Occupants, and in particular for the repair, operation and maintenance of the General Common Properties, including a reasonable administrative fee or charge for administering the General Common Properties, and any services or facilities devoted to such purposes. In addition, the annual assessments or charges may, at the discretion of Landlord, include a reserve for replacement of and repairs to the Improvements located on the General Common Properties.

7.3 SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS AND EMERGENCIES. In addition to the annual assessments described aforesaid, Landlord may levy in any year one or more special assessments, applicable to that year only, for the purpose of defraying in whole or in part the cost of any reconstruction, unexpected repair or replacement of a capital Improvement upon the General Common Properties and/or Special Common Properties, including the necessary fixtures and personal property related thereto, or for the purpose of defraying in whole or in part the cost of any construction or reconstruction, unexpected repair or replacement, including land rehabilitation and restoration necessitated by an emergency.

7.4 CAPITAL CONTRIBUTIONS FOR IMPROVEMENTS, REPAIRS AND REPLACEMENTS. In addition to the annual or special assessments described aforesaid, Landlord may levy in any year, either as part of the annual assessment or the special assessment, an assessment to be set aside as a capital reserve for major repairs to or replacements of Improvements located on the General Common Properties. Any funds so collected shall be designated by Landlord as capital contributions by the Tenants or Subtenants thereof, as applicable, and shall be segregated and utilized solely for the purposes aforesaid.

7.5 SPECIAL ASSESSMENTS FOR EXTERIOR MAINTENANCE. In the event any Tenant, Subtenant or Occupant shall fail to maintain his Building Site and/or the Improvements situated thereon in a manner satisfactory to the Architectural Review Committee, Landlord shall have the right, through its agents and employees, to enter upon said Building Site and to repair, maintain and restore the same and the exterior of the Buildings and any other Improvements erected thereon in the manner contemplated by the above provisions. The cost of such exterior maintenance shall thereupon be deemed to be a special assessment to which such Building Site and its Tenant, Subtenant and Occupant shall be subject as aforesaid.

7.6 DATE OF COMMENCEMENT AND DETERMINATION OF ANNUAL AND SPECIAL ASSESSMENTS AND ASSESSMENT DEPOSIT. The annual assessments provided for herein shall commence on such date as shall be specified by Landlord or in any Parcel Ground Lease hereto affecting a particular parcel of real property brought within the framework of these Regulations and Restrictions or on the first day of the calendar year following the date of such Parcel Ground Lease if no other date is specified. Assessments shall be on a full calendar year basis. At least thirty (30) days in advance of the beginning of each calendar year, Landlord shall fix the amount of the annual assessment against each Building Site by estimating the charges and expenses to be incurred by Landlord for the purposes set forth in these Regulations and Restrictions. A year-end adjustment may be made by Landlord as is necessary to reflect the actual cost of such expenses. The annual assessments shall be due and payable to Landlord by each Tenant or Subtenant in monthly installments and shall be accompanied by an itemized statement of such costs and the manner in which each share was determined. Each Tenant or Subtenant shall pay the amount shown on the statement no later than the date thirty (30) days after receipt of such statement. In addition, Landlord may require an amount to be deposited with Landlord at the time of the first conveyance or Parcel Ground Lease of any Building Site from Landlord to any purchaser or Parcel Ground Lessee, as applicable, thereof, and which deposit shall not bear interest and may be retained by Landlord as working capital and as security for the payment of future annual and special assessments. The annual and special assessments shall be in such amounts as are fixed by Landlord and shall be without limitation unless otherwise specified in a Parcel Ground Lease affecting a particular parcel of real property brought within the framework of the Regulations and Restrictions.

7.7 EFFECT OF NON-PAYMENT OF ASSESSMENTS AND PERSONAL LIABILITY OF OWNER.

A. If an assessment is not paid on the date when due (being the date specified in Section 7.6 hereof), then such assessment shall be deemed delinquent and shall thereupon be deemed, together with such interest thereon and costs of collection thereof as hereinafter provided, a continuing lien upon the Building Site and all Improvements thereon and such continuing lien shall bind the Building Site and all Improvements thereon in the hands of the then Tenant or Subtenant, his heirs, devisees, personal representatives, successors and assigns. In addition to the lien upon the Building Site and all Improvements thereon, it shall be the personal obligation of each Tenant or Subtenant to pay the assessment affecting his Building Site assessed during its ownership period and such personal obligation shall continue even though the Tenant's or Subtenant's interest in such property shall be transferred.

B. If any assessment is not paid within thirty (30) days after its due date, it shall bear interest from the due date at a rate equal to five percent (5%) above the then Prime Rate, but in no event greater than the amount permitted by applicable law. Landlord may bring legal action against the Building Site and the Improvements thereon and/or the Tenant or Subtenant thereof to collect any unpaid assessment and there shall be added to the amount of such assessment all costs incurred by Landlord in foreclosing or attempting to foreclose the lien or in collecting or attempting to collect the amount owing, including any reasonable attorneys' fees. If the lien is foreclosed, it shall be foreclosed under the same procedure applicable to the foreclosure of mortgages and the redemption period following any judicial sale shall be one (1) month in lieu of nine (9) months.

C. In addition to any other remedy provided herein, the Landlord may consider nonpayment of any assessment as an event of default under any Parcel Ground Lease and may proceed to exercise all remedies under the Parcel Ground Lease.

7.8 SUBORDINATION OF THE LIEN TO MORTGAGES. As provided aforesaid, the lien of the assessments provided for herein shall be subordinate to the lien of any bona fide security device, including the lien of any Mortgage or any sale and leaseback transaction now or hereafter placed upon the Building Site subject to assessment; provided, however, such subordination shall apply only to the assessments which have become due and payable prior to a decree of foreclosure, or other proceeding in lieu of foreclosure. Such sale or transfer shall not release such Building Site from liability for any assessment thereafter becoming due, nor from the lien of any such subsequent assessments.

7.9 PROPERTY NOT SUBJECT TO ASSESSMENT. The following parts of the Land shall be exempt from assessments charges and liens created by these Regulations and Restrictions:

(a) All parts of the Land dedicated to and accepted by Bernalillo County, the City of Albuquerque and any other public or quasi-public authority; and

(b) All General Common Property whether or not located within a Building Site.

7.10 LANDLORD'S MAINTENANCE OBLIGATIONS. Subject to Landlord receiving reimbursement pursuant to the assessment provisions, until Landlord shall have assigned its rights and obligations with respect to the General Common Properties and other maintenance obligations to an assignee, association, successor or transferee, it shall maintain, repair, replace and renew or cause to be maintained, repaired, replaced or renewed the General Common Properties and other maintenance obligations in a clean, sightly, safe and first-class condition. Such maintenance to the extent not performed by a governmental or quasi-governmental authority or a Tenant or Subtenant shall include, but shall not be limited to: (1) the repair, replacement, renewal and cleaning of all lighting fixtures, signs, entrance monuments and markers, traffic control signals and signs; and (ii) the mowing, watering, fertilizing, replanting and replacing of landscaping. The maintenance of dedicated streets shall exclude repairs or reconstruction of such streets.

SECTION EIGHT
ENFORCEMENT

8.1 ABATEMENT AND SUIT. The regulations and restrictions herein contained shall run with the land and be binding upon and inure to the benefit of Landlord, the Tenant, Subtenants and the Occupants of every Building Site. These regulations and restrictions may be enforced as provided hereafter by Landlord acting for itself, and the Architectural Review Committee on behalf of Landlord or all Tenants. Each Tenant, by acquiring an interest in the Land, irrevocably appoints Landlord and the Architectural Review Committee as its attorney-in-fact for such purposes; provided, however, that if a Tenant or Subtenant notifies Landlord in writing of a claimed violation of these Regulations and Restrictions and fails to take effective action within thirty (30) days after receipt of such notification, then, and only in that event, a Tenant or Subtenant may separately, at its own cost and expense, enforce these Regulations and Restrictions as herein provided. All Tenants and Subtenants seeking to enforce these Regulations and Restrictions shall be bound by all waivers issued by the Landlord. Violation or breach of any restriction herein contained shall give to Landlord the right to enter the Building Site upon or as to which said violation or breach exists and to summarily abate and remove, at the expense of the Tenant or Subtenant thereof any Improvement or condition that may be or exist thereon contrary to the intent and meaning of the provisions hereof, and to prosecute an appropriate proceeding at law or in equity against the person or persons who have violated or are attempting to violate any of these Regulations and Restrictions to enjoin or prevent them from doing so, to cause said violation to be remedied or to recover damages for said violation.

In any legal or equitable proceeding for the enforcement or to restrain the violation of these Regulations and Restrictions or any provisions hereof, the losing party or parties shall pay the attorney's fees of the prevailing party or parties, in such amount as may be fixed by the court in such proceedings. All remedies provided herein or at law or in equity shall be cumulative and not exclusive.

8.2 INSPECTION. Landlord may from time to time at any reasonable hour or hours, enter and inspect any property subject to these Regulations and Restrictions to ascertain compliance therewith.

8.3 RESPONSIBILITY FOR AND FAILURE TO ENFORCE RESTRICTIONS. Landlord shall not be liable for enforcement of or for failure to enforce any provision, restriction or condition of these Regulations and Restrictions and the failure of Landlord or any Tenant or Subtenant to enforce any of the provisions, restrictions or conditions of these Regulations and Restrictions shall in no event be deemed a waiver of the right to do so thereafter or to enforce any other provision, restriction of condition.

8.4 DEEMED TO CONSTITUTE A NUISANCE. Every violation of these Regulations and Restrictions or any part thereof is hereby declared to be and to constitute a nuisance, and every public or private remedy allowed thereof by law or equity against a Tenant, Subtenant or Occupant shall be applicable against every such violation and may be exercised by Landlord.

8.5 LIQUIDATED DAMAGES. Notwithstanding any other provision of these Regulations and Restrictions to the contrary, upon violation of any provision of these Regulations and Restrictions or the Park Development Standards, which violation is of a kind and nature that damages resulting therefrom are not easily determinable or ascertainable, the Tenant or Subtenant who commits such violation or whose Occupants commit such violation and shall be liable for an amount equal to Five Hundred Dollars ($500.00) as liquidated damages for each day during which such violation continues to incur. All damages accruing to the benefit of the Landlord which are in the form of liquidated damages shall constitute a lien upon the Building Site and the Improvements of such Tenant or Subtenant and may be enforced as set forth in Section 7.7 hereof, subordinate to any valid Mortgages as provided therein.

8.6 CERTIFICATE OF COMPLIANCE. Upon payment of a reasonable fee as determined by Landlord from time to time, and upon written request of any Tenant or Subtenant; Occupant; prospective Subtenant or Occupant; Mortgagee; or prospective Mortgagee of any real property covered by these Regulations and Restrictions, Landlord shall issue an acknowledged certificate in recordable form setting forth the amounts of any unpaid assessments, if any, and setting forth generally whether or not to the best of

Landlord's knowledge said Tenant or Subtenant is in violation of any of the terms and conditions of these Regulations and Restrictions, and said Certificate shall be conclusive upon Landlord in favor of the persons who rely thereon in good faith other than a Tenant or Subtenant who is in violation of any such terms and conditions. Such certificate shall be furnished by Landlord within a reasonable time, but not to exceed thirty (30) days, from the receipt of a written request for such

SECTION NINE
RIGHTS IN COMMON PROPERTIES

9.1 TENANTS, EASEMENTS AND RIGHTS OF ENJOYMENT. Subject to the provisions hereinafter set forth in this Section 9, every Tenant and Subtenant shall have a right and easement of enjoyment in and to the General Common Properties and such easement shall be appurtenant to and shall pass with any leasehold interest to every Building Site which is subject to these Regulations and Restrictions.

9.2 RESERVATION OF CERTAIN RIGHTS TO LANDLORD IN THE GENERAL COMMON PROPERTIES. The rights and easements of enjoyment created hereby with respect to the General Common Properties shall be subject to the following:

(a) The right of Landlord to dedicate or transfer all or any part of the General Common Properties to any public agency, authority or utility company serving the Land, for such purposes and on such conditions as may be agreed to by Landlord consistent with the intent of these Regulations and Restrictions.

(b) The right of the Landlord to grant easements and/or rights-of-way to such utility companies or public agencies or authorities as it shall deem necessary for the proper service and maintenance of the Land and Tenants or Subtenants shall be obligated to grant such easements and/or rights-of-way upon the request of the Architectural Review Committee, as provided in Section 6, from time to time.

(c) The rights of Landlord to grant temporary easements upon the General Common Properties for storage of construction materials, dirt and similar items to Tenants and Subtenants, or to Landlord during the construction of Improvements upon any areas within the Land; provided, however, that following the completion of such construction, such grantees shall forthwith proceed to remove all materials and dirt from the General Common Properties and restore the same to their condition existing immediately prior to their use therefore, or to a condition acceptable to the Architectural Review Committee, all at the sole cost and expense of said Tenant, Subtenant or Landlord or as the case may be. If the grantee(s) shall fail to undertake and complete such removal and restoration within sixty (60) days after such completion of construction, Landlord may, at its option, after giving such grantee ten (10) days' prior written notice (unless within said ten (10) day period such grantee shall proceed and thereafter pursue with diligence such removal and restoration), undertake and complete the removal of all materials and dirt from the General Common Properties and restore the same to their condition existing immediately prior to their use therefore or to a condition acceptable to the Architectural Review Committee. If Landlord undertakes and completes such removal and restoration because of the failure of the grantee to complete the same, the cost of such removal and restoration shall be assessed against the grantee; and if such assessment is not paid within thirty (30) days after written notice of such assessment from Landlord to said grantee, it shall constitute a lien on the Building Site, including Improvements thereon, for whose benefit the easement was granted and may be enforced as set forth in Section 7 thereof.

(d) The right of Landlord to impose reasonable regulations and restrictions regarding the General Common Properties in addition to those set forth herein at the time of conveyance of such real properties, and such regulations and restrictions, will be incorporated by reference and made a part of these Regulations and Restrictions.

(e) The right of Landlord to adjust or grant private access easements over the General Common

Properties in addition to or in substitution for platted easement rights if, in the opinion of the Architectural Review Committee, such adjustments or grants would be desirable.

(f) The right of Landlord to (1) enter into lease agreements, either as lessee or lessor, with third parties, for purposes and subject to such conditions as they may deem appropriate; (2) enter into contractual or reciprocal agreements with third parties to provide, receive or exchange services; provided, however, that Landlord shall be fully reimbursed for its costs and expenses incurred in providing such services; (3) contract with governmental entities for the rental and use of equipment and/or exchange of services on a fee basis or otherwise; (4) construct emergency facilities; and (5) erect informational signs as appropriate.

9.3 EASEMENTS AND RIGHTS OF ENJOYMENT IN THE PARKING AND ROADWAY EASEMENTS. Subject to the provisions hereinafter set forth in this Section 9, Landlord and the Tenants and Subtenants specified or designated by Landlord, shall have a right and easement of enjoyment in and to the Parking and Roadway Easements located on individual Building Sites as established from time to time by the Architectural Review Committee by the recording of a Declaration of Easement in the office of the Clerk and Recorder of Bernalillo County, New Mexico, in accordance with the provisions of Section 6.

9.4 TITLE TO PARKING AND ROADWAY EASEMENTS. Landlord and the Tenants and Subtenants specified or designated by Landlord, shall be designated as grantees in the Declaration of Easement to be granted by a Tenant with respect to the Parking and Roadway easement to be located on his Building Site. Such easement shall be for the benefit and enjoyment of Landlord and such Tenants and Subtenants, as specified or designated by Landlord. Notwithstanding anything contained herein to the contrary, the Tenant of any Building Site shall always retain legal title to the leasehold estate encumbered by the Parking and Roadway Easement.

9.5 EXTENT OF RIGHTS AND PRIVILEGES IN THE PARKING AND ROADWAY EASEMENTS. The rights and privileges of enjoyment in the Parking and Roadway easements created hereby shall be subject to the following:

(a) The right of any Tenant to grant easements and rights-of-way over, across and under the Parking and Roadway Easement located upon such Tenant's Building Site to such utility companies, public agencies or authorities as he shall deem necessary for the proper service and maintenance of its Building Site, and said Tenant shall be obligated to make such grant upon the request of Landlord from time to time.

(b) The right of any Tenant to grant temporary easements for storage of construction materials, dirt and similar items upon the Parking and Roadway Easement located upon its Building Site to any other Tenant, Subtenant or to Landlord during the construction of Improvements upon any areas within the Land; provided, however, that following completion of such construction, such grantee(s) shall forthwith proceed to remove all materials and dirt from the Parking and Roadway Easement and restore the same to its condition existing immediately prior to its use therefore, or to a condition acceptable to the Architectural Review Committee, all at the sole cost and expense of said grantee.

9.6 PROPERTY RIGHTS AND RESTRICTIONS ON SPECIAL COMMON PROPERTIES. As provided above, Landlord reserves the right to set aside from time to time certain portions of the Land as Special Common Properties for the benefit of more than one (1) but no less than all Building Sites. In addition, the Tenants or Subtenants of any combination of Building Sites shall have the right with respect to their Building Sites to set aside from time to time certain portions thereof as Special Common Properties after first having the written approval of Landlord, Tenants or Subtenants, as the case may be, shall have the right to designate and determine (i) the nature, type and kind thereof; (ii) the entity which shall hold title thereto; (iii) the time when title will be conveyed; (iv) the parties who shall have a right and easement of enjoyment in and to the same; and (v) the basis for allocation of expenses by assessment for the installation, repair, maintenance and servicing of Improvements to be located on the Special Common Properties. The person or entity holding title to any Special Common Property shall have the right of

assessment against the Building Site of any Tenant or Subtenant permitted to use such Special Common Properties in the same manner as Landlord is herein granted such rights with respect to the General Common Properties. Such assessments shall likewise constitute a lien against the Building Site of said Tenant or Subtenant permitted to use such Special Common Properties and shall become due and payable in all respects as provided in Section 7 hereof.

9.7 USE OF GENERAL AND SPECIAL COMMON PROPERTIES BY LANDLORD. Landlord shall each have the right to use all General and Special Common Properties, including streets, private roads, walkways, trails and other areas within the Project for purposes of providing the services which it is obligated to perform hereunder.

9.8 EASEMENTS AND RIGHTS OF ENJOYMENT IN THE LANDSCAPE BUFFER. Subject to the provisions hereinafter set forth in this Section 9, Landlord and Tenants and Subtenants specified or designated by Landlord shall have a right and easement of enjoyment in and to the Landscape Buffer located in individual Building Sites as established from time to time by the Architectural Review Committee by the recording of a Declaration of Easement in the office of the Clerk and Recorder of Bernalillo County, New Mexico, in accordance with the provisions of Section 6 hereof.

9.9 TITLE TO LANDSCAPE BUFFER. Landlord and the Tenants and Subtenants specified or designated by Landlord shall be designated as grantee in the Declaration of Easement to be granted by a Tenant with respect to the Landscape Buffer to be located on its Building Site. Such easements shall be for the benefit and enjoyment of Landlord and such Tenants and Subtenants as specified or designated by Landlord for the purpose of installing and maintaining (including repair and replacement) certain landscape improvements thereon. Notwithstanding anything contained herein to the contrary, the Tenant of any Building Site retains legal title to the leasehold estate encumbered by the Landscape Buffer.

9.10 EASEMENTS AND RIGHTS OF ENJOYMENT IN THE PEDESTRIAN EASEMENTS. Subject to the provisions hereinafter set forth in this Section 9, Landlord and Tenants and Subtenants as specified or designated by Landlord shall have a right and easement of enjoyment to the Pedestrian Easements located on individual Building Sites as established from time to time by the Architectural Review Committee by the recording of a Declaration of Easement in the office of the Clerk and Recorder of Bernalillo County, New Mexico, in accordance with the provisions of Section 6.

9.11 TITLE TO PEDESTRIAN EASEMENTS. The Landlord and Tenants and Subtenants as specified or designated by Landlord shall be designated as grantees in the Declaration of Easement to be granted by a tenant with respect to the Pedestrian Easements to be located upon its Building Site. Such Pedestrian Easements shall be for the benefit and enjoyment of the Landlord and the Tenants or Subtenants as specified or designated by Landlord. Notwithstanding anything contained herein to the contrary, the Tenant of any Building Site retains legal title to the leasehold estate encumbered by the Pedestrian Easements and shall maintain the same.

9.12 EASEMENTS AND RIGHTS OF ENJOYMENT IN THE SIGNAGE EASEMENTS. Subject to the provisions hereinafter set forth in this Section, the Landlord and the Tenants or Subtenants as specified or designated by Landlord shall have a right and easement of enjoyment in and to the Signage Easements located on individual Building Sites as established from time to time by the Architectural Review Committee by the recording of a Declaration of Easement in the office of the Clerk and Recorder of Bernalillo County, New Mexico, in accordance with the provisions of Section 6 hereof.

9.13 TITLE TO SIGNAGE EASEMENTS. Landlord and the Tenants or Subtenants as specified or designated by Landlord shall be designated as grantee in the Declaration of Easement to be granted by a Tenant with respect to the Signage Easements to be located in his Building Site. Such Signage Easements shall be for the benefit and enjoyment of Landlord and the Tenants or Subtenants as specified or designated by Landlord. Notwithstanding anything contained herein to the contrary, the Owner of any Building Site retains legal title to the leasehold estate encumbered by the Signage Easements.

SECTION TEN
DURATION, MODIFICATION AND TERMINATION

10.1 DURATION AND TERMINATION. These Regulations and Restrictions, and the provisions, restrictions and conditions combined herein shall run with and bind the Land and shall remain the effect, and shall inure to the benefit of, and be enforceable by Landlord and any Tenant or Subtenant of a portion of the Land subject to the Regulations and Restrictions, their heirs, personal representatives, successors in interest and assigns for the term of the Parcel Ground Lease.

10.2 MODIFICATION AND TERMINATION DURING THE TERM. During the term of the Parcel Ground Lease these Regulations and Restrictions, or any provision hereof, may be altered, removed, modified or terminated, as to the Land, or any portion thereof by Landlord, at its sole discretion, upon written notice to all Tenants, but not Subtenants or Occupants, of the Land. No amendment to these Regulations and Restrictions shall be effective unless and until written notice stating the proposed amendment shall have been sent to every Tenant, but not Subtenants or Occupants, at least sixty (60) days in advance of any action taken. Any such termination, extension, modification or amendment shall be immediately effective upon the expiration of said sixty (60) day notification period. Any amendment will require the consent of Tenants only to the extent required by the Parcel Ground Lease applicable to such Tenant.

10.3 WAIVER. Landlord, without the consent of any third party, may waive any of the provisions of these Regulations and Restrictions and any of the provisions of the Park Development Standards. No such waiver shall be enforceable unless it is contained in writing signed by the Landlord.

SECTION ELEVEN
MISCELLANEOUS

11.1 MORTGAGES – DEEDS OF TRUST. Breach of any of the foregoing covenants, regulations and restrictions, shall not defeat or render void the lien of any mortgage or deed of trust made in good faith and for value within the Land; but said covenants, regulations and restrictions, shall be binding upon and effective against any Tenant or Subtenant whose title thereto is acquired by foreclosure trustee’s sale or otherwise.

11.2 CONFLICTS. Zoning ordinances, building codes and regulations, and any other governmental restrictions and requirements shall be observed. In the event of any conflict between these Regulations and Restrictions and any such governmental codes, regulations, restrictions and requirements, the more restrictive standards shall apply. Any approval of Landlord required in these Regulations and Restrictions, does not in any way relieve Tenants, Subtenants and Occupants from obtaining approvals required by any governmental body having jurisdiction.

11.3 EFFECT OF DEVELOPMENT PLAN AND OTHER DOCUMENTS FILED WITH GOVERNMENT AGENCIES. Any plans, studies, drawings and related documents concerning the development of the Land (“Master Plan” documents) which have been filed or will be filed in the future with the City of Albuquerque or Bernalillo County, or any other applicable governmental agency, shall have the effect, and only the effect, described in the Statutes for the State of New Mexico, and zoning codes, ordinances and the rules and regulations of said county and City of Albuquerque. The Master Plan, in part, and related documents constitute part of the public control imposed by the County and the City of Albuquerque upon Landlord, Tenants, Subtenants and Occupants of the Land and shall not create, nor shall be intended to create, any private property or contract rights in the Landlords, Tenants, Subtenants and Occupants’ property, except as such rights may be created expressly by separate contracts, leases, deeds and other documents, including these Regulations and Restrictions. The Master Plan shall confer maximum benefits upon all Tenants, Subtenants and Occupants when all of its elements are planned and developed in appropriate relationship with each other. The Master Plan describes a plan of development which Landlord believes will provide maximum benefit to the Tenants, Subtenants, Occupants and the public. During an extended development program, however, various factors may intervene which might hinder the effectiveness of the Master Plan and which might threaten the benefits to be derived by the Tenants, Subtenants, their Occupants and the public, unless the Master Plan can be modified as prescribed

under the applicable law and these Regulations and Restrictions. Accordingly, these Regulations and Restrictions are not intended to, nor does it grant nor create any private property or contract rights in the Master Plan and the Master Plan shall continue to remain subject to modifications by Landlord and the proper governmental authorities, to the extent applicable, in accordance with the procedures set forth in the statutes, rules and regulations of the City of Albuquerque and the County of Bernalillo, State of New Mexico.

11.4 BENEFITS AND BURDENS. The terms and provisions contained in these Regulations and Restrictions shall be binding upon and inure to the benefit of Landlord, all Tenants, Subtenants and Occupants, and their respective heirs, successors, personal representatives and assigns.

11.5 NOTICES. Any notice required to be sent to any Tenant or Subtenant under the provisions of these Regulations and Restrictions shall be deemed to have been properly delivered when delivered in person or when mailed by certified mail, return receipt requested, with proper postage prepaid, to the last known address of said Tenant or Subtenant in the records of Landlord at the time of such mailing, or as reflected in the records of the Clerk and Recorder of Bernalillo County, if there are no such Landlord records.

11.6 NO WAIVER. Failure of any person or entity designated herein to enforce any provision of these Regulations and Restrictions shall in no event be deemed to be a waiver of the right to do so or any subsequent violations. Moreover, the right to enforce and any other provisions of these Regulations and Restrictions shall not be waived by such failure, nor shall there be any liability therefore.

11.7 SINGULAR AND PLURAL. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed any other number (singular or plural) or gender (masculine, feminine or neuter) as the context requires.

11.8 OWNER'S LIABILITY SUBSEQUENT TO SALE. Upon sale or transfer of Tenant's entire interest in its Building Site, the Tenant so selling or transferring shall not have any further liability for the obligations thereon which accrue against the Building Site sold after the date of the conveyance; provided, however, that nothing herein shall be construed so as to relieve a Tenant of any Building Site from any liabilities or obligations incurred prior to such sale or transfer pursuant to these Regulations and Restrictions. Furthermore, any such sale or transfer shall not modify or alter the terms of any Plans and Specifications previously submitted and approved by the Architectural Review Committee and any subsequent Tenant shall be required to comply with any such plan.

11.9 SEVERABILITY. Invalidation of any one or more of the provisions of these Regulations and Restrictions by judgment or court shall in no way affect any of the other provisions which shall remain in full force and effect.

11.10 ASSIGNABILITY OF LANDLORD'S RIGHTS AND DUTIES. Any and all of the rights, powers and reservations of Landlord herein contained may be assigned in Landlord's sole discretion to any person, corporation or association (including the Association as provided in Section 11.11) which will assume the duties of Landlord pertaining to the particular rights, powers and reservations assigned, and upon any such person, corporation or association's evidencing its consent in writing to accept such assignment and assume such duties. Such person, corporation or association shall, to the extent of such assignment, have the same rights and powers and be subject to the same obligations and duties as are given to and assumed by Landlord herein.

11.11 ASSOCIATION. Subject to provisions of Section 11.10 above, Landlord shall have the right to assign its right, title, interest and obligations to an Association of Tenants pursuant to the provisions of this Section (The ''Association"). The Association shall be subject to the following provisions:

A. Every Tenant shall automatically be a member (a "Member") of the Association. No person or entity who holds any interest merely as a security for performance of an obligation or who is merely a lessee or tenant under a lease for the property or who is merely an occupant shall be a Member.

B. Each Tenant shall be entitled to a pro rata vote in the Association based upon the percentage of the total land area of Tenant's Building Site (excluding the portions of the property deeded or dedicated to the City of Albuquerque) owned by such Tenant or as specified in the Declaration of Covenants, Conditions and Restrictions of the Association. When more than one person shall held an ownership interest or interest in any Building Site, all such persons shall be Members, and the vote(s) provided for herein as a result of such joint ownership shall be exercised among themselves as they determine, but in no event aggregating more than the total percentage ownership attributable to such Building Site. Upon condominiumizing of any Building Site, such Condominium Declaration shall prescribe the division of votes among the individual condominium owners.

C. Any action by the Association shall be on the basis of no less than a majority vote of the votes of Members voting upon such action.

11.12 CONDOMINIUMS AND SUBDIVIDING OF BUILDING SITES.

A. The subdivision of any Building Site into two (2) or more parcels or the creation of a system of condominium ownership of a Building Site or Building thereon shall be subject to the prior approval of Landlord and the Tenant thereof. Landlord shall have the right but not the obligation to approve such proposals and no covenant is herein made by Landlord that any resubdividing or condominiumizing will be so approved. Any such subdivision or creation of a condominium may be made subject to such conditions as may be imposed by Landlord and the Tenant thereof, including, but not limited to, provisions for the creation of Special Common Properties and the addition of General Common Properties in accordance with the provisions of these Regulations and Restrictions.

B. All subdivision, or resubdivisions, of a Building Site shall be accomplished in accordance with the applicable governmental laws, rules and regulations and any documents to be submitted to governmental agencies or recorded to accomplish such subdividing, or resubdividing, shall be subject to the Landlord's prior written approval.

C. Documents creating a system of condominium ownership on any Building Site shall be subject to the prior approval of Landlord. The documents shall provide that the condominium association shall be liable for the collection and payment to Landlord of ail assessments due to be paid under the Declaration by Owners of the Building Site and that Landlord shall have a lien against the entire condominium project for any unpaid assessments, in accordance with the provisions of these Regulations and Restrictions. Such condominium declaration also shall prescribe the voting method among the individual condominium owners that will constitute the procedure for establishing the vote of the "Tenant" where called for in these Regulations and Restrictions.

11.13 NOTICE AND ACCEPTANCE. Every person who now or hereafter owns or acquires any right, title, estate or interest in or to any portion of the Land is and shall be conclusively deemed to have consented and agreed to every covenant, regulation and restriction contained herein, provided reference to these Regulations and Restrictions is contained in the original conveyance from Landlord to the first Tenant.

11.14 PARAGRAPH HEADINGS. Paragraph headings are inserted for convenience only and are not intended to be part of these Regulations and Restrictions or in any way to define, limit or describe the scope or intent of the particular paragraph to which they refer.

EXHIBIT “C”

PARKING STRUCTURE

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EXHIBIT C

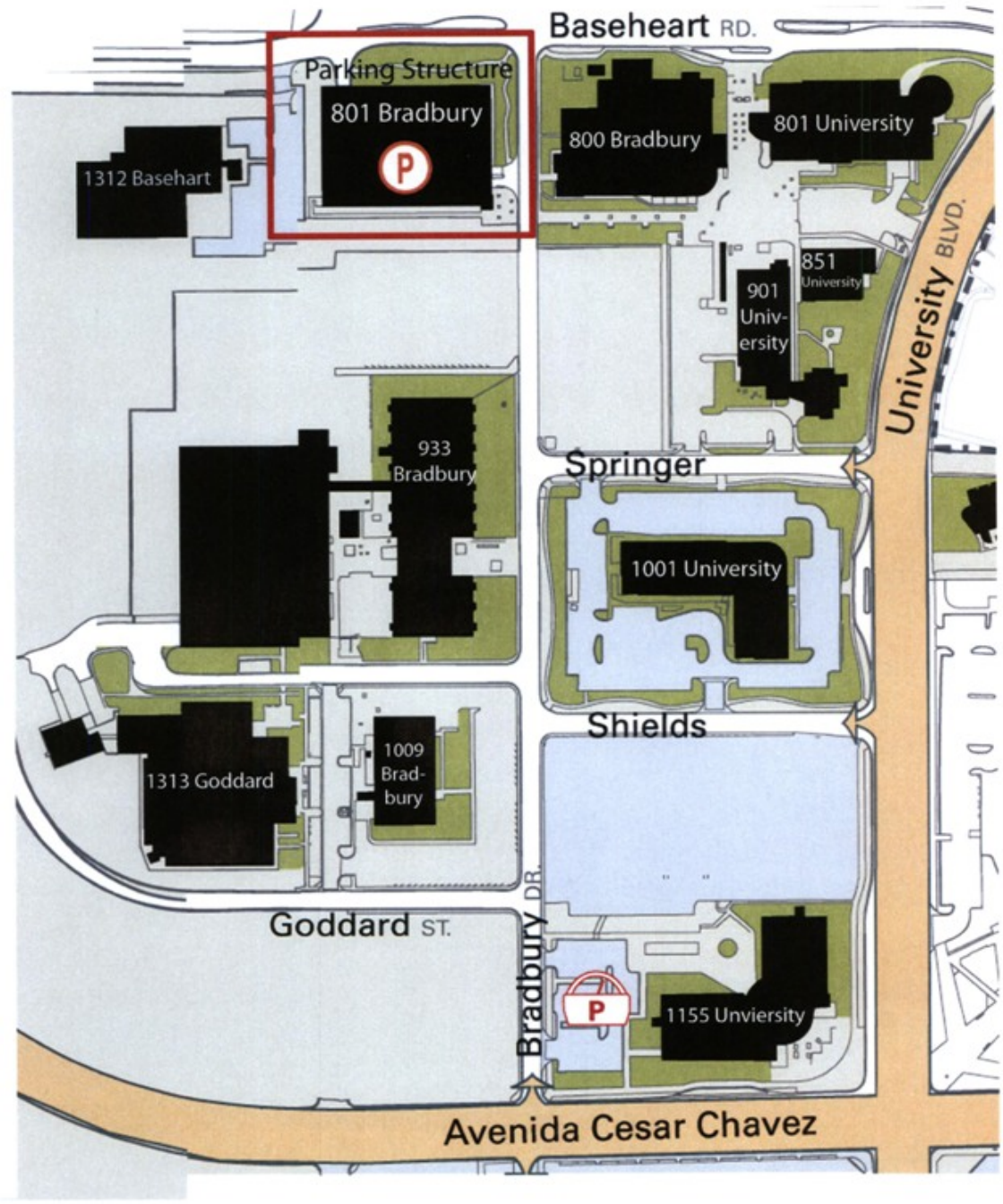
Baseheart RD.
Parking Structure
801 Bradbury
P
1312 Basehart
800 Bradbury
801 University
851 University
901 Univ-ersity
University BLVD.
933 Bradbury
Springer
1001 University
Shields
1313 Goddard
1009 Brad-bury
Goddard ST.
Bradbury DR.
P
1155 Unviersity
Avenida Cesar Chavez

EXHIBIT “D”

BUILDING RULES AND REGULATIONS

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BUILDING RULES AND REGULATIONS

1. The sidewalk, passages, exits and entrances shall not be obstructed by Tenant or used for any purpose other than for ingress to and egress from Premises. The Landlord shall in all cases retain the right to control and prevent access by all persons whose presence, in the judgment of the Landlord, shall be prejudicial to the safety, character, reputation and interests of the Project and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons in the ordinary course of Tenant's business, unless such persons are engaged in illegal activities. Tenant and employees or invitees of tenant shall not walk upon the roof of the Building.

2. No awning or shade shall be affixed or installed over the windows on the exterior of the Premises. The windows of the Building shall not be permanently covered or obstructed by Tenant.

3. Landlord reserves the right to prescribe the weight and position of all safes and other heavy equipment so as to distribute properly the weight thereof and to prevent any unsafe condition from arising. Safes or other heavy objects shall, if considered necessary by Landlord, stand on wood strips of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for any loss or damage to any such property from any cause; but all damage done to the Building by moving or maintaining any such property shall be repaired at the expense of Tenant.

4. Tenant and Tenant's officers, agents and employees shall not make or permit any loud, unusual or improper noises, nor interfere in any way with other tenants of the Project or those having business with them.

5. No aerial shall be erected on the roof or exterior walls of the Premises, or on the grounds, without in each instance, the written consent of the Landlord.

6. Tenant shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Building in any manner except as approved by Landlord. The expense of repairing any damage resulting from a violation of this rule or removal of any floor covering shall be borne by the Tenant.

7. Tenant agrees that it shall comply with all reasonable fire and security regulations that may be issued from time to time by Landlord, and Tenant also shall provide Landlord with the name of a designated responsible employee to represent Tenant in all matters pertaining to such fire or security regulations.

8. Landlord reserves the right by written notice to Tenant to add to, rescind, alter, or waive these rules and regulations at any time prescribed for the Building when, in Landlord s reasonable judgment, it is necessary, desirable or proper for the best interest of the Project and its tenants.

9. Tenant shall not disturb, solicit or canvass any occupant of the Project and shall cooperate to prevent the same.

10. No skateboarding shall be allowed on the grounds of the Project.

It is understood and agreed between Tenant and Landlord that no assent or consent to any waiver of any part hereof by Landlord in spirit or letter shall be deemed or taken as made except when the same is done in writing and attached to or endorsed hereon by Landlord.

In the event of any conflict between these rules and regulations or any further or modified rules and regulations shall from time to time issued by Landlord and the Building Lease provisions, the Building Lease provisions shall govern and control.

EXHIBIT “E”

INSURANCE CERTIFICATES

To be provided by the Tenant.

EXHIBIT "F"

TENANT IMPROVEMENTS

Landlord shall provide, at Landlord's expense, improvements to the premises limited to, demising suite according to the premises as outlined in Exhibit "A," carpet tiled area in 112-A, and clean existing carpet throughout Suite. Any additional tenant improvements shall be approved by the Landlord and at Tenant's sole cost.

TERM LOAN AGREEMENT

dated as of

October 10, 2013

between

EXAGEN DIAGNOSTICS, INC.
as Borrower,

The SUBSIDIARY GUARANTORS from Time to Time Party Hereto,

and

Capital Royalty Partners II L.P., Capital Royalty Partners II – Parallel Fund "A" L.P. and Parallel Investment Opportunities Partners II L.P.

as Lenders

U.S. $25,000,000

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SCHEDULES AND EXHIBITS

TERM LOAN AGREEMENT, dated as of October 10, 2013 (this "***Agreement***"), among EXAGEN DIAGNOSTICS, INC., a Delaware corporation ("***Borrower***"), the SUBSIDIARY GUARANTORS from time to time party hereto and the Lenders from time to time party hereto.

WITNESSETH:

Borrower has requested the Lenders to make term loans to Borrower, and the Lenders are prepared to make such loans on and subject to the terms and conditions hereof. Accordingly, the parties agree as follows:

SECTION 1
DEFINITIONS

1.01 Certain Defined Terms. As used herein, the following terms have the following respective meanings:

"***Accounting Change Notice***" has the meaning set forth in **Section 1.04(a)**.

"***Act***" has the meaning set forth in **Section 12.17**.

"***Acquisition***" means any transaction, or any series of related transactions, by which any Person directly or indirectly, by means of a take-over bid, tender offer, amalgamation, merger, purchase of assets, or similar transaction having the same effect as any of the foregoing, (a) acquires any business or all or substantially all of the assets of any Person engaged in any business, (b) acquires control of securities of a Person engaged in a business representing more than 50% of the ordinary voting power for the election of directors or other governing body if the business affairs of such Person are managed by a board of directors or other governing body, or (c) acquires control of more than 50% of the ownership interest in any Person engaged in any business that is not managed by a board of directors or other governing body.

"***Affected Lender***" has the meaning set forth in **Section 2.07(a)**.

"***Affiliate***" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"***Agreement***" has the meaning set forth in the introduction hereto.

"***Asset Sale***" is defined in **Section 9.09**.

"***Asset Sale Net Proceeds***" means the aggregate amount of the cash proceeds received from any Asset Sale, net of any bona fide costs incurred in connection with such Asset Sale, plus, with respect to any non-cash proceeds of an Asset Sale, the fair market value of such non cash proceeds as determined by the Majority Lenders, acting reasonably.

"***Assignment and Acceptance***" means an assignment and acceptance entered into by a Lender and an assignee of such Lender.

"***Bankruptcy Code***" means Title II of the United States Code entitled "Bankruptcy."

"***Benefit Plan***" means any employee benefit plan as defined in Section 3(3) of ERISA (whether governed by the laws of the United States or otherwise) to which any Obligor or Subsidiary thereof incurs or otherwise has any obligation or liability, contingent or otherwise.

"***Borrower***" has the meaning set forth in the introduction hereto.

"***Borrower Facility***" means the premises located at 800 Bradbury SE, Albuquerque, New Mexico 87106, and the premises located at 1261 Liberty Way, Suite C, Vista, California 92083 which are leased by Borrower pursuant to the Borrower Lease, as the case may be.

"***Borrower Landlord***" means the Regents of the University of New Mexico, or RSG Properties, as the case may be.

"***Borrower Lease***" means the Lease of Real Property dated May 7, 2013 by and between Borrower and the Regents of the University of New Mexico, and the Standard Industrial/Commercial Multi-Tenant Lease dated January 13, 2012 by and between Borrower and RSG Properties, as the case may be.

"***Borrower Party***" has the meaning set forth in **Section 12.03(b)**.

"***Borrowing***" means a borrowing consisting of Loans made on the same day by the Lenders according to their respective Commitments (including without limitation a borrowing of a PIK Loan).

"***Borrowing Date***" means the date of each Borrowing.

"***Borrowing Notice Date***" means, (i) in the case of the first Borrowing, a date that is at least twelve Business Days prior to the Borrowing Date of such Borrowing and, (ii) in the case of a subsequent Borrowing, a date that is at least twenty Business Days prior to the Borrowing Date of such Borrowing.

"***Business Day***" means a day (other than a Saturday or Sunday) on which commercial banks are not authorized or required to close in New York City.

"***Capital Lease Obligations***" means, as to any Person, the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal Property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"***Change of Control***" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group of Persons acting jointly or otherwise in concert of capital stock representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of Borrower, (b) during any period of twelve (12) consecutive calendar months, the occupation of a majority of the seats (other than vacant seats)

on the board of directors of Borrower by Persons who were neither (i) nominated by the board of directors of Borrower, nor (ii) appointed by directors so nominated, or (c) the acquisition of direct or indirect Control of Borrower by any Person or group of Persons acting jointly or otherwise in concert; in each case whether as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise.

"***Claims***" includes claims, demands, complaints, grievances, actions, applications, suits, causes of action, orders, charges, indictments, prosecutions, informations (brought by a public prosecutor without grand jury indictment) or other similar processes, assessments or reassessments.

"***Closing Date***" means the date as of which the Lenders notify Borrower that the conditions precedent set forth in **Section 6.01** have been satisfied or waived.

"***Code***" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"***Collateral***" means the collateral provided for in the Security Documents.

"***Commitment***" means, with respect to each Lender, the obligation of such Lender to make Loans to Borrower in accordance with the terms and conditions of this Agreement, which commitment is in the amount set forth opposite such Lender's name on **Schedule 1** under the caption "Commitment", as such Schedule may be amended from time to time. The aggregate Commitments on the date hereof equal $25,000,000. For purposes of clarification, the amount of any PIK Loans shall not reduce the amount of the available Commitment.

"***Commitment Period***" means the period from and including the Closing Date and through and including August 30, 2014.

"***Commodities Account***" is defined in the Security Agreement.

"***Compliance Certificate***" has the meaning given to such term in **Section 8.01(d)**.

"***Contracts***" means contracts, licenses, leases, agreements, obligations, promises, undertakings, understandings, arrangements, documents, commitments, entitlements or engagements under which a Person has, or will have, any liability or contingent liability (in each case, whether written or oral, express or implied).

"***Control***" means, in respect of a particular Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"***Control Agent***" is defined in the Security Agreement.

"***Copyright***" is defined in the Security Agreement.

"***CRPPF***" means Capital Royalty Partners II – Parallel Fund "A" L.P.

"***Cure Amount***" has the meaning set forth in **Section 10.03(a)**.

"***Cure Right***" has the meaning set forth in **Section 10.03(a)**.

"***Default***" means any Event of Default and any event that, upon the giving of notice, the lapse of time or both, would constitute an Event of Default.

"***Defaulting Lender***" means, subject to **Section 2.06**, any Lender that (a) has failed to perform any of its funding obligations hereunder, including in respect of its Loans, within three (3) Business Days of the date required to be funded by it hereunder, (b) has notified Borrower or any Lender that it does not intend to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations hereunder or under other agreements in which it commits to extend credit, or (c) has, or has a direct or indirect parent company that has, (i) become the subject of an Insolvency Proceeding, (ii) had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or a custodian appointed for it, or (iii) taken any action in furtherance of, or indicated its consent to, approval of or acquiescence in any such proceeding or appointment; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority.

"***Deposit Account***" is defined in the Security Agreement.

"***Dollars***" and "***$***" means lawful money of the United States of America.

"***Domestic Subsidiary***" means any Subsidiary that is a corporation, limited liability company, partnership or similar business entity incorporated, formed or organized under the laws of the United States, any State of the United States or the District of Columbia.

"***Eligible Transferee***" means and includes a commercial bank, an insurance company, a finance company, a financial institution, any investment fund that invests in loans or any other "accredited investor" (as defined in Regulation D of the Securities Act) that is principally in the business of managing investments or holding assets for investment purposes.

"***Environmental Law***" means any federal, state, provincial or local governmental law, rule, regulation, order, writ, judgment, injunction or decree relating to pollution or protection of the environment or the treatment, storage, disposal, release, threatened release or handling of hazardous materials, and all local laws and regulations related to environmental matters and any specific agreements entered into with any competent authorities which include commitments related to environmental matters.

"***Equity Cure Right***" has the meaning set forth in **Section 10.03(a)**.

"***Equity Interest***" shall mean, with respect to any Person, any and all shares, interests, participations or other equivalents, including membership interests (however designated, whether voting or nonvoting), of equity of such Person, including, if such Person is a partnership, partnership interests (whether general or limited) and any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of

property of, such partnership, but excluding debt securities convertible or exchangeable into such equity.

"***Equivalent Amount***" means, with respect to an amount denominated in one currency, the amount in another currency that could be purchased by the amount in the first currency determined by reference to the Exchange Rate at the time of determination.

"***ERISA***" means the United States Employee Retirement Income Security Act of 1974, as amended.

"***ERISA Affiliate***" means, collectively, any Obligor, Subsidiary thereof, and any Person under common control, or treated as a single employer, with any Obligor or Subsidiary thereof, within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"***ERISA Event***" means (i) a reportable event as defined in Section 4043 of ERISA with respect to a Title IV Plan, excluding, however, such events as to which the PBGC by regulation has waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event; (ii) the applicability of the requirements of Section 4043(b) of ERISA with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, to any Title IV Plan where an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such plan within the following 30 days; (iii) a withdrawal by any Obligor or any ERISA Affiliate thereof from a Title IV Plan or the termination of any Title IV Plan resulting in liability under Sections 4063 or 4064 of ERISA; (iv) the withdrawal of any Obligor or any ERISA Affiliate thereof in a complete or partial withdrawal (within the meaning of Section 4203 and 4205 of ERISA) from any Multiemployer Plan if there is any potential liability therefore, or the receipt by any Obligor or any ERISA Affiliate thereof of notice from any Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA; (v) the filing of a notice of intent to terminate, the treatment of a plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Title IV Plan or Multiemployer Plan; (vi) the imposition of liability on any Obligor or any ERISA Affiliate thereof pursuant to Sections 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA; (vii) the failure by any Obligor or any ERISA Affiliate thereof to make any required contribution to a Plan, or the failure to meet the minimum funding standard of Section 412 of the Code with respect to any Title IV Plan (whether or not waived in accordance with Section 412(c) of the Code) or the failure to make by its due date a required installment under Section 430 of the Code with respect to any Title IV Plan or the failure to make any required contribution to a Multiemployer Plan; (viii) the determination that any Title IV Plan is considered an at-risk plan or a plan in endangered to critical status within the meaning of Sections 430, 431 and 432 of the Code or Sections 303, 304 and 305 of ERISA; (ix) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan; (x) the imposition of any liability under Title I or Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Obligor or any ERISA Affiliate thereof; (xi) an application for a funding waiver under Section 303 of ERISA or an extension of any amortization period pursuant to Section 412 of the Code with respect to any Title IV Plan; (xii) the occurrence of a non-exempt prohibited transaction under Sections 406 or 407 of ERISA

for which any Obligor or any Subsidiary thereof may be directly or indirectly liable; (xiii) a violation of the applicable requirements of Section 404 or 405 of ERISA or the exclusive benefit rule under Section 401(a) of the Code by any fiduciary or disqualified person for which any Obligor or any ERISA Affiliate thereof may be directly or indirectly liable; (xiv) the occurrence of an act or omission which could give rise to the imposition on any Obligor or any ERISA Affiliate thereof of fines, penalties, taxes or related charges under Chapter 43 of the Code or under Sections 409, 502(c), (i) or (1) or 4071 of ERISA; (xv) the assertion of a material claim (other than routine claims for benefits) against any Plan or the assets thereof, or against any Obligor or any Subsidiary thereof in connection with any such plan; (xvi) receipt from the IRS of notice of the failure of any Qualified Plan to qualify under Section 401(a) of the Code, or the failure of any trust forming part of any Qualified Plan to fail to qualify for exemption from taxation under Section 501(a) of the Code; (xvii) the imposition of any lien (or the fulfillment of the conditions for the imposition of any lien) on any of the rights, properties or assets of any Obligor or any ERISA Affiliate thereof, in either case pursuant to Title I or IV, including Section 302(f) or 303(k) of ERISA or to Section 401(a)(29) or 430(k) of the Code; or (xviii) the establishment or amendment by any Obligor or any Subsidiary thereof of any "welfare plan", as such term is defined in Section 3(1) of ERISA, that provides post-employment welfare benefits in a manner that would increase the liability of any Obligor.

"***Event of Default***" has the meaning set forth in **Section 11.01**.

"***Exchange Rate***" means the rate at which any currency (the "***Pre-Exchange Currency***") may be exchanged into another currency (the "***Post-Exchange Currency***"), as set forth on such date on the relevant Reuters screen at or about 11:00 a.m. (Central time) on such date. In the event that such rate does not appear on the Reuters screen, the "Exchange Rate" with respect to exchanging such Pre-Exchange Currency into such Post-Exchange Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by Borrower and the Majority Lenders or, in the absence of such agreement, such Exchange Rate shall instead be determined by the Majority Lenders by any reasonable method as they deem applicable to determine such rate, and such determination shall be conclusive absent manifest error.

"***Excluded Taxes***" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes and branch profits Taxes, in each case imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax, (b) Other Connection Taxes, (c) U.S. federal withholding Taxes that are imposed on amounts payable to a Lender to the extent that the obligation to withhold amounts existed on the date that such Lender became a "Lender" under this Agreement, except in each case to the extent such Lender is a direct or indirect assignee of any other Lender that was entitled, at the time the assignment of such other Lender became effective, to receive additional amounts under **Section 5.05**, (d) any Taxes imposed in connection with FATCA, and (e) Taxes attributable to such Recipient's failure to comply with **Section 5.05(e)**.

"***FATCA***" means Sections 1471 through 1474 of the Code, as of the date of this

Agreement (or any amended or successor version that is substantively comparable and not more onerous to comply with), any regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code.

"***Foreign Lender***" means a Lender that is not a U.S. Person.

"***Foreign Subsidiary***" means a Subsidiary of Borrower that is not a Domestic Subsidiary.

"***GAAP***" means generally accepted accounting principles in the United States of America, as in effect from time to time, set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants, in the statements and pronouncements of the Financial Accounting Standards Board and in such other statements by such other entity as may be in general use by significant segments of the accounting profession that are applicable to the circumstances as of the date of determination. Subject to **Section 1.02**, all references to "GAAP" shall be to GAAP applied consistently with the principles used in the preparation of the financial statements described in **Section 7.04(a)**.

"***Governmental Approval***" means any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"***Governmental Authority***" means any nation, government, branch of power (whether executive, legislative or judicial), state, province or municipality or other political subdivision thereof and any entity exercising executive, legislative, judicial, monetary, regulatory or administrative functions of or pertaining to government, including without limitation regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, courts, bodies, boards, tribunals and dispute settlement panels, and other law-, rule- or regulation-making organizations or entities of any State, territory, county, city or other political subdivision of the United States.

"***Guarantee***" of or by any Person (the "***guarantor***") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "***primary obligor***") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"***Guarantee Assumption Agreement***" means a Guarantee Assumption Agreement substantially in the form of **Exhibit A** by an entity that, pursuant to **Section 8.12(a)**, is required to become a "Subsidiary Guarantor" hereunder in favor of the Lenders.

"***Guaranteed Obligations***" has the meaning set forth in **Section 13.01**.

"***Hazardous Material***" means any substance, element, chemical, compound, product, solid, gas, liquid, waste, by-product, pollutant, contaminant or material which is hazardous or toxic, and includes, without limitation, (a) asbestos, polychlorinated biphenyls and petroleum (including crude oil or any fraction thereof) and (b) any material classified or regulated as "hazardous" or "toxic" or words of like import pursuant to an Environmental Law.

"***Hedging Agreement***" means any interest rate exchange agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"***Indebtedness***" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or obligations of such Person with respect to deposits or advances of any kind by third parties, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty (j) obligations under any Hedging Agreement currency swaps, forwards, futures or derivatives transactions, and (k) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"***Indemnified Party***" has the meaning set forth in **Section 12.03(b)**.

"***Indemnified Taxes***" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any Obligation and (b) to the extent not otherwise described in clause (a), Other Taxes.

"***Insolvency Proceeding***" means (i) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (ii) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of any Person's creditors generally or any substantial portion of such Person's creditors, in each case undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"***Intellectual Property***" means all Patents, Trademarks, Copyright, and Technical Information, whether registered or not, domestic and foreign. Intellectual Property shall include all:

(a) applications or registrations relating to such Intellectual Property;

(b) rights and privileges arising under applicable Laws with respect to such Intellectual Property;

(c) rights to sue for past, present or future infringements of such Intellectual Property; and

(d) rights of the same or similar effect or nature in any jurisdiction corresponding to such Intellectual Property throughout the world.

"***Interest-Only Period***" means the period beginning from and including the first Borrowing Date and through and including the twelfth (12th) Payment Date following the first Borrowing Date.

"***Interest Period***" means initially, with respect to each Borrowing, the period commencing on the Borrowing Date thereof and ending on the next Payment Date, and, thereafter, each period beginning on the last day of the immediately preceding Interest Period and ending on March 31, June 30, September 30 and December 31, as the case may be; *provided that* (i) any Interest Period that would otherwise end on a day that is not a Business Day shall end on the next succeeding Business Day unless such succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) the term "Interest Period" shall include any period selected by the Majority Lenders from time to time in accordance with the definition of "Post-Default Rate".

"***Invention***" means any novel, inventive and useful art, apparatus, method, process, machine (including article or device), manufacture or composition of matter, or any novel, inventive and useful improvement in any art, method, process, machine (including article or device), manufacture or composition of matter.

"***Investment***" means, for any Person: (a) the acquisition (whether for cash, property, services or securities or otherwise) of capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such sale); (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such property to such Person), but excluding any such advance, loan or extension of credit having a term not exceeding 90 days arising in connection with the sale of inventory or supplies by such Person in the ordinary course of business; (c) the entering into of any Guarantee of, or other contingent obligation with respect to, Indebtedness or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person; or (d) the entering into of any Hedging Agreement.

"***IRS***" means the U.S. Internal Revenue Service or any successor agency, and to the extent relevant, the U.S. Department of the Treasury.

"***Knowledge***" means the actual knowledge of any Responsible Officer of any Person.

"***Landlord Consent***" means a Landlord Consent substantially in the form of **Exhibit G**.

"***Laws***" means, collectively, all international, foreign, federal, state, provincial, territorial, municipal and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"***Lenders***" means Capital Royalty Partners II L.P., CRPPF, PIOP, together with their successors and each assignee of a Lender pursuant to **Section 12.05(b)** and "Lender" means any one of them.

"***Lien***" means any mortgage, lien, pledge, charge, or other security interest, leases, title retention agreements, mortgages, restrictions, easements, rights-of-way, options or adverse claims (of ownership or possession) or encumbrances of any kind or character whatsoever or any preferential arrangement that has the practical effect of creating a security interest.

"***Liquidity***" means the balance of unencumbered cash and Permitted Cash Equivalent Investments (which for greater certainty shall not include any undrawn credit lines), in each case, to the extent held in an account over which the Lenders have a first priority perfected security interest.

"***Loan***" means (i) each loan advanced by a Lender pursuant to **Section 2.01** and (ii) each PIK Loan deemed to have been advanced by a Lender pursuant to **Section 3.02(d)**. For purposes of clarification, any calculation of the aggregate outstanding principal amount of Loans on any date of determination shall include both the aggregate principal amount of loans advanced pursuant to **Section 2.01** and not yet repaid, and all PIK Loans deemed to have been advanced and not yet repaid, on or prior to such date of determination.

"***Loan Documents***" means, collectively, this Agreement, the Notes, the Security Documents, each Warrant, any subordination agreement or any intercreditor agreement entered into by Lenders with any other creditors of Obligors, and any other present or future document, instrument, agreement or certificate executed by Obligors for the benefit of Lenders in connection with this Agreement or any of the other Loan Documents, all as amended, restated, or otherwise modified.

"***Loss***" means judgments, debts, liabilities, expenses, costs, damages or losses, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including loss of value, professional fees, including fees and disbursements of legal counsel on a full indemnity basis, and all costs incurred in investigating or pursuing any Claim or any proceeding relating to any Claim.

"***Majority Lenders***" means, at any time, Lenders having at such time in excess of 50% of the aggregate Commitments (or, if such Commitments are terminated, the outstanding principal amount of the Loans) then in effect, ignoring, in such calculation, the Commitments of and outstanding Loans owing to any Defaulting Lender.

"***Margin Stock***" means "margin stock" within the meaning of Regulations U and X.

"***Material Adverse Change***" and "***Material Adverse Effect***" mean a material adverse change in or effect on (i) the business, condition (financial or otherwise), operations, performance, Property or prospects of Borrower and its Subsidiaries taken as a whole, other than those resulting from any change in interest rates or economic, economic, political, business or financial markets generally or any change generally affecting any of the industries in which Borrower or any of its Subsidiaries operates or the economy as a whole, (ii) the ability of any Obligor to perform its obligations under the Loan Documents, or (iii) the legality, validity, binding effect or enforceability of the Loan Documents or the rights and remedies of the Lenders under any of the Loan Documents.

"***Material Agreements***" means the agreements which are listed in **Schedule 7.14** and all other agreements held by the Obligors from time to time, the absence or termination of any of which would reasonably be expected to result in a Material Adverse Effect; *provided, however, that* "Material Agreements" exclude all: (i) licenses implied by the sale of a product; and (ii) paid-up licenses for commonly available software programs under which an Obligor is the licensee. "Material Agreement" means any one such agreement.

"***Material Indebtedness***" means, at any time, any Indebtedness of any Obligor, the outstanding principal amount of which, individually or in the aggregate, exceeds $300,000 (or the Equivalent Amount in other currencies).

"***Material Intellectual Property***" means, the Obligor Intellectual Property described in **Schedule 7.05(c)** and any other Obligor Intellectual Property after the date hereof the loss of which could reasonably be expected to have a Material Adverse Effect.

"***Maturity Date***" means the earlier to occur of (i) the twentieth Payment Date following the first Borrowing Date, and (ii) the date on which the Loans are accelerated pursuant to **Section 11.02**.

"***Maximum Rate***" has the meaning set forth in **Section 12.18**.

"***Minimum Required Revenue***" has the meaning set forth in **Section in 10.02**.

"***Multiemployer Plan***" means any multiemployer plan, as defined in Section 400l(a)(3) of ERISA, to which any ERISA Affiliate incurs or otherwise has any obligation or liability, contingent or otherwise.

"***Non-Consenting Lender***" has the meaning set forth in **Section 2.07(a)**.

"***Non-Disclosure Agreement***" has the meaning set forth in **Section 12.16**.

"***Note***" means a promissory note executed and delivered by Borrower to the Lenders in accordance with **Section 2.04** or **3.02(d)**.

"***Notice of Borrowing***" has the meaning set forth in **Section 2.02**.

"***Obligations***" means, with respect to any Obligor, all amounts, obligations, liabilities, covenants and duties of every type and description owing by such Obligor to any Lender, any other indemnitee hereunder or any participant, arising out of, under, or in connection with, any Loan Document, whether direct or indirect (regardless of whether acquired by assignment), absolute or contingent, due or to become due, whether liquidated or not, now existing or hereafter arising and however acquired, and whether or not evidenced by any instrument or for the payment of money, including, without duplication, (i) if such Obligor is Borrower, all Loans, (ii) all interest, whether or not accruing after the filing of any petition in bankruptcy or after the commencement of any insolvency, reorganization or similar proceeding, and whether or not a claim for post-filing or post-petition interest is allowed in any such proceeding, and (iii) all other fees, expenses (including fees, charges and disbursement of counsel), interest, commissions, charges, costs, disbursements, indemnities and reimbursement of amounts paid and other sums chargeable to such Obligor under any Loan Document.

"***Obligor Intellectual Property***" means Intellectual Property owned by or licensed to any of the Obligors.

"***Obligors***" means, collectively, Borrower and the Subsidiary Guarantors and their respective successors and permitted assigns.

"***Other Connection Taxes***" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"***Other Taxes***" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to **Section 5.05(g)**).

"***Participant***" has the meaning set forth in **Section 12.05(e)**.

"***Patents***" is defined in the Security Agreement.

"***Payment Date***" means each March 31, June 30, September 30, December 31 and the Maturity Date, commencing on the first of the Payment Dates to occur following the first Borrowing Date; *provided that*, other than with respect to the Payment Date that is the Maturity Date, if any such date shall occur on a day that is not a Business Day, the applicable Payment Date shall be the next succeeding Business Day unless such succeeding Business Day would fall

in the next calendar month, in which case such Payment Date shall end on the next preceding Business Day.

"***PBGC***" means the United States Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"***Permitted Acquisition***" means any acquisition by Borrower or any of its wholly-owned Subsidiaries, whether by purchase, merger or otherwise, of all or substantially all of the assets of, all of the Equity Interests of, or a business line or unit or a division of, any Person; *provided that*:

(a) immediately prior to, and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(b) all transactions in connection therewith shall be consummated, in all material respects, in accordance with all applicable Laws and in conformity with all applicable Governmental Approvals;

(c) in the case of the acquisition of all of the Equity Interests of such Person, all of the Equity Interests (except for any such securities in the nature of directors' qualifying shares required pursuant to applicable Law) acquired, or otherwise issued by such Person or any newly formed Subsidiary of Borrower in connection with such acquisition, shall be owned 100% by Borrower, a Subsidiary Guarantor or any other Subsidiary, and Borrower shall have taken, or caused to be taken, as of the date such Person becomes a Subsidiary of Borrower, each of the actions set forth in **Section 8.12**, if applicable;

(d) Borrower and its Subsidiaries shall be in compliance with the financial covenants set forth in **Section 10.01** and **Section 10.02** on a *pro forma* basis after giving effect to such acquisition; and

(e) such Person (in the case of an acquisition of Equity Interests) or assets (in the case of an acquisition of assets or a division) (i) shall be engaged or used, as the case may be, in the same business or lines of business in which Borrower and/or its Subsidiaries are engaged or (ii) shall have a similar customer base as Borrower and/or its Subsidiaries.

"***Permitted Cash Equivalent Investments***" means (i) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than two (2) years from the date of acquisition and (ii) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc.

"***Permitted Indebtedness***" means any Indebtedness permitted under **Section 9.01**.

"***Permitted Liens***" has the meaning set forth in **Section 9.02**.

"***Permitted Priority Debt***" means Indebtedness of Borrower, in an amount not to exceed at any time 80% of the face amount at such time of Borrower's non delinquent accounts

receivable; *provided that* (a) such Indebtedness, if secured, is secured solely by Borrower's accounts receivable, inventory and cash proceeds thereof held in a segregated account but is otherwise unsecured by any other Collateral, and (b) the holders or lenders thereof have executed and delivered to Lenders an intercreditor agreement in substantially the form of **Exhibit I** and with such changes (if any) as are satisfactory to the Majority Lenders; *provided further, however, that* no such Indebtedness shall qualify as Permitted Priority Debt unless Borrower has received revenue of at least $3,000,000 during any consecutive three (3) month period occurring during the term of this Agreement.

"***Permitted Priority Liens***" means (i) Liens permitted under **Section 9.02(c), (d), (e), (f), (g), and (j)**, and (ii) Liens permitted under **Section 9.02(b)** provided that such Liens are also of the type described in **Section 9.02(c), (d), (e), (f), (g), and (j).**

"***Permitted Refinancing***" means, with respect to any Indebtedness, any extensions, renewals and replacements of such Indebtedness; *provided that* such extension, renewal or replacement (i) shall not increase the outstanding principal amount of such Indebtedness, (ii) contains terms relating to outstanding principal amount, amortization, maturity, collateral (if any) and subordination (if any), and other material terms taken as a whole no less favorable in any material respect to Borrower and its Subsidiaries or the Lenders than the terms of any agreement or instrument governing such existing Indebtedness, (iii) shall have an applicable interest rate that reflects the then current prevailing rate of interest for loans of similar amounts and on similar conditions to borrowers of similar creditworthiness, and (iv) shall not contain any new requirement to grant any lien or security or to give any guarantee that was not an existing requirement of such Indebtedness.

"***Permitted Restrictive Agreements***" has the meaning set forth in **Section 7.15**.

"***Permitted Subordinated Debt***" means Indebtedness incurred in connection with the exercise of the Subordinated Debt Cure Right and (i) that is governed by documentation containing representations, warranties, covenants and events of default no more burdensome or restrictive than those contained in the Loan Documents, (ii) that has a maturity date later than the Maturity Date, (iii) in respect of which no cash payments of principal or interest are required prior to the Maturity Date, (iv) in respect of which the holders have agreed in favor of Borrower and Lenders that (A) prior to the date on which the Commitments have expired or been terminated and all Obligations (other than Warrant Obligations) have been paid in full indefeasibly in cash, such holders will not exercise any remedies available to them in respect of such Indebtedness, and (B) all Liens (if any) securing such Indebtedness are subordinated to the Liens securing the Obligations, and (v) the holders or lenders thereof have executed and delivered to Lenders a subordination agreement that is in substantially the form attached hereto as **Exhibit H** or otherwise satisfactory to the Majority Lenders.

"***Person***" means any individual, corporation, company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Authority or other entity of whatever nature.

"***PIK Loan***" has the meaning set forth in **Section 3.02(d)**.

"***PIK Period***" means the period beginning on the first Borrowing Date through and including the earlier to occur of (i) the twelfth (12th) Payment Date after the first Borrowing Date and (ii) the date on which any Event of Default shall have occurred (*provided that* if such Event of Default shall have been cured or waived, the PIK Period shall resume until the earlier to occur of the next Event of Default and the twelfth (12th) Payment Date after the first Borrowing Date).

"***PIOP***" means Parallel Investment Opportunities Partners II L.P., a Delaware limited partnership.

"***Plan***" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"***Post-Default Rate***" has the meaning set forth in **Section 3.02(b)**.

"***Prepayment Premium***" has the meaning set forth in **Section 3.03(a)**.

"***Products***" means Avise PG, Avise MCV, Avise SLE and Avise SLE+, and each of their respective successors.

"***Property***" of any Person means any property or assets, or interest therein, of such Person.

"***Proportionate Share***" means, with respect to any Lender, the percentage obtained by dividing (a) the sum of the Commitment (or, if the Commitments are terminated, the outstanding principal amount of the Loans) of such Lender then in effect by (b) the sum of the Commitments (or, if the Commitments are terminated, the outstanding principal amount of the Loans) of all Lenders then in effect.

"***Qualified Plan***" means an employee benefit plan (as defined in Section 3(3) of ERISA) other than a Multiemployer Plan (i) that is or was at any time maintained or sponsored by any Obligor or any ERISA Affiliate thereof or to which any Obligor or any ERISA Affiliate thereof has ever made, or was ever obligated to make, contributions, and (ii) that is intended to be tax qualified under Section 401(a) of the Code.

"***Real Property Security Documents***" means the Landlord Consent in substantially the form attached hereto as **Exhibit G**, and any mortgage or deed of trust or any other real property security document executed or required hereunder to be executed by any Obligor and granting a security interest in real Property owned or leased (as tenant) by any Obligor in favor of the Lenders.

"***Recipient***" means any Lender or any other recipient of any payment to be made by or on account of any Obligation.

"***Redemption Date***" has the meaning set forth in **Section 3.03(a)**.

"***Redemption Price***" has the meaning set forth in **Section 3.03(a)**.

"***Register***" has the meaning set forth in **Section 12.05(d)**.

"***Regulation T***" means Regulation T of the Board of Governors of the Federal Reserve System, as amended.

"***Regulation U***" means Regulation U of the Board of Governors of the Federal Reserve System, as amended.

"***Regulation X***" means Regulation X of the Board of Governors of the Federal Reserve System, as amended.

"***Regulatory Approvals***" means any registrations, licenses, authorizations, permits or approvals issued by any Governmental Authority and applications or submissions related to any of the foregoing.

"***Required Equity Financing***" has the meaning set forth in **Section 6.01(c)**.

"***Requirement of Law***" means, as to any Person, any statute, law, treaty, rule or regulation or determination, order, injunction or judgment of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Properties or revenues.

"***Responsible Officer***" of any Person means the president, chief executive officer, chief financial officer, and chief development officer of such Person.

"***Restricted Payment***" means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interest of Borrower or any of its Subsidiaries, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of Borrower or any of its Subsidiaries or any option, warrant or other right to acquire any such shares of capital stock of Borrower or any of its Subsidiaries.

"***Revenue***" of a Person means all revenue properly recognized under GAAP, consistently applied, less all rebates, discounts and other price allowances.

"***SBA***" means U.S. Small Business Administration.

"***SBIC***" means Small Business Investment Company.

"***SBIC Act***" means Small Business Investment Act of 1958, as amended.

"***Security Agreement***" means the Security Agreement, dated as of the date hereof, among the Obligors and the Lenders, granting a security interest in the Obligors' personal Property in favor of the Lenders.

"***Security Documents***" means, collectively, the Security Agreement, each Short-Form IP Security Agreement, each Real Property Security Document, and each other security document, control agreement or financing statement required or recommended to perfect Liens in favor of the Lenders.

"***Securities Account***" has the meaning set forth in the Security Agreement.

"***Short-Form IP Security Agreements***" means short-form copyright, patent or trademark (as the case may be) security agreements dated as of the date hereof entered into by one or more Obligors in favor of the Lenders, each in form and substance satisfactory to the Majority Lenders (and as amended, modified or replaced from time to time).

"***Solvent***" means, with respect to any Person at any time, that (a) the present fair saleable value of the Property of such Person is greater than the total amount of liabilities (including contingent liabilities) of such Person, (b) the present fair saleable value of the Property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person has not incurred and does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature and (d) such Person would not be unable to obtain a letter from its auditors that did not contain a going concern qualification.

"***Specified Financial Covenants***" has the meaning set forth in **Section 10.03(a)**.

"***Subordinated Debt Cure Right***" has the meaning set forth in **Section 10.03(a)**.

"***Subsidiary***" means, with respect to any Person (the "***parent***") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"***Subsidiary Guarantors***" means each of the Subsidiaries of Borrower identified under the caption "SUBSIDIARY GUARANTORS" on the signature pages hereto and each Subsidiary of Borrower that becomes, or is required to become, a "Subsidiary Guarantor" after the date hereof pursuant to **Section 8.12(a) or (b)**.

"***Substitute Lender***" has the meaning set forth in **Section 2.07(a)**.

"***Taxes***" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"***Technical Information***" means all trade secrets and other proprietary or confidential

information, public information, non-proprietary know-how, any information of a scientific, technical, or business nature in any form or medium, standards and specifications, conceptions, ideas, innovations, discoveries, Invention disclosures, all documented research, developmental, demonstration or engineering work and all other information, data, plans, specifications, reports, summaries, experimental data, manuals, models, samples, know-how, technical information, systems, methodologies, computer programs, information technology and any other information.

"***Title IV Plan***" means an employee benefit plan (as defined in Section 3(3) of ERISA) other than a Multiemployer Plan (i) that is or was at any time maintained or sponsored by any Obligor or any ERISA Affiliate thereof or to which any Obligor or any ERISA Affiliate thereof has ever made, or was obligated to make, contributions, and (ii) that is or was subject to Section 412 of the Code, Section 302 of ERISA or Title IV of ERISA.

"***Trademarks***" is defined in the Security Agreement.

"***Transactions***" means the execution, delivery and performance by each Obligor of this Agreement and the other Loan Documents to which such Obligor is intended to be a party and the Borrowings (and the use of the proceeds of the Loans).

"***U.S. Person***" means a "United States Person" within the meaning of Section 7701(a)(30) of the Code.

"***U.S. Tax Compliance Certificate***" has the meaning set forth in **Section 5.05(e)(ii)(B)(3)**.

"***Use of Proceeds Statement***" has the meaning set forth in **Section 6.01(i)(xii)**.

"***Warrant***" means each warrant to purchase Equity Interests of Borrower, issued by Borrower to the Lenders in connection with the transactions contemplated by this Agreement, in accordance with **Section 8.16**.

"***Warrant Obligations***" means, with respect to any Obligor, all Obligations arising out of, under or in connection with, any Warrant.

"***Withdrawal Liability***" means, at any time, any liability incurred (whether or not assessed) by any ERISA Affiliate and not yet satisfied or paid in full at such time with respect to any Multiemployer Plan pursuant to Section 4201 of ERISA.

1.02 Accounting Terms and Principles. All accounting determinations required to be made pursuant hereto shall, unless expressly otherwise provided herein, be made in accordance with GAAP. All components of financial calculations made to determine compliance with this Agreement, including **Section 10**, shall be adjusted to include or exclude, as the case may be, without duplication, such components of such calculations attributable to any Acquisition consummated after the first day of the applicable period of determination and prior to the end of such period, as determined in good faith by Borrower based on assumptions expressed therein and that were reasonable based on the information available to Borrower at the time of preparation of the Compliance Certificate setting forth such calculations.

1.03 Interpretation. For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, (a) the terms defined in this Agreement include the plural as well as the singular and vice versa; (b) words importing gender include all genders; (c) any reference to a Section, Annex, Schedule or Exhibit refers to a Section of, or Annex, Schedule or Exhibit to, this Agreement; (d) any reference to "this Agreement" refers to this Agreement, including all Annexes, Schedules and Exhibits hereto, and the words herein, hereof, hereto and hereunder and words of similar import refer to this Agreement and its Annexes, Schedules and Exhibits as a whole and not to any particular Section, Annex, Schedule, Exhibit or any other subdivision; (e) references to days, months and years refer to calendar days, months and years, respectively; (f) all references herein to "include" or "including" shall be deemed to be followed by the words "without limitation"; (g) the word "from" when used in connection with a period of time means "from and including" and the word "until" means "to but not including"; and (h) accounting terms not specifically defined herein shall be construed in accordance with GAAP (except for the term "property", which shall be interpreted as broadly as possible, including, in any case, cash, securities, other assets, rights under contractual obligations and permits and any right or interest in any property, except where otherwise noted). Unless otherwise expressly provided herein, references to organizational documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all permitted subsequent amendments, restatements, extensions, supplements and other modifications thereto.

1.04 Changes to GAAP. If, after the date hereof, any change occurs in GAAP or in the application thereof and such change would cause any amount required to be determined for the purposes of the covenants to be maintained or calculated pursuant to **Section 8**, **9** or **10** to be materially different than the amount that would be determined prior to such change, then:

(a) Borrower will provide a detailed notice of such change (an "***Accounting Change Notice***") to the Lenders within 30 days of such change;

(b) either Borrower or the Majority Lenders may indicate within 90 days following the date of the Accounting Change Notice that they wish to revise the method of calculating such financial covenants or amend any such amount, in which case the parties will in good faith attempt to agree upon a revised method for calculating the financial covenants;

(c) until Borrower and the Majority Lenders have reached agreement on such revisions, (i) such financial covenants or amounts will be determined without giving effect to such change and (ii) all financial statements, Compliance Certificates and similar documents provided hereunder shall be provided together with a reconciliation between the calculations and amounts set forth therein before and after giving effect to such change in GAAP;

(d) if no party elects to revise the method of calculating the financial covenants or amounts, then the financial covenants or amounts will not be revised and will be determined in accordance with GAAP without giving effect to such change; and

(e) any Event of Default arising as a result of such change which is cured by operation of this **Section 1.04** shall be deemed to be of no effect *ab initio*.

SECTION 2
THE COMMITMENT

2.01 Commitments. Each Lender agrees severally, on and subject to the terms and conditions of this Agreement (including **Section 6**), to make up to two term loans (provided that PIK Loans shall be deemed not to constitute "term loans" for purposes of this **Section 2.01**) to Borrower, each on a Business Day during the Commitment Period in Dollars in an aggregate principal amount for such Lender not to exceed such Lender's Commitment; *provided*, *however*, that at no time shall any Lender be obligated to make a Loan in excess of such Lender's Proportionate Share of the amount by which the then effective Commitments exceeds the aggregate principal amount of Loans outstanding at such time. Amounts of Loans repaid may not be reborrowed.

2.02 Borrowing Procedures. Subject to the terms and conditions of this Agreement (including **Section 6**), each Borrowing (other than a Borrowing of PIK Loans) shall be made on written notice in the form of **Exhibit B** given by Borrower to the Lenders not later than 11:00 a.m. (Central time) on the Borrowing Notice Date (a "***Notice of Borrowing***").

2.03 Fees. On the first Borrowing Date, Borrower shall pay, out of the proceeds of the Loans advanced by the Lenders on such Borrowing Date, a financing fee in an amount equal to $200,000. Such financing fee shall be paid by the Borrower to the Lenders *pro rata* in accordance with such Lenders' Proportionate Shares.

2.04 Notes. If requested by any Lender, the Loans of such Lender shall be evidenced by one or more promissory notes (each a "***Note***"). Borrower shall prepare, execute and deliver to the Lenders such promissory note(s) payable to the Lenders (or, if requested by the Lenders, to the Lenders and their registered assigns) and in the form attached hereto as **Exhibit C-1**. Thereafter, the Loans and interest thereon shall at all times (including after assignment pursuant to **Section 12.05**) be represented by one or more promissory notes in such form payable to the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

2.05 Use of Proceeds. Borrower shall use the proceeds of the Loans for general working capital purposes and corporate purposes and to pay fees, costs and expenses incurred in connection with the Transactions; *provided that* the Lenders shall have no responsibility as to the use of any proceeds of Loans in the amount made by PIOP. No portion of any proceeds of Loans in the amount made by PIOP (i) will be used to acquire realty or to discharge an obligation relating to the prior acquisition of realty; (ii) will be used outside of the United States (except to pay for services to be rendered outside the United States and to acquire from abroad inventory, material and equipment or property rights for use or sale in the United States, unless prohibited by Part 107.720 of the United States Code of Federal Regulations); or (iii) will be used for any purpose contrary to the public interest (including but not limited to activities which are in violation of law) or inconsistent with free competitive enterprise, in each case, within the meaning of Part 107.720 of Title 13 of the United States Code of Federal Regulations. Borrower will use the proceeds of the Loans in the amount made by PIOP for only those purposes specified in the SBA Form 1031 provided to the Lenders, and Borrower shall not violate any SBA regulations which may be applicable to it.

2.06 Defaulting Lenders.

(a) **Adjustments**. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(b) **Waivers and Amendments**. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in **Section 12.04**.

(c) **Reallocation of Payments**. Any payment of principal, interest, fees or other amounts received by the Lenders for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to **Section 11** or otherwise), shall be applied at such time or times as follows: first, as Borrower may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement; second, if so determined by the Majority Lenders and Borrower, to be held in a non-interest bearing deposit account and released in order to satisfy obligations of such Defaulting Lender to fund Loans under this Agreement; third, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; fourth, so long as no Default exists, to the payment of any amounts owing to Borrower as a result of any judgment of a court of competent jurisdiction obtained by Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and fifth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (A) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share and (B) such Loans were made at a time when the conditions set forth in **Section 6** were satisfied or waived, such payment shall be applied solely to pay the Loans of all non-Defaulting Lenders on a *pro rata* basis prior to being applied to the payment of any Loans of such Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this **Section 2.06(c)** shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(d) **Defaulting Lender Cure**. If Borrower and the Majority Lenders agree in writing in their sole discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, that Lender will, to the extent applicable, purchase that portion of outstanding Loans of the other Lenders or take such other actions as necessary to cause the Loans to be held on a *pro rata* basis by the Lenders in accordance with their Proportionate Share, whereupon that Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

2.07 Substitution of Lenders.

(a) **Substitution Right**. If any Lender (an "***Affected Lender***"), (i) becomes a Defaulting Lender or (ii) does not consent to any amendment, waiver or consent to any Loan Document for which the consent of the Majority Lenders is obtained but that requires the consent of other Lenders (a "***Non-Consenting Lender***"), then (x) Borrower may elect to pay in full such Affected Lender with respect to all Obligations due to such Affected Lender or (y) either Borrower or the Majority Lenders shall identify any willing Lender or Affiliate of any Lender or Eligible Transferee (in each case, a "***Substitute Lender***") to substitute for such Affected Lender; *provided that* any substitution of a Non-Consenting Lender shall occur only with the consent of Majority Lenders.

(b) **Procedure**. To substitute such Affected Lender or pay in full all Obligations owed to such Affected Lender, Borrower shall deliver a notice to such Affected Lender. The effectiveness of such payment or substitution shall be subject to the delivery by Borrower (or, as may be applicable in the case of a substitution, by the Substitute Lender) of (i) payment for the account of such Affected Lender, of, to the extent accrued through, and outstanding on, the effective date for such payment or substitution, all Obligations owing to such Affected Lender (which for the avoidance of doubt, shall not include any Prepayment Premium) and (ii) in the case of a substitution, an Assignment and Acceptance executed by the Substitute Lender, which shall thereunder, among other things, agree to be bound by the terms of the Loan Documents; provided, however, that if the Affected Lender does not execute such Assignment and Acceptance within ten (10) Business Days of delivery of the notice required hereunder, such Affected Lender shall be deemed to have executed such Assignment and Acceptance.

(c) **Effectiveness**. Upon satisfaction of the conditions set forth in **Section 2.07(a)** and **Section 2.07(b)**, the Control Agent shall record such substitution or payment in the Register, whereupon (i) in the case of any payment in full of an Affected Lender, such Affected Lender's Commitments shall be terminated and (ii) in the case of any substitution of an Affected Lender, (A) such Affected Lender shall sell and be relieved of, and the Substitute Lender shall purchase and assume, all rights and claims of such Affected Lender under the Loan Documents, except that the Affected Lender shall retain such rights under the Loan Documents that expressly provide that they survive the repayment of the Obligations and the termination of the Commitments, (B) such Affected Lender shall no longer constitute a "Lender" hereunder and such Substitute Lender shall become a "Lender" hereunder and (C) such Affected Lender shall execute and deliver an Assignment and Acceptance to evidence such substitution; *provided*, *however*, that the failure of any Affected Lender to execute any such Assignment and Acceptance shall not render such sale and purchase (or the corresponding assignment) invalid.

SECTION 3
PAYMENTS OF PRINCIPAL AND INTEREST

3.01 Repayment.

(a) **Repayment**. During the Interest-Only Period, no payments of principal of the Loans shall be due. Borrower agrees to repay to the Lenders the outstanding principal amount of the Loans, on each Payment Date occurring after the Interest-Only Period, in equal installments. The amounts of such installments shall be calculated by dividing (i) the sum of the aggregate

any default under the Borrower Lease or permit Lenders to take such other action required to enable Lenders to cure or remedy the matter in default and preserve the security interest of Lenders under the Loan Documents with respect to the Borrower Facility.

(iii) Borrower shall use commercially reasonable efforts to enforce, in a commercially reasonable manner, each covenant or obligation of the Borrower Landlord in the Borrower Lease in accordance with its terms. Subject to the terms and requirements of the Borrower Lease, within ten (10) days after receipt of written request by Lenders, Borrower shall use reasonable efforts to obtain from the Borrower Landlord under the Borrower Lease and furnish to Lenders an estoppel certificate from Borrower Landlord stating the date through which rent has been paid and whether or not, to Borrower Landlord's knowledge, there are any defaults thereunder and specifying the nature of such claimed defaults, if any, and such other matters as Lenders may reasonably request or in the form required pursuant to the terms of the Borrower Lease. Borrower shall furnish to Lenders all information that Lenders may reasonably request from time to time in the possession of Borrower (or reasonably available to Borrower) concerning the Borrower Lease and Borrower's compliance with the Borrower Lease.

(iv) Borrower, promptly upon learning that Borrower Landlord has failed to perform the material terms and provisions under the Borrower Lease and immediately upon learning of a rejection or disaffirmance or purported rejection or disaffirmance of the Borrower Lease pursuant to any state or federal bankruptcy law, shall notify Lenders thereof. Borrower shall promptly notify Lenders of any request that any party to the Borrower Lease makes for arbitration or other dispute resolution procedure pursuant to the Borrower Lease and of the institution of any such arbitration or dispute resolution. Borrower hereby authorizes Lenders to attend any such arbitration or dispute, and upon the occurrence and during the continuance of an Event of Default participate in any such arbitration or dispute resolution but such participation shall not be to the exclusion of Borrower; *provided*, *however*, *that*, in any case, Borrower shall consult with Lenders with respect to the matters related thereto. Borrower shall promptly deliver to Lenders a copy of the determination of each such arbitration or dispute resolution mechanism.

(v) If Lenders or their designee shall acquire or obtain a new Borrower Lease following a termination of the Borrower Lease, then Borrower shall have no right, title or interest whatsoever in or to such new Borrower Lease, or any proceeds or income arising from the estate arising under any such new Borrower Lease, including from any sale or other disposition thereof. Lenders or their designee shall hold such new Borrower Lease free and clear of any right or claim of Borrower.

(vi) Borrower shall promptly, after obtaining knowledge of such filing notify Lenders orally of any filing by or against Borrower Landlord under the Borrower Lease of a petition under the Bankruptcy Code or other applicable law. Borrower shall thereafter promptly give written notice of such filing to Lenders, setting forth any information available to Borrower as to the date of such filing, the court in which such petition was filed, and the relief sought in such filing. Borrower shall promptly deliver to Lenders any and all notices, summonses, pleadings, applications and other documents received by Borrower in connection with any such petition and any proceedings relating to such petition.

8.09 Licenses. Borrower shall, and shall cause each of its Subsidiaries to, obtain and maintain all licenses, authorizations, consents, filings, exemptions, registrations and other Governmental Approvals necessary in connection with the execution, delivery and performance of the Loan Documents, the consummation of the Transactions or the operation and conduct of its business and ownership of its properties, except where failure to do so could not reasonably be expected to have a Material Adverse Effect.

8.10 Action under Environmental Laws. Borrower shall, and shall cause each of its Subsidiaries to, upon becoming aware of the presence of any Hazardous Materials or the existence of any environmental liability under applicable Environmental Laws with respect to their respective businesses, operations or properties, take all actions, at their cost and expense, as shall be necessary or advisable to investigate and clean up the condition of their respective businesses, operations or properties, including all required removal, containment and remedial actions, and restore their respective businesses, operations or properties to a condition in compliance with applicable Environmental Laws.

8.11 Use of Proceeds. The proceeds of the Loans will be used only as provided in **Section 2.05**. No part of the proceeds of the Loans will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board of Governors of the Federal Reserve System, including Regulations T, U and X. Neither Borrower nor any of its affiliates (as that term is defined in Section 121.103 of Title 13 of the United States Code of Federal Regulation) will engage in any activities or use directly or indirectly the proceeds from the Loans for any purpose for which an SBIC is prohibited from providing funds by the SBIC Act as set forth in Section 107.720 of Title 13 of the United States Code of Federal Regulation.

8.12 Certain Obligations Respecting Subsidiaries; Further Assurances.

(a) **Subsidiary Guarantors**. Borrower will take such action, and will cause each of its Subsidiaries to take such action, from time to time as shall be necessary to ensure that all Subsidiaries that are Domestic Subsidiaries of Borrower (other than Computational Engines, Inc.), and such Foreign Subsidiaries as are required under **Section 8.12(b)**, are "Subsidiary Guarantors" hereunder. Without limiting the generality of the foregoing, in the event that Borrower or any of its Subsidiaries shall form or acquire any new Subsidiary that is a Domestic Subsidiary (other than Computational Engines, Inc.) or a Foreign Subsidiary meeting the requirements of **Section 8.12(b)**, Borrower and its Subsidiaries will promptly and in any event within 30 days of the formation or acquisition of such Subsidiary:

(i) cause such new Subsidiary to become a "Subsidiary Guarantor" hereunder, and a "Grantor" under the Security Agreement, pursuant to a Guarantee Assumption Agreement;

(ii) take such action or cause such Subsidiary to take such action (including delivering such shares of stock together with undated transfer powers executed in blank) as shall be necessary to create and perfect valid and enforceable first priority (subject to Permitted Priority Liens) Liens on substantially all of the personal property of such new Subsidiary as collateral security for the obligations of such new Subsidiary hereunder;

(iii) to the extent that the parent of such Subsidiary is not a party to the Security Agreement or has not otherwise pledged Equity Interests in its Subsidiaries in accordance with the terms of the Security Agreement and this Agreement, cause the parent of such Subsidiary to execute and deliver a pledge agreement in favor of the Lenders in respect of all outstanding issued shares of such Subsidiary; and

(iv) deliver such proof of corporate action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by each Obligor pursuant to **Section 6.01** on the Closing Date or as the Majority Lenders shall have requested.

(b) **Foreign Subsidiaries**. In the event that, at any time, Foreign Subsidiaries of Borrower have, in the aggregate, (i) total revenues constituting 5% or more of the total revenues of Borrower and its Subsidiaries on a consolidated basis, or (ii) total assets constituting 5% or more of the total assets of Borrower and its Subsidiaries on a consolidated basis, promptly (and, in any event, within 30 days after such time) Borrower shall cause one or more of such Foreign Subsidiaries to become Subsidiary Guarantors in the manner set forth in **Section 8.12(a)**, such that, after such Subsidiaries become Subsidiary Guarantors, the non-guarantor Foreign Subsidiaries in the aggregate shall cease to have revenues or assets, as applicable, that meet the thresholds set forth in **clauses (i)** and **(ii)** above; *provided that* no Foreign Subsidiary shall be required to become a Subsidiary Guarantor if doing so would result in material adverse tax consequences for Borrower and its Subsidiaries, taken as a whole.

(c) **Further Assurances**. Borrower will, and will cause each of its Subsidiaries to, take such action from time to time as shall reasonably be requested by the Majority Lenders to effectuate the purposes and objectives of this Agreement.

Without limiting the generality of the foregoing, Borrower will, and will cause each Person that is required to be a Subsidiary Guarantor to, take such action from time to time (including executing and delivering such assignments, security agreements, control agreements and other instruments) as shall be reasonably requested by the Majority Lenders to create, in favor of the Lenders, perfected security interests and Liens in substantially all of the personal property of such Obligor (subject to Permitted Liens) as collateral security for the Obligations; *provided that* any such security interest or Lien shall be subject to the relevant requirements of the Security Documents.

8.13 Termination of Non-Permitted Liens. In the event that Borrower or any of its Subsidiaries shall become aware or be notified by the Lenders of the existence of any outstanding Lien against any Property of Borrower or any of its Subsidiaries, which Lien is not a Permitted Lien, Borrower shall use its best efforts to promptly terminate or cause the termination of such Lien.

8.14 Intellectual Property.

(a) Notwithstanding any provision in this Agreement or any other Loan Documents to the contrary, the Lenders are not assuming any liability or obligation of Borrower, the Subsidiary Guarantors or their Affiliates of whatever nature, whether presently in existence or arising or asserted hereafter. All such liabilities and obligations shall be retained by and remain

obligations and liabilities of the Obligors, the Subsidiary Guarantors and/or their Affiliates as the case may be. Without limiting the foregoing, the Lenders are not assuming and shall not be responsible for any liabilities or Claims of Borrower, the Subsidiary Guarantors or their Affiliates, whether present or future, absolute or contingent and whether or not relating to the Obligors, the Obligor Intellectual Property, and/or the Material Agreements, and Borrower shall indemnify and save harmless the Lenders from and against all such liabilities, Claims and Liens.

(b) In the event that the Obligors acquire Obligor Intellectual Property during the term of this Agreement, then the provisions of this Agreement shall automatically apply thereto and any such Obligor Intellectual Property shall automatically constitute part of the Collateral hereunder, without further action by any party, in each case from and after the date of such acquisition (except that any representations or warranties of any Obligor shall apply to any such Obligor Intellectual Property only from and after the date, if any, subsequent to such acquisition that such representations and warranties are brought down or made anew as provided herein).

8.15 Small Business Documentation. Borrower shall accurately complete, execute, and deliver to PIOP prior to the Closing Date, SBA Forms 480, 652, and 1031 (Parts A and B).

8.16 Warrants. If the Required Equity Financing occurs on or prior to March 13, 2014 but the Borrower shall not have made the first Borrowing by such date, Borrower shall promptly, and in any case not later than March 31, 2014, (i) issue to the Lenders all of the Warrants described in **Section 6.01(i)(xiv)** and (ii) pay to Lenders the financing fee set forth in **Section 2.03** as if the initial Borrowing had occurred on such date.

8.17 Post-Closing Items.

(a) Borrower shall use commercially reasonable efforts to cause the Borrower Landlord to execute and deliver to Lenders the Landlord Consent.

(b) Borrower shall use commercially reasonable efforts to execute and deliver to the Lenders such duly executed Intellectual Property security agreements as the Lenders may require with respect to foreign Intellectual Property, and take such other action as the Lenders may reasonably deem necessary or appropriate to duly record or otherwise perfect the security interest created thereunder in that portion of the Collateral consisting of Intellectual Property located outside the United States.

SECTION 9
NEGATIVE COVENANTS

Each Obligor covenants and agrees with the Lenders that, until the Commitments have expired or been terminated and all Obligations (other than Warrant Obligations) have been paid in full indefeasibly in cash:

9.01 Indebtedness. Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or permit to exist any Indebtedness, whether directly or indirectly, except:

(a) the Obligations;

(b) Indebtedness existing on the date hereof and set forth on **Schedule 7.13(a)** and Permitted Refinancings thereof; *provided that*, in each case, such Indebtedness is subordinated to the Obligations on terms satisfactory to the Majority Lenders;

(c) Permitted Priority Debt;

(d) accounts payable to trade creditors for goods and services and current operating liabilities (not the result of the borrowing of money) incurred in the ordinary course of Borrower's or its Subsidiary's business in accordance with customary terms and paid within the specified time, unless contested in good faith by appropriate proceedings and reserved for in accordance with GAAP;

(e) Indebtedness consisting of guarantees resulting from endorsement of negotiable instruments for collection by Borrower or any Subsidiary Guarantor in the ordinary course of business;

(f) Indebtedness (i) of Borrower to any Subsidiary Guarantor and (ii) of any Subsidiary Guarantor to Borrower or any other Subsidiary Guarantor;

(g) Guarantees by Borrower of Indebtedness of any Subsidiary Guarantor and by any Subsidiary Guarantor of Indebtedness of Borrower or any other Subsidiary Guarantor; *provided that* the aggregate outstanding principal amount of such Indebtedness, when added to the aggregate principal amount of the outstanding Indebtedness permitted in reliance on **Section 9.01(h)**, does not exceed $250,000 (or the Equivalent Amount in other currencies) at any time;

(h) normal course of business equipment financing; *provided that* (i) if secured, the collateral therefor consists solely of the assets being financed, the products and proceeds thereof and books and records related thereto, and (ii) the aggregate outstanding principal amount of such Indebtedness, when added to the aggregate principal amount of the outstanding Indebtedness permitted in reliance on **Section 9.01(g)**, does not exceed $250,000 (or the Equivalent Amount in other currencies) at any time;

(i) Permitted Subordinated Debt;

(j) Indebtedness incurred in a transaction specifically permitted under **Section 9.10(d)**;

(k) Indebtedness approved in advance in writing by the Majority Lenders; and

(l) Until the first Borrowing Date, that certain Secured Promissory Note in favor of Royalty Pharma Collection Trust, a Delaware statutory trust, dated October 8, 2012;

provided that Computational Engines, Inc. shall not be able to rely upon any of the exceptions provided in **Section 9.01(b)** through **(l)**.

9.02 Liens. Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien on any property or asset now owned by it, or assign or sell

any income or revenues (including accounts receivable) or rights in respect of any thereof, except (collectively, "***Permitted Liens***"):

(a) Liens securing the Obligations;

(b) any Lien on any property or asset of Borrower or any of its Subsidiaries existing on the date hereof and set forth in **Schedule 7.13(b)**; *provided that* (i) no such Lien shall extend to any other property or asset of Borrower or any of its Subsidiaries and (ii) any such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) Liens described in the definition of "Permitted Priority Debt";

(d) Liens securing Indebtedness permitted under **Section 9.01(h)**; *provided that* such Liens are restricted solely to the collateral described in **Section 9.01(h)**;

(e) Liens imposed by law which were incurred in the ordinary course of business, including (but not limited to) carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business and which (x) do not in the aggregate materially detract from the value of the Property subject thereto or materially impair the use thereof in the operations of the business of such Person or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the Property subject to such liens and for which adequate reserves have been made if required in accordance with GAAP;

(f) pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance or other similar social security legislation;

(g) Liens securing taxes, assessments and other governmental charges, the payment of which is not yet due or is being contested in good faith by appropriate proceedings promptly initiated and diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made;

(h) servitudes, easements, rights of way, restrictions and other similar encumbrances on real Property imposed by applicable Laws and encumbrances consisting of zoning or building restrictions, easements, licenses, restrictions on the use of property or minor imperfections in title thereto which, in the aggregate, are not material, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of any of the Obligors;

(i) with respect to any real Property, (A) such defects or encroachments as might be revealed by an up-to-date survey of such real Property; (B) the reservations, limitations, provisos and conditions expressed in the original grant, deed or patent of such property by the original owner of such real Property pursuant to applicable Laws; and (C) rights of expropriation, access or user or any similar right conferred or reserved by or in applicable Laws, which, in the aggregate for (A), (B) and (C), are not material, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of any of the Obligors;

(j) Bankers liens, rights of setoff and similar Liens incurred on deposits made in the ordinary course of business; and

(k) Until the first Borrowing Date, Liens securing the Indebtedness described in Section 9.01(l);

provided that no (i) Lien otherwise permitted under any of the foregoing **Sections 9.02(b), (c), (d), (e), (f), (h) and (i)** shall apply to any Material Intellectual Property, and (ii) Computational Engines, Inc. shall not be able to rely upon any of the exceptions provided in **Section 9.02(b)** through **(j)**.

9.03 Fundamental Changes and Acquisitions. Borrower will not, and will not permit any of its Subsidiaries to, (i) enter into any transaction of merger, amalgamation or consolidation (ii) liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution) (iii) make any Acquisition or otherwise acquire any business or substantially all the property from, or capital stock of, or be a party to any acquisition of, any Person. Notwithstanding the foregoing provisions of this **Section 9.03**:

(a) Borrower and its Subsidiaries may make Investments permitted under **Section 9.05**;

(b) any Subsidiary Guarantor may be merged, amalgamated or consolidated with or into Borrower or any other Subsidiary Guarantor;

(c) any Subsidiary Guarantor may sell, lease, transfer or otherwise dispose of any or all of its property (upon voluntary liquidation or otherwise) to Borrower or another Subsidiary Guarantor; and

(d) the capital stock of any Subsidiary Guarantor may be sold, transferred or otherwise disposed of to Borrower or another Subsidiary Guarantor; and

(e) Borrower and its Subsidiaries, other than Computational Engines, Inc., may make Permitted Acquisitions, not to exceed $5,000,000 in the aggregate.

9.04 Lines of Business. Borrower will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than the business engaged in on the date hereof by Borrower or any Subsidiary or a business reasonably related thereto.

9.05 Investments. Borrower will not, and will not permit any of its Subsidiaries to, make, directly or indirectly, or permit to remain outstanding any Investments except:

(a) Investments outstanding on the date hereof and identified in **Schedule 9.05**;

(b) operating deposit accounts with banks;

(c) extensions of credit in the nature of accounts receivable or notes receivable arising from the sales of goods or services in the ordinary course of business;

(d) Permitted Cash Equivalent Investments;

(e) Investments by Borrower and the Subsidiary Guarantors in Borrower's wholly-owned Subsidiary Guarantors (for greater certainty, Borrower shall not be permitted to have any direct or indirect Subsidiaries that are not wholly-owned Subsidiaries, other than Computational Engines, Inc.;

(f) Hedging Agreements entered into in the ordinary course of Borrower's financial planning solely to hedge currency risks (and not for speculative purposes) and in an aggregate notional amount for all such Hedging Agreements not in excess of $100,000 (or the Equivalent Amount in other currencies);

(g) Investments consisting of security deposits with utilities and other like Persons made in the ordinary course of business;

(h) Investments consisting of employee loans, travel advances and guarantees in accordance with Borrower's usual and customary practices with respect thereto (if permitted by applicable law) which in the aggregate shall not exceed $200,000 outstanding at any time (or the Equivalent Amount in other currencies);

(i) Investments received in connection with any Insolvency Proceedings in respect of any customers, suppliers or clients and in settlement of delinquent obligations of, and other disputes with, customers, suppliers or clients;

(j) Investments permitted pursuant to **Section 9.03**; and

(k) Permitted Indebtedness.

9.06 Restricted Payments. Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except:

(a) Borrower may declare and pay dividends with respect to its capital stock payable solely in additional shares of its common stock;

(b) Borrower may purchase, redeem, retire, or otherwise acquire shares of its capital stock or other Equity Interests with the proceeds received from a substantially concurrent issue of new shares of its capital stock or other Equity Interests; and

(c) for the payment of dividends by any Subsidiary Guarantor to Borrower or to any other Subsidiary Guarantor.

9.07 Payments of Indebtedness. Borrower will not, and will not permit any of its Subsidiaries to, make any payments in respect of any Indebtedness other than (i) the Obligations and (ii) subject to any applicable terms of subordination, other Permitted Indebtedness.

9.08 Change in Fiscal Year. Borrower will not, and will not permit any of its Subsidiaries to, change the last day of its fiscal year from that in effect on the date hereof, except to change the

fiscal year of a Subsidiary acquired in connection with an Acquisition to conform its fiscal year to that of Borrower's.

9.09 Sales of Assets, Etc. Unless Borrower simultaneously makes the prepayment required under **Section 3.03(b)(i)**, Borrower will not, and will not permit any of its Subsidiaries to, sell, lease, exclusively license (in terms of geography or field of use), transfer, or otherwise dispose of any of its Property (including accounts receivable and capital stock of Subsidiaries) to any Person in one transaction or series of transactions (any thereof, an "***Asset Sale***"), except for any of the following:

(a) transfers of cash in the ordinary course of its business for equivalent value;

(b) sales of inventory in the ordinary course of its business on ordinary business terms;

(c) development and other collaborative arrangements where such arrangements provide for the licenses or disclosure of Patents, Trademarks, Copyrights or other Intellectual Property rights in the ordinary course of business and consistent with general market practices where such license requires periodic payments based on per unit sales of a product over a period of time and provided that such licenses must be true licenses as opposed to licenses that are sales transactions in substance;

(d) transfers of Property by any Obligor to any other Obligor;

(e) dispositions of any Property that is obsolete or worn out or no longer used or useful in the Business; and

(f) those transactions permitted by **Sections 9.03** or **9.04**.

9.10 Transactions with Affiliates. Borrower will not, and will not permit any of its Subsidiaries to, sell, lease, license or otherwise transfer any assets to, or purchase, lease, license or otherwise acquire any assets from, or otherwise engage in any other transactions with, any of its Affiliates, except for any of the following:

(a) transactions between or among Obligors;

(b) any Permitted Indebtedness;

(c) any Investment permitted by **Section 9.05**;

(d) any Restricted Payment permitted by **Section 9.06**;

(e) any Asset Sale permitted by **Section 9.09**;

(f) customary compensation and indemnification of, and other employment arrangements with, directors, officers and employees of Borrower or any Subsidiary in the ordinary course of business,

(g) Borrower may issue debt or Equity Interests to Affiliates in exchange for cash, *provided that* the terms thereof are no less favorable (including the amount of cash received by Borrower) to Borrower than those that would be obtained in a comparable arm's-length transaction with a Person not an Affiliate of Borrower; and

(h) the transactions set forth on **Schedule 9.10**;

provided that Computational Engines, Inc. shall not be able to rely upon any of the exceptions provided in **Section 9.10(a)** through **(h)**.

9.11 Restrictive Agreements. Except for Permitted Restrictive Agreements, Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to Borrower or any other Subsidiary or to Guarantee Indebtedness of Borrower or any other Subsidiary; *provided that*:

(i) the foregoing shall not apply to (x) restrictions and conditions imposed by law or by this Agreement and (y) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder;

(ii) the foregoing **clause (a)** shall not apply to (x) restrictions or conditions imposed by any agreement relating to secured Permitted Indebtedness if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (y) customary provisions in leases, in-bound licenses of Intellectual Property and other contracts restricting the assignment thereof;

(iii) the foregoing shall not apply to any stockholder agreement, charter, by laws or other organizational documents of Borrower or any Subsidiary as in effect on the date hereof and as amended as permitted hereunder; and

(iv) the foregoing shall not apply to Permitted Liens.

9.12 Amendments to Material Agreements. Borrower will not, and will not permit any of its Subsidiaries to, enter into any amendment to or modification of any Material Agreement or terminate any Material Agreement (unless replaced with another agreement that, viewed as a whole, is on better terms for Borrower or such Subsidiary) without in each case the prior written consent of the Lender (which consent shall not be unreasonably withheld or delayed).

9.13 Preservation of Borrower Lease; Operating Leases.

(a) Notwithstanding any provision of this Agreement to the contrary, Borrower shall not:

(i) Surrender, terminate, forfeit, or suffer or permit the surrender, termination or forfeiture of, or change, modify or amend, the Borrower Lease, nor transfer, sell, assign, convey, dispose of, mortgage, pledge, hypothecate, assign or encumber any of its interest in, the Borrower Lease;

(ii) Consent to, cause, agree to, or permit to occur any subordination, or consent to the subordination of, the Borrower Lease to any mortgage, deed of trust or other lien encumbering (or that may in the future encumber) the interest of Borrower Landlord in the Borrower Facility;

(iii) Waive, excuse, condone or in any way release or discharge Borrower Landlord of or from its material obligations, covenants and/or conditions under the Borrower Lease; or

(iv) Elect to treat the Borrower Lease as terminated or rejected under subsection 365 of the Bankruptcy Code or other applicable Law. Any such election made without Majority Lenders' prior written consent shall be void. If, pursuant to subsection 365 of the Bankruptcy Code or other applicable law, Borrower seeks to offset, against the rent reserved in the Borrower Lease, the amount of any damages caused by the nonperformance by Borrower Landlord of any of its obligations thereunder after the rejection by Borrower Landlord of the Borrower Lease under the Bankruptcy Code or other applicable Law, then Borrower shall not effect any offset of any amounts objected to by Lenders.

(b) Borrower will not, and will not permit any of its Subsidiaries to, make any expenditures in respect of operating leases, except for:

(i) real estate operating leases;

(ii) operating leases between Borrower and any of its wholly-owned Subsidiaries or between any of Borrower's wholly-owned Subsidiaries; and

(c) operating leases that would not cause Borrower and its Subsidiaries, on a consolidated basis, to make payments exceeding $250,000 (or the Equivalent Amount in other currencies) in any fiscal year.

9.14 Sales and Leasebacks. Except as disclosed on **Schedule 9.14**, Borrower will not, and will not permit any of its Subsidiaries to, become liable, directly or indirectly, with respect to any lease, whether an operating lease or a Capital Lease Obligation, of any property (whether real, personal, or mixed), whether now owned or hereafter acquired, (i) which Borrower or such Subsidiary has sold or transferred or is to sell or transfer to any other Person and (ii) which Borrower or such Subsidiary intends to use for substantially the same purposes as property which has been or is to be sold or transferred.

9.15 Hazardous Material. Borrower will not, and will not permit any of its Subsidiaries to, use, generate, manufacture, install, treat, release, store or dispose of any Hazardous Material, except in compliance with all applicable Environmental Laws or where the failure to comply could not reasonably be expected to result in a Material Adverse Change.

9.16 Accounting Changes. Borrower will not, and will not permit any of its Subsidiaries to, make any significant change in accounting treatment or reporting practices, except as required or permitted by GAAP.

9.17 Compliance with ERISA. No ERISA Affiliate shall cause or suffer to exist (a) any event that could result in the imposition of a Lien with respect to any Title IV Plan or Multiemployer Plan or (b) any other ERISA Event that would, in the aggregate, have a Material Adverse Effect. No Obligor or Subsidiary thereof shall cause or suffer to exist any event that could result in the imposition of a Lien with respect to any Benefit Plan.

SECTION 10
FINANCIAL COVENANTS

10.01 Minimum Liquidity. Borrower shall maintain at all times Liquidity in an amount which shall exceed the greater of (i) $2,000,000 and (ii) to the extent Borrower has incurred Permitted Priority Debt, the minimum cash balance required of Borrower by Borrower's Permitted Priority Debt creditors.

10.02 Minimum Revenue. Borrower and its Subsidiaries shall have annual Revenue from sales of the Products (for each respective calendar year, the "***Minimum Required Revenue***"):

(a) during the twelve month period beginning on January 1, 2014, of at least $10,000,000;

(b) during the twelve month period beginning on January 1, 2015, of at least $15,000,000;

(c) during the twelve month period beginning on January 1, 2016, of at least $20,000,000;

(d) during the twelve month period beginning on January 1, 2017, of at least $30,000,000; and

(e) during the twelve month period beginning on January 1, 2018, of at least $35,000,000.

10.03 Cure Right.

(a) Notwithstanding anything to the contrary contained in **Section 11**, in the event that the Borrower fails to comply with the covenants contained in **Section 10.02(a)** through **(e)** (such covenants for such applicable periods being the "***Specified Financial Covenants***"), Borrower shall have the right within 90 (ninety) days of the end of the respective calendar year:

(i) to issue additional shares of Equity Interests in exchange for cash (the "***Equity Cure Right***"), or

(ii) to borrow Permitted Subordinated Debt (the "***Subordinated Debt Cure Right***" and, collectively with the Equity Cure Right, the "***Cure Right***"),

in an amount equal to (x) two (2) multiplied by (y) the Minimum Required Revenue less Borrower's annual Revenue (the "***Cure Amount***"). The cash therefrom immediately shall be contributed as equity or subordinated debt (only as permitted pursuant to **Section 9.01**), as applicable, to Borrower, and upon the receipt by Borrower of the Cure Amount pursuant to the exercise of such Cure Right, such Cure Amount shall be deemed to constitute Revenue of Borrower for purposes of the Specified Financial Covenants and the Specified Financial Covenants shall be recalculated for all purposes under the Loan Documents. If, after giving effect to the foregoing recalculation, Borrower shall then be in compliance with the requirements of the Specified Financial Covenants, Borrower shall be deemed to have satisfied the requirements of the Specified Financial Covenants as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable breach of the Specified Financial Covenants that had occurred, the related Default and Event of Default, shall be deemed cured without any further action of Borrower or Lenders for all purposes under the Loan Documents.

(b) Notwithstanding anything herein to the contrary the Cure Amount received by Borrower from investors investing in or lending to Borrower pursuant to **Section 10.03(a)** shall be used to immediately prepay the Loan, without any Prepayment Premium, credited in the order set forth in **Sections 3.03(b)(i)(A)-(E)**.

SECTION 11
EVENTS OF DEFAULT

11.01 Events of Default. Each of the following events shall constitute an "***Event of Default***":

(a) Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) any Obligor shall fail to pay any Obligation (other than an amount referred to in **Section 11.01(a)**) when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) Business Days;

(c) any representation or warranty made or deemed made by or on behalf of Borrower or any of its Subsidiaries in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof, shall: (i) prove to have been incorrect when made or deemed made to the extent that such representation or warranty contains any materiality or Material Adverse Effect qualifier; or (ii) prove to have been incorrect in any material respect when made or deemed made to the extent that such representation or warranty does not otherwise contain any materiality or Material Adverse Effect qualifier;

(d) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in **Section 8.02, 8.03(a)** (with respect to Borrower's existence), **8.11**, **8.12**, **8.14**, **8.17(c)**, **9** or **10**;

(e) any Obligor shall breach, fail to observe, or perform any covenant, condition or agreement contained in this Agreement (other than those specified in **Section 11.01(a)**, **(b)** or **(d)**) or any other Loan Document, and such failure shall continue unremedied for a period of 20 or more days after written notice thereof from the Lenders is received by a Responsible Officer of Borrower;

(f) Borrower or any of its Subsidiaries shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable after giving effect to any applicable grace or cure period as originally provided by the terms of such Indebtedness;

(g) (i) any material breach of, or "event of default" or similar event by any Obligor under, any Material Agreement, (ii) any material breach of, or "event of default" or similar event under, the documentation governing any Material Indebtedness shall occur, or (iii) any event or condition occurs (A) that results in any Material Indebtedness becoming due prior to its scheduled maturity or (B) that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of such Material Indebtedness or any trustee or agent on its or their behalf to cause such Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; *provided that* this **Section 11.01(g)** shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Material Indebtedness.

(h) any Obligor:

(i) becomes insolvent, or generally does not or becomes unable to pay its debts or meet its liabilities as the same become due, or admits in writing its inability to pay its debts generally, or declares any general moratorium on its indebtedness, or proposes a compromise or arrangement or deed of company arrangement between it and any class of its creditors;

(ii) commits an act of bankruptcy or makes an assignment of its property for the general benefit of its creditors or makes a proposal (or files a notice of its intention to do so);

(iii) institutes any proceeding seeking to adjudicate it an insolvent, or seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts or any other relief, under any federal, provincial or foreign Law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors or at common law or in equity, or files an answer admitting the material allegations of a petition filed against it in any such proceeding;

(iv) applies for the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator, voluntary administrator, receiver and manager or other similar official for it or any substantial part of its property; or

(v) takes any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this **Section 11.01(h)** or in **Section 11.01(i)**, or otherwise acts in furtherance thereof or fails to act in a timely and appropriate manner in defense thereof;

(i) any petition is filed, application made or other proceeding instituted against or in respect of Borrower or any Subsidiary:

(i) seeking to adjudicate it an insolvent;

(ii) seeking a receiving order against it;

(iii) seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), deed of company arrangement or composition of it or its debts or any other relief under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors or at common law or in equity; or

(iv) seeking the entry of an order for relief or the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, sequestrator, conservator, custodian, administrator, trustee, liquidator, voluntary administrator, receiver and manager or other similar official for it or any substantial part of its property, and such petition, application or proceeding continues undismissed, or unstayed and in effect, for a period of sixty (60) days after the institution thereof; *provided that* if an order, decree or judgment is granted or entered (whether or not entered or subject to appeal) against Borrower or such Subsidiary thereunder in the interim, such grace period will cease to apply; *provided further that* if Borrower or such Subsidiary files an answer admitting the material allegations of a petition filed against it in any such proceeding, such grace period will cease to apply;

(j) any other event occurs which, under the laws of any applicable jurisdiction, has an effect equivalent to any of the events referred to in either of **Section 11.01(h)** or **(i)**;

(k) one or more judgments for the payment of money in an aggregate amount in excess of $250,000 (or the Equivalent Amount in other currencies) shall be rendered against any Obligor or any combination thereof and the same shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Obligor to enforce any such judgment;

(l) (i) an ERISA Event shall have occurred that, in the opinion of the Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of Borrower and its Subsidiaries in an aggregate amount exceeding (i) $250,000 in any year or (ii) $750,000 for all periods until repayment of the Loans;

(m) a Material Adverse Change shall have occurred;

(n) (i) the Liens created by the Security Documents shall at any time not constitute a valid and perfected Lien on the collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required herein or therein) in favor of the Lenders, free and clear of all other Liens (other than Permitted Liens), (ii) except for expiration in accordance with its terms, any of the Security Documents or any Guarantee of any of the Obligations (including that contained in **Section 13**) shall for whatever reason be terminated, repudiated, or cease to be in full force and effect, (ii) the enforceability of any of the Security Documents or any Guarantee of any of the Obligations (including that contained in **Section 13**) shall be contested by any Obligor;

(o) any injunction, whether temporary or permanent, shall be rendered against any Obligor that prevents the Obligors from selling or manufacturing the Products or its commercially available successors, or any of their other material and commercially available products in the United States for more than 45 consecutive calendar days;

(p) a Change in Control shall have occurred.

11.02 Remedies. Upon the occurrence of any Event of Default, then, and in every such event (other than an Event of Default described in **Section 11.01(h)**, **(i)** or **(j)**), and at any time thereafter during the continuance of such event, Majority Lenders may, by notice to Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other Obligations, shall become due and payable immediately (in the case of the Loans, at the Redemption Price therefor), without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor; and in case of an Event of Default described in **Section 11.01(h)**, **(i)** or **(j)**, the Commitment shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other Obligations, shall automatically become due and payable immediately (in the case of the Loans, at the Redemption Price therefor), without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Obligor.

SECTION 12
MISCELLANEOUS

12.01 No Waiver. No failure on the part of the Lenders to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any Loan Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

12.02 Notices. All notices, requests, instructions, directions and other communications provided for herein (including any modifications of, or waivers, requests or consents under, this Agreement) shall be given or made in writing (including by telecopy) delivered, if to Borrower,

another Obligor or the Lenders, to its address specified on the signature pages hereto or its Guarantee Assumption Agreement, as the case may be, or at such other address as shall be designated by such party in a notice to the other parties. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given upon receipt of a legible copy thereof, in each case given or addressed as aforesaid. All such communications provided for herein by telecopy shall be confirmed in writing promptly after the delivery of such communication (it being understood that non-receipt of written confirmation of such communication shall not invalidate such communication). Notices, documents, certificates and other deliverables to the Lenders by any Obligor may be made solely to the Control Agent and the Control Agent shall promptly deliver such notices, documents, certificates and other deliverables to the other Lenders hereunder.

12.03 Expenses, Indemnification, Etc.

(a) **Expenses**. Borrower agrees to pay or reimburse (i) the Lenders for all of their reasonable out of pocket costs and expenses (including the reasonable out-of-pocket fees and expenses of Morrison & Foerster LLP, special counsel to the Lenders, and any sales, goods and services or other similar taxes applicable thereto, and printing, reproduction, document delivery, communication and travel costs) in connection with (x) the negotiation, preparation, execution and delivery of this Agreement and the other Loan Documents and the making of the Loans (exclusive of post-closing costs), (y) post-closing costs and (z) the negotiation or preparation of any modification, supplement or waiver of any of the terms of this Agreement or any of the other Loan Documents (whether or not consummated) and (ii) the Lenders for all of their out of pocket costs and expenses (including the fees and expenses of legal counsel) in connection with any enforcement or collection proceedings resulting from the occurrence of an Event of Default; *provided, however, that* Borrower shall not be required to pay or reimburse any amounts pursuant to **Section 12.03(a)(i)(x)** in excess of $200,000; *provided further that*, so long as the Loans are consummated and all Commitments fully drawn prior to the expiry of the Commitment Period, then such fees shall be credited from the fees paid by the Borrower pursuant to **Section 2.03**.

(b) **Indemnification**. Borrower hereby indemnifies the Lenders, their Affiliates, and their respective directors, officers, employees, attorneys, agents, advisors and controlling parties (each, an "***Indemnified Party***") from and against, and agrees to hold them harmless against, any and all Claims and Losses of any kind (including reasonable fees and disbursements of counsel), joint or several, that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or relating to any investigation, litigation or proceeding or the preparation of any defense with respect thereto arising out of or in connection with or relating to this Agreement or any of the other Loan Documents or the transactions contemplated hereby or thereby or any use made or proposed to be made with the proceeds of the Loans, whether or not such investigation, litigation or proceeding is brought by Borrower, any of its shareholders or creditors, an Indemnified Party or any other Person, or an Indemnified Party is otherwise a party thereto, and whether or not any of the conditions precedent set forth in **Section 6** are satisfied or the other transactions contemplated by this Agreement are consummated, except to the extent such Claim or Loss is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. Any Indemnified Party seeking indemnity hereunder

shall give Borrower prompt notice of any claim for which indemnity may be sought. Borrower may assume defense of such claim with its own counsel so long as such counsel is reasonably acceptable to the relevant Indemnified Party or Parties; provided that such Indemnified Party or Parties shall preserve all rights to settle any claims or admit any liability at its sole discretion. Upon such assumption of defense, Borrower shall have no further indemnity obligation to such Indemnified Party or Parties for the cost of defense. Each Indemnified Party shall reasonably cooperate, at Borrower's expense, with such defense. No Obligor shall assert any claim against any Indemnified Party, on any theory of liability, for consequential, indirect, special or punitive damages arising out of or otherwise relating to this Agreement or any of the other Loan Documents or any of the transactions contemplated hereby or thereby or the actual or proposed use of the proceeds of the Loans. Borrower, its Subsidiaries and Affiliates and their respective directors, officers, employees, attorneys, agents, advisors and controlling parties are each sometimes referred to in this Agreement as a "***Borrower Party***." No Lender shall assert any claim against any Borrower Party, on any theory of liability, for consequential, indirect, special or punitive damages arising out of or otherwise relating to this Agreement or any of the other Loan Documents or any of the transactions contemplated hereby or thereby or the actual or proposed use of the proceeds of the Loans.

12.04 Amendments, Etc. Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be modified or supplemented only by an instrument in writing signed by Borrower and the Lenders. Any consent, approval, (including without limitation any approval of or authorization for any amendment to any of the Loan Documents), instruction or other expression of the Lenders under any of the Loan Documents may be obtained by an instrument in writing signed in one or more counterparts by Majority Lenders; provided however, that the consent of all of the Lenders shall be required to:

(i) amend, modify, discharge, terminate or waive any of the terms of this Agreement if such amendment, modification, discharge, termination or waiver would increase the amount of the Loans, reduce the fees payable hereunder, reduce interest rates or other amounts payable with respect to the Loans, extend any date fixed for payment of principal, interest or other amounts payable relating to the Loans or extend the repayment dates of the Loans;

(ii) amend the provisions of **Section 6**;

(iii) amend, modify, discharge, terminate or waive any Security Document if the effect is to release a material part of the Collateral subject thereto otherwise than pursuant to the terms hereof or thereof; or

(iv) amend this **Section 12.04**.

Notwithstanding anything to the contrary herein, a Defaulting Lender shall not have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the

consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender.

12.05 Successors and Assigns.

(a) **General**. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lenders. Any of the Lenders may assign or otherwise transfer any of their rights or obligations hereunder to an assignee in accordance with the provisions of **Section 12.05(b)**, (ii) by way of participation in accordance with the provisions of **Section 12.05(e)** or (iii) by way of pledge or assignment of a security interest subject to the restrictions of **Section 12.05(f)**. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in **Section 12.05(d)** and, to the extent expressly contemplated hereby, the Indemnified Parties) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) **Assignments by Lenders**. Any of the Lenders may at any time assign to one or more Eligible Transferees (or, if an Event of Default has occurred and is continuing, to any Person) all or a portion of their rights and obligations under this Agreement (including all or a portion of the Commitment and the Loans at the time owing to it); *provided*, *however, that* no such assignment shall be made to Borrower, an Affiliate of Borrower, or any employees or directors of Borrower at any time or to any party that the assigning Lender should, in the exercise of reasonable diligence, know or that Borrower has notified the assigning Lender is a competitor of Borrower or any Affiliate of any such competitor. Subject to the recording thereof by the Lenders pursuant to **Section 12.05(c)**, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of the Lenders under this Agreement, and correspondingly the assigning Lender shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of a Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of **Section 5** and **Section 12.03**. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this **Section 12.05(b)** shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with **Section 12.05(e)**.

(c) **Amendments to Loan Documents**. Each of the Lenders and the Obligors agrees to enter into such amendments to the Loan Documents, and such additional Security Documents and other instruments and agreements, in each case in form and substance reasonably acceptable to the Lenders and the Obligors, as shall reasonably be necessary to implement and give effect to any assignment made under this **Section 12.05**.

(d) **Register**. Lenders, acting solely for this purpose as an agent of Borrower, shall maintain at one of its offices, which shall be the office of the Control Agent, a register for the

recordation of the name and address of any assignee of the Lenders and the Commitment and outstanding principal amount of the Loans owing thereto (the "***Register***"). The entries in the Register shall be conclusive, absent manifest error, and Borrower shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as the "Lender" hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by Borrower, at any reasonable time and from time to time upon reasonable prior notice.

(e) **Participations**. Any of the Lenders may at any time, without the consent of, or notice to, Borrower, sell participations to any Person (other than a natural person or Borrower or any of Borrower's Affiliates or Subsidiaries) (each, a "***Participant***") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of the Commitment and/or the Loans owing to it); *provided that* (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) Borrower shall continue to deal solely and directly with the Lenders in connection therewith.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided that* such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that would (i) increase or extend the term of such Lender's Commitment, (ii) extend the date fixed for the payment of principal of or interest on the Loans or any portion of any fee hereunder payable to the Participant, (iii) reduce the amount of any such payment of principal, or (iv) reduce the rate at which interest is payable thereon to a level below the rate at which the Participant is entitled to receive such interest. Subject to **Section 12.05(e)**, Borrower agrees that each Participant shall be entitled to the benefits of **Section 5** to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to **Section 12.05(b)**. To the extent permitted by law, each Participant also shall be entitled to the benefits of **Section 4.04(a)** as though it were the Lender.

(f) **Limitations on Rights of Participants**. A Participant shall not be entitled to receive any greater payment under **Section 5.01** or **5.05** than a Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Borrower's prior written consent.

(g) **Certain Pledges**. The Lenders may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement and any other Loan Document to secure obligations of the Lenders, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided that* no such pledge or assignment shall release the Lenders from any of their obligations hereunder or substitute any such pledgee or assignee for the Lenders as a party hereto.

12.06 Survival. The obligations of Borrower under **Sections 5.01**, **5.03**, **5.05**, **12.03**, **12.05**, **12.09**, **12.10**, **12.11**, **12.12**, **12.13**, **12.14** and **Section 13** (solely to the extent guaranteeing any of the obligations under the foregoing Sections) shall survive the repayment of the Loans and the termination of the Commitment and, in the case of the Lenders' assignment of any interest in the

Commitment or the Loans hereunder, shall survive, in the case of any event or circumstance that occurred prior to the effective date of such assignment, the making of such assignment, notwithstanding that the Lenders may cease to be "Lenders" hereunder. In addition, each representation and warranty made, or deemed to be made by a notice of the Loans, herein or pursuant hereto shall survive the making of such representation and warranty.

12.07 Captions. The table of contents and captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

12.08 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

12.09 Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York, without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction; *provided that* Section 5-1401 of the New York General Obligations Law shall apply.

12.10 Jurisdiction, Service of Process and Venue.

(a) **Submission to Jurisdiction**. Each Obligor agrees that any suit, action or proceeding with respect to this Agreement or any other Loan Document to which it is a party or any judgment entered by any court in respect thereof may be brought initially in the federal or state courts in Houston, Texas or in the courts of its own corporate domicile and irrevocably submits to the non-exclusive jurisdiction of each such court for the purpose of any such suit, action, proceeding or judgment. This **Section 12.10(a)** is for the benefit of the Lenders only and, as a result, no Lender shall be prevented from taking proceedings in any other courts with jurisdiction. To the extent allowed by applicable Laws, the Lenders may take concurrent proceedings in any number of jurisdictions.

(b) **Alternative Process**. Nothing herein shall in any way be deemed to limit the ability of the Lenders to serve any such process or summonses in any other manner permitted by applicable law.

(c) **Waiver of Venue, Etc**. Each Obligor irrevocably waives to the fullest extent permitted by law any objection that it may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document and hereby further irrevocably waives to the fullest extent permitted by law any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. A final judgment (in respect of which time for all appeals has elapsed) in any such suit, action or proceeding shall be conclusive and may be enforced in any court to the jurisdiction of which such Obligor is or may be subject, by suit upon judgment.

12.11 Waiver of Jury Trial. EACH OBLIGOR AND EACH LENDER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR

PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

12.12 Waiver of Immunity. To the extent that any Obligor may be or become entitled to claim for itself or its Property or revenues any immunity on the ground of sovereignty or the like from suit, court jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment or execution of a judgment, and to the extent that in any such jurisdiction there may be attributed such an immunity (whether or not claimed), such Obligor hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity with respect to its obligations under this Agreement and the other Loan Documents.

12.13 Entire Agreement. This Agreement and the other Loan Documents constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. EACH OBLIGOR ACKNOWLEDGES, REPRESENTS AND WARRANTS THAT IN DECIDING TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS OR IN TAKING OR NOT TAKING ANY ACTION HEREUNDER OR THEREUNDER, IT HAS NOT RELIED, AND WILL NOT RELY, ON ANY STATEMENT, REPRESENTATION, WARRANTY, COVENANT, AGREEMENT OR UNDERSTANDING, WHETHER WRITTEN OR ORAL, OF OR WITH THE LENDERS OTHER THAN THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

12.14 Severability. If any provision hereof is found by a court to be invalid or unenforceable, to the fullest extent permitted by applicable law the parties agree that such invalidity or unenforceability shall not impair the validity or enforceability of any other provision hereof.

12.15 No Fiduciary Relationship. Borrower acknowledges that the Lenders have no fiduciary relationship with, or fiduciary duty to, Borrower arising out of or in connection with this Agreement or the other Loan Documents, and the relationship between the Lenders and Borrower is solely that of creditor and debtor. This Agreement and the other Loan Documents do not create a joint venture among the parties.

12.16 Confidentiality. The Lenders agree to maintain the confidentiality of the Confidential Information (as defined in the Non-Disclosure Agreement (defined below)) in accordance with the terms of that certain non-disclosure agreement dated June 5, 2013 between Borrower and Capital Royalty L.P (the "***Non-Disclosure Agreement***").

Any new Lender that becomes party to this Agreement hereby agrees to be bound by the terms of the Non-Disclosure Agreement. The parties to this Agreement shall prepare a mutually agreeable press release announcing the completion of this transaction on the Closing Date.

12.17 USA PATRIOT Act. The Lenders hereby notify Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "***Act***"), they are required to obtain, verify and record information that identifies

Borrower, which information includes the name and address of Borrower and other information that will allow such Lender to identify Borrower in accordance with the Act.

12.18 Maximum Rate of Interest. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (in each case, the "***Maximum Rate***"). If the Lenders shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans, and not to the payment of interest, or, if the excessive interest exceeds such unpaid principal, the amount exceeding the unpaid balance shall be refunded to the applicable Obligor. In determining whether the interest contracted for, charged, or received by the Lenders exceeds the Maximum Rate, the Lenders may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Indebtedness and other obligations of any Obligor hereunder, or (d) allocate interest between portions of such Indebtedness and other obligations under the Loan Documents to the end that no such portion shall bear interest at a rate greater than that permitted by applicable Law.

12.19 Real Property Security Waivers.

(a) **Real Property Security Waivers**.

(i) Each Obligor acknowledges that all or any portion of the Obligations may now or hereafter be secured by a Lien or Liens upon real property evidenced by certain documents including, without limitation, deeds of trust and assignments of rents. Lenders may, pursuant to the terms of said real property security documents and applicable law, foreclose under all or any portion of one or more of said Liens by means of judicial or nonjudicial sale or sales. Each Obligor agrees that Lenders may exercise whatever rights and remedies they may have with respect to said real property security, all without affecting the liability of any Obligor under the Loan Documents hereunder, except to the extent Lenders realize payment by such action or proceeding. No election to proceed in one form of action or against any party, or on any obligation shall constitute a waiver of Lenders' rights to proceed in any other form of action or against any Obligor or any other Person, or diminish the liability of any Obligor, or affect the right of Lenders to proceed against any Obligor for any deficiency, except to the extent Lenders realize payment by such action, notwithstanding the effect of such action upon any Obligor's rights of subrogation, reimbursement or indemnity, if any, against Obligor or any other Person.

(ii) To the extent permitted under applicable law, each Obligor hereby waives any rights and defenses that are or may become available to such Obligor by reason of Sections 2787 to 2855, inclusive, of the California Civil Code.

(iii) To the extent permitted under applicable law, each Obligor hereby waives all rights and defenses that such Obligor may have because the Obligations are or may be secured by real property. This means, among other things:

(A) Lenders may collect from any Obligor without first foreclosing on any real or personal property collateral pledged by any other Obligor;

(B) If Lenders foreclose on any real property collateral pledged by any Obligor:

(1) The amount of the Loans may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price; and

(2) Lenders may collect from each Obligor even if Lenders, by foreclosing on the real property collateral, have destroyed any right that such Obligor may have to collect from any other Obligor.

(3) To the extent permitted under applicable law, this is an unconditional and irrevocable waiver of any rights and defenses each Obligor may have because the Obligations hereunder are or may be secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure.

(iv) To the extent permitted under applicable law, each Obligor waives all rights and defenses arising out of an election of remedies by Lenders, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed such Obligor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

(b) **Waiver of Marshaling**. WITHOUT LIMITING THE FOREGOING IN ANY WAY, EACH OBLIGOR HEREBY IRREVOCABLY WAIVES AND RELEASES, TO THE EXTENT PERMITTED BY LAW, ANY AND ALL RIGHTS IT MAY HAVE AT ANY TIME (WHETHER ARISING DIRECTLY OR INDIRECTLY, BY OPERATION OF LAW, CONTRACT OR OTHERWISE) TO REQUIRE THE MARSHALING OF ANY ASSETS OF ANY OBLIGOR, WHICH RIGHT OF MARSHALING MIGHT OTHERWISE ARISE FROM ANY PAYMENTS MADE OR OBLIGATIONS PERFORMED.

SECTION 13
GUARANTEE

13.01 The Guarantee. The Subsidiary Guarantors hereby jointly and severally guarantee to the Lenders and their successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans and all fees and other amounts from time to time owing to the Lenders by Borrower under this Agreement or under any other Loan Document and by any other Obligor under any of the Loan Documents, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the "***Guaranteed Obligations***"). The Subsidiary Guarantors hereby further jointly and severally agree that if Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Subsidiary Guarantors will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations,

the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

13.02 Obligations Unconditional. The obligations of the Subsidiary Guarantors under **Section 13.01** are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of Borrower under this Agreement or any other agreement or instrument referred to herein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this **Section 13.02** that the obligations of the Subsidiary Guarantors hereunder shall be absolute and unconditional, joint and several, under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Subsidiary Guarantors hereunder, which shall remain absolute and unconditional as described above:

(a) at any time or from time to time, without notice to the Subsidiary Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of this Agreement or any other agreement or instrument referred to herein shall be done or omitted;

(c) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement or any other agreement or instrument referred to herein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with; or

(d) any lien or security interest granted to, or in favor of, the Lenders as security for any of the Guaranteed Obligations shall fail to be perfected.

The Subsidiary Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Lenders exhaust any right, power or remedy or proceed against Borrower under this Agreement or any other agreement or instrument referred to herein, or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

13.03 Reinstatement. The obligations of the Subsidiary Guarantors under this **Section 13** shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Subsidiary Guarantors jointly and severally agree that they will indemnify the Lenders on demand for all reasonable costs and expenses (including fees of counsel) incurred by the Lenders in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim

alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

13.04 Subrogation. The Subsidiary Guarantors hereby jointly and severally agree that until the payment and satisfaction in full of all Guaranteed Obligations (other than Warrant Obligations) and the expiration and termination of the Commitment of the Lenders under this Agreement they shall not exercise any right or remedy arising by reason of any performance by them of their guarantee in **Section 13.01**, whether by subrogation or otherwise, against Borrower or any other guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

13.05 Remedies. The Subsidiary Guarantors jointly and severally agree that, as between the Subsidiary Guarantors and the Lenders, the obligations of Borrower under this Agreement and under the other Loan Documents may be declared to be forthwith due and payable as provided in **Section 11** (and shall be deemed to have become automatically due and payable in the circumstances provided in **Section 11**) for purposes of **Section 13.01** notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by Borrower) shall forthwith become due and payable by the Subsidiary Guarantors for purposes of **Section 13.01**.

13.06 Instrument for the Payment of Money. Each Subsidiary Guarantor hereby acknowledges that the guarantee in this **Section 13** constitutes an instrument for the payment of money, and consents and agrees that the Lender, at its sole option, in the event of a dispute by such Subsidiary Guarantor in the payment of any moneys due hereunder, shall have the right to proceed by motion for summary judgment in lieu of complaint pursuant to N.Y. Civ. Prac. L&R § 3213.

13.07 Continuing Guarantee. The guarantee in this **Section 13** is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

13.08 Rights of Contribution. The Subsidiary Guarantors hereby agree, as between themselves, that if any Subsidiary Guarantor shall become an Excess Funding Guarantor (as defined below) by reason of the payment by such Subsidiary Guarantor of any Guaranteed Obligations, each other Subsidiary Guarantor shall, on demand of such Excess Funding Guarantor (but subject to the next sentence), pay to such Excess Funding Guarantor an amount equal to such Subsidiary Guarantor's *Pro rata* Share (as defined below and determined, for this purpose, without reference to the properties, debts and liabilities of such Excess Funding Guarantor) of the Excess Payment (as defined below) in respect of such Guaranteed Obligations. The payment obligation of a Subsidiary Guarantor to any Excess Funding Guarantor under this **Section 13.08** shall be subordinate and subject in right of payment to the prior payment in full of the obligations of such Subsidiary Guarantor under the other provisions of this **Section 13** and such Excess Funding Guarantor shall not exercise any right or remedy with respect to such excess until payment and satisfaction in full of all of such obligations.

For purposes of this **Section 13.08**, (i) "***Excess Funding Guarantor***" means, in respect of any Guaranteed Obligations, a Subsidiary Guarantor that has paid an amount in excess of its *Pro rata* Share of such Guaranteed Obligations, (ii) "***Excess Payment***" means, in respect of any Guaranteed Obligations, the amount paid by an Excess Funding Guarantor in excess of its *Pro rata* Share of such Guaranteed Obligations and (iii) "***Pro Rata Share***" means, for any Subsidiary Guarantor, the ratio (expressed as a percentage) of (x) the amount by which the aggregate present fair saleable value of all properties of such Subsidiary Guarantor (excluding any shares of stock of any other Subsidiary Guarantor) exceeds the amount of all the debts and liabilities of such Subsidiary Guarantor (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of such Subsidiary Guarantor hereunder and any obligations of any other Subsidiary Guarantor that have been Guaranteed by such Subsidiary Guarantor) to (y) the amount by which the aggregate fair saleable value of all properties of all of the Subsidiary Guarantors exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of Borrower and the Subsidiary Guarantors hereunder and under the other Loan Documents) of all of the Subsidiary Guarantors, determined (A) with respect to any Subsidiary Guarantor that is a party hereto on the Closing Date, as of the Closing Date, and (B) with respect to any other Subsidiary Guarantor, as of the date such Subsidiary Guarantor becomes a Subsidiary Guarantor hereunder.

13.09 General Limitation on Guarantee Obligations. In any action or proceeding involving any provincial, territorial or state corporate law, or any state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Subsidiary Guarantor under **Section 13.01** would otherwise, taking into account the provisions of **Section 13.08**, be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under **Section 13.01**, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Subsidiary Guarantor, the Lenders or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

13.10 Additional Waivers.

(a) To the extent permitted under applicable law, each Subsidiary Guarantor hereby waives any rights and defenses that are or may become available to Subsidiary Guarantor by reason of Sections 2787 to 2855, inclusive, of the California Civil Code.

(b) To the extent permitted under applicable law, each Subsidiary Guarantor hereby waives all rights and defenses that Subsidiary Guarantor may have because the Obligations are or may be secured by real property. This means, among other things:

(i) Lenders may collect from any Subsidiary Guarantor without first foreclosing on any real or personal property collateral pledged by Borrower;

(ii) If Lenders foreclose on any real property collateral pledged by Borrower:

(A) The amount of the Loan may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price; and

(B) Lenders may collect from each Subsidiary Guarantor even if Lenders, by foreclosing on the real property collateral, has destroyed any right such Subsidiary Guarantor may have to collect from Borrower.

To the extent permitted under applicable law, this is an unconditional and irrevocable waiver of any rights and defenses each Subsidiary Guarantor may have because the Obligations are or may be secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure.

(c) To the extent permitted under applicable law, each Subsidiary Guarantor waives all rights and defenses arising out of an election of remedies by Lenders, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed such Subsidiary Guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the California Code of Civil Procedure or otherwise.

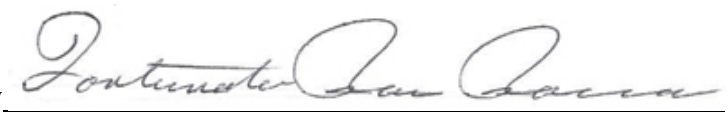
(d) To the extent permitted under applicable law, each Subsidiary Guarantor hereby waives any right or defense it may have at law or equity, including California Code of Civil Procedure Section 580a, to a fair market value hearing or action to determine a deficiency judgment after a foreclosure.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

BORROWER:

EXAGEN DIAGNOSTICS, INC.

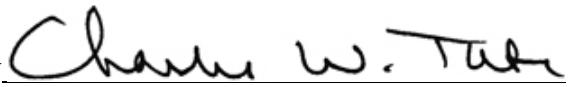
By 

Name: Fortunato Ron Rocca
Title: Chief Executive Officer

Address for Notices:
Address for Notices:
Attn: Chief Financial Officer
Exagen Diagnostics, Inc.
800 Bradbury Drive SE, Suite 108
Albuquerque, NM 87106
Tel: 505-272-7966
Fax: 505-272-2765
Email: wswedick@exagen.com

Attn: Chief Executive Officer
Exagen Diagnostics, Inc.
1261 Liberty Way, Suite C
Vista, CA 92081-8356
Tel: 760-560-1501
Email: rrocca@exagen.com

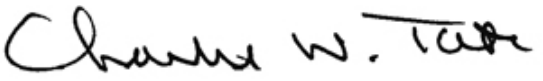
LENDERS:
CAPITAL ROYALTY PARTNERS II L.P.
By CAPITAL ROYALTY PARTNERS II GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II GP LLC, its General Partner

By 
Name: Charles Tate
Title: Sole Member

Address for Notices:

1000 Main Street, Suite 2500
Houston, TX 77002
Attn: General Counsel
Tel.: 713.209.7350
Fax: 713.209.7351
Email: adorenbaum@capitalroyalty.com

CAPITAL ROYALTY PARTNERS II - PARALLEL FUND “A” L.P.
By CAPITAL ROYALTY PARTNERS II - PARALLEL FUND “A” GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II - PARALLEL FUND “A” GP LLC, its General Partner

By 
Name: Charles Tate
Title: Sole Member

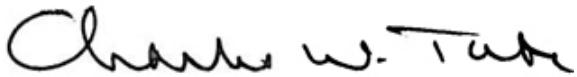
Address for Notices:

1000 Main Street, Suite 2500
Houston, TX 77002
Attn: General Counsel
Tel.: 713.209.7350
Fax: 713.209.7351
Email: adorenbaum@capitalroyalty.com

PARALLEL INVESTMENT OPPORTUNITIES
PARTNERS II L.P.

By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS
II GP L.P., its General Partner

By PARALLEL INVESTMENT OPPORTUNITIES
PARTNERS II GP LLC, its General Partner

By 

Name: Charles Tate
Title: Sole Member

Address for Notices:

1000 Main Street, Suite 2500
Houston, TX 77002
Attn: General Counsel
Tel.: 713.209.7350
Fax: 713.209.7351
Email: adorenbaum@capitalroyalty.com

Schedule 1
to Term Loan Agreement

COMMITMENTS

Lender	Commitment	Proportionate Share
Capital Royalty Partners II L.P.	6,332,714.23	25.330857%
Capital Royalty Partners II – Parallel Fund "A" L.P.	10,600,819.80	42.403279%
Parallel Investment Opportunities Partners II L.P.	8,066,465.97	32.265864%
TOTAL	**$ 25,000,000**	**100%**

WARRANT SHARES

Lender	Number of Warrant Shares of Common Stock Outstanding	Number of Warrant Shares of Required Equity Financing Preferred Stock
Capital Royalty Partners II L.P.	807,150	807,150
Capital Royalty Partners II – Parallel Fund "A" L.P.	1,351,151	1,351,151
Parallel Investment Opportunities Partners II L.P.	1,028,129	1,028,129
TOTAL	**3,186,430**	**3,186,430**

Exhibit A
to Term Loan Agreement

FORM OF GUARANTEE ASSUMPTION AGREEMENT

GUARANTEE ASSUMPTION AGREEMENT dated as of [DATE] by [NAME OF ADDITIONAL SUBSIDIARY GUARANTOR], a [corporation][limited liability company] (the "***Additional Subsidiary Guarantor***"), in favor of Capital Royalty Partners II L.P., Capital Royalty Partners II – Parallel Fund "A" L.P. and Parallel Investment Opportunities Partners II L.P., as Lenders (the "***Lenders***") under that certain Term Loan Agreement, dated as of October 10, 2013 (as amended, restated, supplemented or otherwise modified, renewed, refinanced or replaced, the "***Loan Agreement***"), among Exagen Diagnostics, Inc., a Delaware corporation ("***Borrower***"), the lenders party thereto and the Subsidiary Guarantors party thereto.

Pursuant to **Section 8.12(a)** of the Loan Agreement, the Additional Subsidiary Guarantor hereby agrees to become a "Subsidiary Guarantor" for all purposes of the Loan Agreement, and a "Grantor" for all purposes of the Security Agreement. Without limiting the foregoing, the Additional Subsidiary Guarantor hereby, jointly and severally with the other Subsidiary Guarantors, guarantees to the Lenders and its successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of all Guaranteed Obligations (as defined in **Section 13.01** of the Loan Agreement) in the same manner and to the same extent as is provided in **Section 13** of the Loan Agreement. In addition, as of the date hereof, the Additional Subsidiary Guarantor hereby makes the representations and warranties set forth in **Sections 7.01**, **7.02**, **7.03**, **7.05(a)**, **7.06**, **7.07**, **7.08** and **7.18** of the Loan Agreement, and in **Section 2** of the Security Agreement, with respect to itself and its obligations under this Agreement and the other Loan Documents, as if each reference in such Sections to the Loan Documents included reference to this Agreement, such representations and warranties to be made as of the date hereof.

The Additional Subsidiary Guarantor hereby instructs its counsel to deliver the opinions referred to in **Section 8.12(a)** of the Loan Agreement to the Lenders.

IN WITNESS WHEREOF, the Additional Subsidiary Guarantor has caused this Guarantee Assumption Agreement to be duly executed and delivered as of the day and year first above written.

[ADDITIONAL SUBSIDIARY GUARANTOR]

By _____
Name:
Title:

Exhibit B
to Term Loan Agreement

FORM OF NOTICE OF BORROWING

Date: [ ]

To: Capital Royalty Partners II L.P. and the other Lenders
1000 Main Street, Suite 2500
Houston, TX 77002
Attn: General Counsel

Re: Borrowing under Term Loan Agreement

Ladies and Gentlemen:

The undersigned, Exagen Diagnostics, Inc., a Delaware corporation ("***Borrower***"), refers to the Term Loan Agreement, dated as of October 10, 2013 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "***Loan Agreement***"), among Borrower, Capital Royalty Partners II L.P., Capital Royalty Partners II – Parallel Fund "A" L.P., and Parallel Investment Opportunities Partners II L.P., and other parties from time to time party thereto as lenders ("***Lenders***"), and the subsidiary guarantors from time to time party thereto. The terms defined in the Loan Agreement are herein used as therein defined.

Borrower hereby gives you notice irrevocably, pursuant to **Section 2.02** of the Loan Agreement, of the borrowing of the Loan specified herein:

1. The proposed Borrowing Date is [ ].

2. The amount of the proposed Borrowing is $[ ].

3. The payment instructions with respect to the funds to be made available to Borrower are as follows:

Bank name: [ ]
Bank Address: [ ]
Routing Number: [ ]
Account Number: [ ]
Swift Code: [ ]

Borrower hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed borrowing of the Loan, before and after giving effect thereto and to the application of the proceeds therefrom:

a) the representations and warranties made by Borrower in **Section 7** of the Loan Agreement shall be true on and as of the Borrowing Date and immediately after giving effect to the application of the proceeds of the Borrowing with the same force and effect as if made on

and as of such date except that the representation regarding representations and warranties that refer to a specific earlier date shall be that they were true on such earlier date;

b) on and as of the Borrowing Date, there shall have occurred no Material Adverse Change since [ ]; and

c) no Default exists or would result from such proposed borrowing.

IN WITNESS WHEREOF, Borrower has caused this Notice of Borrowing to be duly executed and delivered as of the day and year first above written.

BORROWER:

EXAGEN DIAGNOSTICS, INC.

By _____
Name:
Title:

Exhibit C-1
to Term Loan Agreement

FORM OF TERM LOAN NOTE

U.S. $[ ] [DATE]

FOR VALUE RECEIVED, the undersigned, Exagen Diagnostics, Inc., a Delaware corporation ("***Borrower***"), hereby promises to pay to [Capital Royalty Partners II L.P./ Capital Royalty Partners II – Parallel Fund "A" L.P./Parallel Investment Opportunities Partners II L.P.] or its assigns (the "***Lender***") at the Lender's principal office in [ ], in immediately available funds, the aggregate principal sum set forth above, or, if less, the aggregate unpaid principal amount of all Loans made by the Lender pursuant to **Section 2.01** of the Term Loan Agreement, dated as of October 10, 2013 (as amended, restated, supplemented or otherwise modified, renewed, refinanced or replaced, the "***Loan Agreement***"), among Borrower, the Lender, the other lenders party thereto and the Subsidiary Guarantors party thereto, on the date or dates specified in the Loan Agreement, together with interest on the principal amount of such Loans from time to time outstanding thereunder at the rates, and payable in the manner and on the dates, specified in the Loan Agreement.

This Note is a Note issued pursuant to the terms of **Section 2.04** of the Loan Agreement, and this Note and the holder hereof are entitled to all the benefits and security provided for thereby or referred to therein, to which Loan Agreement reference is hereby made for a statement thereof. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as in the Loan Agreement.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION; *PROVIDED THAT* SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY.

FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND THE RULES AND REGULATIONS THEREUNDER, THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT; PLEASE CONTACT [NAME OF CFO OR TAX DIRECTOR OF ISSUER], [TITLE], [ADDRESS], TELEPHONE: [TEL #] TO OBTAIN INFORMATION REGARDING THE ISSUE PRICE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT AND THE YIELD TO MATURITY.

Borrower hereby waives demand, presentment, protest or notice of any kind hereunder, other than notices provided for in the Loan Documents. The non-exercise by the holder hereof of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in such particular or any subsequent instance.

THIS NOTE MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS OF THE LOAN AGREEMENT.

EXAGEN DIAGNOSTICS, INC.

By _____

Name:
Title:

Exhibit C-2

Exhibit C-2
to Term Loan Agreement

FORM OF PIK LOAN NOTE

U.S. $[ ] [DATE]

FOR VALUE RECEIVED, the undersigned, Exagen Diagnostics, Inc. ("***Borrower***"), hereby promises to pay to [Capital Royalty Partners II L.P./Capital Royalty Partners II – Parallel Fund "A" L.P./Parallel Investment Opportunities II, LP] or its assigns (the "***Lender***") at the Lender's principal office in [ ], in immediately available funds, the aggregate principal sum set forth above, or, if less, the aggregate unpaid principal amount of all PIK Loans made by the Lender pursuant to **Section 3.02(d)** of the Term Loan Agreement, dated as of October 10, 2013 (as amended, restated, supplemented or otherwise modified, renewed, refinanced or replaced, the "***Loan Agreement***"), among Borrower, the Lender, the other lenders party thereto and the Subsidiary Guarantors party thereto, on the date or dates specified in the Loan Agreement, together with interest on the principal amount of such PIK Loans from time to time outstanding thereunder at the rates, and payable in the manner and on the dates, specified in the Loan Agreement.

This Note is a Note issued pursuant to the terms of **Section 3.02(d)** of the Loan Agreement, and this Note and the holder hereof are entitled to all the benefits and security provided for thereby or referred to therein, to which Loan Agreement reference is hereby made for a statement thereof. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as in the Loan Agreement.

The Lender may supplement this Note by attaching to this Note a schedule (the "***Note Schedule***") to evidence additional PIK Loans made by the Lender to Borrower following the date first above written. The Lender may endorse thereon the date such additional PIK Loan is made and the principal amount of such additional PIK Loan when made. Such Note Schedule shall form part of this Note and all references to this Note shall mean this Note, as supplemented by such Note Schedule.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD RESULT IN THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION; *PROVIDED THAT* SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY.

FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND THE RULES AND REGULATIONS THEREUNDER, THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT; PLEASE CONTACT [NAME OF CFO OR TAX DIRECTOR OF ISSUER], [TITLE], [ADDRESS], TELEPHONE: [TEL #] TO OBTAIN INFORMATION REGARDING THE ISSUE PRICE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT AND THE YIELD TO MATURITY.

Borrower hereby waives demand, presentment, protest or notice of any kind hereunder, other than notices provided for in the Loan Documents. The non-exercise by the holder hereof of any of its rights hereunder in any particular instance shall not constitute a waiver thereof in such particular or any subsequent instance.

THIS NOTE MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS OF THE LOAN AGREEMENT.

EXAGEN DIAGNOSTICS, INC.

By _____

Name:
Title:

PIK NOTE SCHEDULE

This Note Schedule supplements that certain Note issued by Borrower to [Capital Royalty Partners II L.P./Capital Royalty Partners II – Parallel Fund "A" L.P./Parallel Investment Opportunities II L.P.][1] or its assigns on [*DATE*].

Date of additional PIK Loan	Amount of additional PIK Loan made	Notation made by[2]

[1] Delete as appropriate for each Note.
[2] Insert name of party making notation (e.g. Borrower or Lender).

Exhibit D
to Term Loan Agreement

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

Reference is made to the Term Loan Agreement, dated as of [September,] 2013 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "***Loan Agreement***"), among Exagen Diagnostics, Inc., a Delaware corporation ("***Borrower***"), Capital Royalty Partners II L.P., Capital Royalty Partners II – Parallel Fund "A" L.P., and Parallel Investment Opportunities Partners II L.P., and other parties from time to time party thereto as lenders ("***Lenders***"), and the subsidiary guarantors from time to time party thereto. [ ] (the "***Foreign Lender***") is providing this certificate pursuant to **Section 5.05(e)(ii)(B)** of the Loan Agreement. The Foreign Lender hereby represents and warrants that:

1. The Foreign Lender is the sole record owner of the Loans as well as any obligations evidenced by any Note(s) in respect of which it is providing this certificate;

2. The Foreign Lender's direct or indirect partners/members are the sole beneficial owners of the Loans as well as any obligations evidenced by any Note(s) in respect of which it is providing this certificate;

3. Neither the Foreign Lender nor its direct or indirect partners/members is a "bank" for purposes of Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended (the "***Code***"). In this regard, the Foreign Lender further represents and warrants that:

(a) neither the Foreign Lender nor its direct or indirect partners/members is subject to regulatory or other legal requirements as a bank in any jurisdiction; and

(b) neither the Foreign Lender nor its direct or indirect partners/members has been treated as a bank for purposes of any tax, securities law or other filing or submission made to any Governmental Authority, any application made to a rating agency or qualification for any exemption from tax, securities law or other legal requirements;

3. Neither the Foreign Lender nor its direct or indirect partners/members is a 10- percent shareholder of Borrower within the meaning of Section 881(c)(3)(B) of the Code; and

4. Neither the Foreign Lender nor its direct or indirect partners/members is a controlled foreign corporation receiving interest from a related person within the meaning of Section 881(c)(3)(C) of the Code.

[Signature follows]

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed and delivered as of the date indicated below.

[NAME OF NON-U.S. LENDER]

By _____
Name:
Title:

Date: _____

FORM OF COMPLIANCE CERTIFICATE

[DATE]

This certificate is delivered pursuant to **Section 8.01(d)** of, and in connection with the consummation of the transactions contemplated in, the Term Loan Agreement, dated as of October 10, 2013 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "***Loan Agreement***"), among Exagen Diagnostics, Inc., a Delaware corporation ("***Borrower***"), Capital Royalty Partners II L.P., Capital Royalty Partners II – Parallel Fund "A" L.P., and Parallel Investment Opportunities Partners II L.P., and other parties from time to time party thereto as lenders ("***Lenders***"), and the subsidiary guarantors from time to time party thereto. Capitalized terms used herein and not otherwise defined herein are used herein as defined in the Loan Agreement.

The undersigned, a duly authorized Responsible Officer of Borrower having the name and title set forth below under his signature, hereby certifies, on behalf of Borrower for the benefit of the Secured Parties and pursuant to **Section 8.01(d)** of the Loan Agreement that such Responsible Officer of Borrower is familiar with the Loan Agreement and that, in accordance with each of the following sections of the Loan Agreement, each of the following is true on the date hereof, both before and after giving effect to any Loan to be made on or before the date hereof:

In accordance with Section **8.01**[**(a)**/**(b)**] of the Loan Agreement, attached hereto as **Annex A** are the financial statements for the [fiscal quarter/fiscal year] ended [ ] required to be delivered pursuant to **Section 8.01**[**(a)**/**(b)**] of the Loan Agreement. Such financial statements fairly present in all material respects the consolidated financial position, results of operations and cash flow of Borrower and its Subsidiaries as at the dates indicated therein and for the periods indicated therein in accordance with GAAP [(subject to the absence of footnote disclosure and normal year-end audit adjustments)][3] [without qualification as to the scope of the audit or as to going concern and without any other similar qualification together with the certificate from Borrower's independent auditors with respect to such financial statements required to be delivered pursuant to **Section 8.01(c)** of the Loan Agreement. The examination by such auditors in connection with such financial statements has been made in accordance with the standards of the United States' Public Company accounting Oversight Board (or any successor entity).][4]

Attached hereto as **Annex B** are the calculations used to determine compliance with each financial covenant contained in **Section 10** of the Loan Agreement.

No Default or Event of Default is continuing as of the date hereof[, except as provided for on **Annex C** attached hereto, with respect to each of which Borrower proposes to take the

3 Insert language in brackets only for quarterly certifications.
4 Insert language in brackets only for annual certifications.

actions set forth on **Annex C**].

IN WITNESS WHEREOF, the undersigned has executed this certificate on the date first written above.

EXAGEN DIAGNOSTICS, INC.

By _____

Name:
Title:

FINANCIAL STATEMENTS

[see attached]

CALCULATIONS OF FINANCIAL COVENANT COMPLIANCE

I.	**Section 10.01: Minimum Liquidity**	
A.	Amount of unencumbered cash and Permitted Cash Equivalent Investments (which for greater certainty shall not include any undrawn credit lines), in each case, to the extent held in an account over which the Lenders have a first priority perfected security interest:	$
B.	The greater of:	$
	(1) $2,000,000 and	
	(2) to the extent Borrower has incurred Permitted Priority Debt, the minimum cash balance required of Borrower by Borrower's Permitted Priority Debt creditors	
	Is Line IA equal to or greater than Line IB?:	*Yes: In compliance; No: Not in compliance*
II.	**Section 10.02(a)-(e): Minimum Revenue—Subsequent Periods**	
A.	Revenues during the twelve month period beginning on January 1, 2014	$
	[Is line II.A equal to or greater than $10,000,000?	*Yes: In compliance; No: Not in compliance]*[5]
B.	Revenues during the twelve month period beginning on January 1, 2015	$
	[Is line II.B equal to or greater than $15,000,000?	*Yes: In compliance; No: Not in compliance]*[6]
C.	Revenues during the twelve month period beginning on January 1, 2016	$
	[Is line II.C equal to or greater than $20,000,000?	*Yes: In compliance; No: Not in compliance]*[7]
D.	Revenues during the twelve month period beginning on January 1, 2017	$

5 Include bracketed entry only on the Compliance Certificate to be delivered within 90 days of the end of 2014 pursuant to Section 8.01(b) of the Loan Agreement.

6 Include bracketed entry only on the Compliance Certificate to be delivered within 90 days of the end of 2015 pursuant to Section 8.01(b) of the Loan Agreement.

7 Include bracketed entry only on the Compliance Certificate to be delivered within 90 days of the end of 2016 pursuant to Section 8.01(b) of the Loan Agreement

[Is line II.D equal to or greater than $30,000,000?	*Yes: In compliance; No: Not in compliance]*[8]

Revenues during the twelve month period beginning on January 1, 2018

[Is line II.E equal to or greater than $35,000,000?	*Yes: In compliance; No: Not in compliance]*[9]

8 Include bracketed entry only on the Compliance Certificate to be delivered within 90 days of the end of 2017 pursuant to Section 8.01(b) of the Loan Agreement.

9 Include bracketed entry only on the Compliance Certificate to be delivered within 90 days of the end of 2018 pursuant to Section 8.01(b) of the Loan Agreement.

OPINION REQUEST

The opinion of legal counsel to Borrower and each other Obligor should address the following matters (capitalized terms used but not defined herein have the meanings given to them in the Agreement):[10]

1. Power and Authority (Section 7.01)
2. Due Organization/Good Standing (Section 7.01)
3. Due Authorization (Section 7.02)
4. Due Execution & Delivery (Section 7.02)
5. Enforceability (Section 7.02)
6. No Consents/Conflicts (Section 7.03)
7. Investment Company (Section 7.10(a))
8. Board Regulations T, U & X (Section 7.10(b))
9. Legal, Valid and Enforceable Security Interest (Section 7.18)
10. Perfection of Security Interest (UCC and US IP filings, Control Agreements) (Section 7.18)
11. Choice of Law (Sections 12.09 and 12.10)

10 The section numbers relate to those sections that are relevant to the particular opinion.

FORM OF LANDLORD CONSENT

Exhibit G-1

LANDLORD CONSENT

WHEREAS, CAPITAL ROYALTY PARTNERS II L.P., as Collateral Agent ("**CRPII**", and in such capacity, "**Collateral Agent**") and the lenders party thereto from time to time including CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" L.P. and PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II L.P., each in its capacity as a Lender ("each a "**Lender**" and collectively, the "**Lenders**"), has entered into a term loan agreement and a security agreement, each dated as of October 10, 2013 with EXAGEN DIAGNOSTICS, INC. ("**Debtor**") pursuant to which Lenders have been granted a security interest in all of Debtor's personal property, including, but not limited to, inventory, equipment and trade fixtures (hereinafter "**Personal Property**");

WHEREAS, the REGENTS OF THE UNIVERSITY OF NEW MEXICO ("**Landlord**") is the owner of the real property located at 800 Bradbury Drive SE, Suite 108, Albuquerque, NM 87106 (the "**Premises**"); and

WHEREAS, Landlord has entered into that certain Lease Agreement dated May 15, 2013 with Debtor, as tenant (as may be amended from time to time, "**Lease**"); and

WHEREAS, certain of the Personal Property has or may become affixed to or be located on, wholly or in part, the Premises.

NOW, THEREFORE, in consideration of any loans or other financial accommodation extended by Lenders to Debtor at any time, and other good and valuable consideration, the parties agree as follows:

(a) Landlord subordinates to Lenders all security interests or other interests or rights Landlord may now or hereafter have in, or to any of the Personal Property, whether for rent or otherwise, while Debtor is indebted to Lenders;

(b) That the Personal Property may be installed in or located on the Premises and is not and shall not be deemed a fixture or part of the real estate and shall at all times be considered personal property;

(c) That Collateral Agent or its representatives may enter upon the Premises during normal business hours, and upon not less than 24-hours advance notice, to inspect the Personal Property;

(d) That Collateral Agent, at its option, upon written notice delivered to Landlord not less than ten (10) business days in advance, may enter the Premises during normal business hours for the purpose of repossessing, removing or otherwise dealing with said Personal Property; provided that neither Collateral Agent nor Lenders shall be permitted to operate the business of Debtor on the Premises or sell, auction or otherwise dispose of any Personal Property at the Premises or advertise any of the foregoing; and such license shall continue, subject to paragraph (g) below, from the date Collateral Agent enters the Premises for as long as Collateral Agent reasonably deems necessary but not to exceed a period of ten (10) days. During the period Collateral Agent occupies the Premises, it shall pay to Landlord the Rent and Additional Rent provided under the Lease relating to the Premises, prorated on a per diem basis to be determined on a thirty (30) day month, without incurring any other obligations of Debtor;

(e) Collateral Agent shall pay to Landlord any costs for damage to the Premises or the building in which the Premises is located in removing or otherwise dealing with said Personal Property and shall indemnify and hold harmless Landlord from and against (i) all claims, disputes and expenses, including reasonable attorneys' fees, suffered or incurred by Landlord arising from Collateral Agent's exercise of any of its rights hereunder, and (ii) any injury to third persons, caused by actions of Collateral Agent pursuant to this consent;

(g) If Landlord acquires possession of the Premises after a default by Debtor, it may require that the Personal Property be removed by Collateral Agent within sixty (60) days following written notice in accordance with paragraph (f) above.

(h) If Collateral Agent fails to exercise its right to remove the Personal Property strictly in accordance with the requirements and conditions of this consent, Landlord may proceed with any remedies available to it by reason of Debtor's default under the Lease and may remove all Personal Property from the Premises and dispose of same, without regard to this consent or Collateral Agent's security interest in the Personal Property.

(i) Landlord shall have no obligation to preserve or protect the Personal Property or take any action in connection therewith, and Lenders waive all claims they may now or hereafter have against Landlord in connection with the Personal Property.

(j) Upon payment and performance of all indebtedness secured by the Personal Property to Lenders, Lenders shall, upon Landlord's or Debtor's request, execute and/or file any release or termination statement reasonably necessary to evidence Lenders' release of the subordination herein provided by it. In no event shall this consent remain in force or effect after the date that the Lease is terminated or expires.

(k) Nothing contained herein shall be construed to amend the Lease, and the Lease remains unchanged and in full force and effect.

(l) In the event of any conflict between any provision of this consent and any University policy or any applicable statute, law or regulation, the terms of such University policy, statute, law or regulation shall govern and control.

This consent shall be construed and interpreted in accordance with and governed by the laws of the State of New Mexico.

This consent may not be changed or terminated orally and is binding upon and shall inure to the benefit of Landlord, Collateral Agent, Lenders and Debtor and the heirs, personal representatives, successors and assigns of Landlord, Collateral Agent, Lenders and Debtor.

[Signature Page follows]

Dated this day of , 2013.

LANDLORD:

REGENTS OF THE UNIVERSITY OF NEW MEXICO

By: _____

Name: _____

Title: _____

LENDERS:

CAPITAL ROYALTY PARTNERS II L.P.
By CAPITAL ROYALTY PARTNERS II GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member

CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" L.P.
By CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member

PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II L.P.
By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II GP L.P., its General Partner
By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member

EXAGEN DIAGNOSTICS, INC.

By: _____

Name: Fortunato Ron Rocca

Title: Chief Executive Officer

FORM OF SUBORDINATION AGREEMENT

Exhibit H-1

SUBORDINATION AGREEMENT

This Subordination Agreement (this "***Agreement***") is made as of [ ], 20[ ],among Capital Royalty Partners II L.P., a Delaware limited partnership ("***CRII***"), Capital Royalty Partners II – Parallel Fund "A" L.P., a Delaware limited partnership ("***CRPPFA***"), and Parallel Investment Opportunities Partners II L.P., a Delaware limited partnership ("***Parallel Investment***" and, collectively with CRII, CRPPFA and their successors and assigns, the "***Lenders***"), and [ ], a [ ] [corporation] ("***[Subordinated Lender]***").

Recitals

A. Exagen Diagnostics, Inc., a Delaware corporation ("***Borrower***"), will, as of the date hereof, issue in favor of [Subordinated Lender] the [Subordinated Lender] Note (as defined below).

B. Lenders and Borrower have entered into the Senior Term Loan Agreement (as defined below) and the Senior Term Loan Security Agreement (as defined below) under which Borrower has granted a security interest in the Collateral (as defined below) in favor of Lenders as security for the payment of Borrower's obligations under the Senior Term Loan Agreement.

C. To induce Lenders to make and maintain the credit extensions to Borrower under the Senior Term Loan Agreement, [Subordinated Lender] is willing to subordinate the Subordinated Debt (as defined below) to the Senior Debt (as defined below) on the terms and conditions herein set forth.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Definitions**. As used herein, the following terms have the following meanings:

"***[Subordinated Lender] Note***" means that certain $[ ] [subordinated] [secured] promissory note, dated [ ], 20[ ], issued by the Borrower to [Subordinated Lender], as amended, restated, supplemented or otherwise modified from time to time, but without giving effect to any amendment and/or restatement, supplement, renewal or other modification prohibited by this Agreement.

"***Collateral***" means "Collateral" as defined in the Senior Term Loan Security Agreement.

"***Enforcement Action***" means, with respect to any indebtedness, obligation (contingent or otherwise) or Collateral at any time held by any lender or noteholder, (i) commencing, by judicial or non-judicial means, the enforcement with respect to such indebtedness, obligation or Collateral of any of the default remedies available under any of the applicable agreements or documents of such Lender or noteholder, the UCC or other applicable law (other than the mere issuance of a notice of default), (ii) repossessing, selling, leasing or otherwise disposing of all or any part of such Collateral, or exercising account debtor or obligor notification or collection rights with respect to all or any portion thereof, or attempting or agreeing to do so, or (iii) appropriating, setting off or applying to such lender or noteholder's claim any part or all of such

Collateral or other property in the possession of, or coming into the possession of, such lender or noteholder or its agent, trustee or bailee.

"***Insolvency Event***" means that Borrower shall have applied for, consented to or acquiesced in the appointment of a trustee, receiver or other custodian for it or any of its property, or made a general assignment for the benefit of creditors and, in the absence of such application, consented or acquiesced, permitted or suffer to exist the appointment of a trustee, receiver or other custodian for it or for a substantial part of its property, and such trustee, receiver or other custodian shall not have been discharged within sixty days; or permitted or suffered to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of it, and if any such case or proceeding was not commenced by it, such case or proceeding shall have been consented to or acquiesced in by it or shall have resulted in the entry of an order for relief or shall have remained for sixty (60) days undismissed.

"***Senior Debt***" means the Obligations (as defined in the Senior Term Loan Agreement).

"***Senior Discharge Date***" has the meaning set forth in **Section 3**.

"***Senior Term Loan Agreement***" means that certain Term Loan Agreement, dated as of October 10, 2013, by and among the Borrower and the Lenders, as amended, restated, supplemented or otherwise modified from time to time, but without giving effect to any amendment and/or restatement, supplement, renewal or other modification prohibited by this Agreement.

"***Senior Term Loan Documents***" means, collectively, the Loan Documents (as defined in the Senior Term Loan Agreement), in each case as amended, restated, supplemented or otherwise modified from time to time, but without giving effect to any amendment and/or restatement, supplement, renewal or other modification prohibited by this Agreement.

"***Senior Term Loan Security Agreement***" means that certain Security Agreement, dated as of October 10, 2013, by and among Borrower and the Secured Parties (as defined therein), as amended, restated, supplemented or otherwise modified from time to time, but without giving effect to any amendment and/or restatement, supplement, renewal or other modification prohibited by this Agreement.

"***Subordinated Debt Documents***" means, collectively, the [Subordinated Lender] Note and all loan documents relating thereto and any security documents under which a lien is granted to secure the Subordinated Debt, as amended, restated, supplemented or otherwise modified from time to time, but without giving effect to any amendment and/or restatement, supplement, renewal or other modification prohibited by this Agreement.

"***Subordinated Debt***" means and includes all obligations, liabilities and indebtedness of Borrower owed to [Subordinated Lender], whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, including without limitation, principal, premium (if any), interest, fees, charges, expenses, costs, professional fees and expenses, and reimbursement obligations.

"***UCC***" means the Uniform Commercial Code of any applicable jurisdiction and, if the applicable jurisdiction shall not have any Uniform Commercial Code, the Uniform Commercial Code as in effect in the State of New York.

"***Warrant Obligations***" means the Warrant Obligations (as defined in the Senior Term Loan Agreement.)

2. **Liens**. [[Subordinated Lender] represents and warrants that the Subordinated Debt is unsecured. [Subordinated Lender] agrees that it will not request or accept any security interest in any Collateral to secure the Subordinated Debt.][[Subordinated Lender] represents and warrants that all liens and security interests, if any, that secure the Subordinated Debt, are hereby subordinated to the liens and security interests securing the Obligations (as defined in the Senior Term Loan Agreement), regardless of the time, manner or order of perfection of any such liens and security interests.]

3. **Payment Subordination**. (a) Until all of the Senior Debt (other than the Warrant Obligations or contingent indemnification or reimbursement obligations for which no claim has been made or other obligations which, by their terms, survive termination of the Senior Term Loan Documents) is indefeasibly paid in full in cash and all commitments of Lenders under the Senior Term Loan Documents have been terminated (such date, the "***Senior Discharge Date***"), (a) all payments in respect of the Subordinated Debt are subordinated in right and time of payment to all payments in respect of the Senior Debt, and (b) [Subordinated Lender] will not demand or receive from Borrower (and Borrower will not pay) any part of the Subordinated Debt, whether by payment, prepayment, or otherwise, or accelerate the Subordinated Debt.

(b) [Subordinated Lender] must deliver to Lenders in the form received (except for endorsement or assignment by [Subordinated Lender]) any payment, distribution, security or proceeds it receives on the Subordinated Debt other than according to this Agreement.

4. **Subordination of Remedies**. Until the Senior Discharge Date, [Subordinated Lender] will not accelerate the maturity of all or any portion of the Subordinated Debt, exercise any remedy with respect to the Collateral, or take any other Enforcement Action with respect to the Subordinated Debt.

5. **Insolvency Proceedings**. These provisions remain in full force and effect, despite an Insolvency Event, and Lenders' claims against Borrower and Borrower's estate will be fully paid before any payment is made to [Subordinated Lender].

6. **Release of Liens**. In the event of any private or public sale or other disposition, by or with the consent of Lenders, of all or any portion of the Collateral, [Subordinated Lender] agrees that such sale or disposition shall be free and clear of any liens [Subordinated Lender] may have on such Collateral. [Subordinated Lender] agrees that, in connection with any such sale or other disposition, (i) Lenders are authorized to file any and all UCC and other applicable lien releases and/or terminations in respect of any liens held by [Subordinated Lender] in connection with such a sale or other disposition, and (ii) it shall execute any and all lien releases or other documents reasonably requested by Lenders in connection therewith. In furtherance of the foregoing, [Subordinated Lender] hereby appoints Lenders as its attorney-in-fact, with full

authority in the place and stead of [Subordinated Lender] and full power of substitution and in the name of [Subordinated Lender] or otherwise, to execute and deliver any document or instrument which [Subordinated Lender] is required to deliver pursuant to this **Section 6**, such appointment being coupled with an interest and irrevocable. [Subordinated Lender] agrees that Lenders may release or refrain from enforcing its security interest in any Collateral, or permit the use or consumption of such Collateral by Borrower free of any [Subordinated Lender] security interest, without incurring any liability to [Subordinated Lender].

7. **Attorney-In-Fact**. Until the Senior Discharge Date, [Subordinated Lender] irrevocably appoints Lenders as its attorney-in-fact, with power of attorney with power of substitution, in [Subordinated Lender]'s name or in Lenders' name, for Lenders' use and benefit without notice to [Subordinated Lender], to do the following in any bankruptcy, insolvency or similar proceeding involving Borrower:

(a) file any claims for the Subordinated Debt on behalf of [Subordinated Lender] if [Subordinated Lender] does not do so at least 30 days before the time to file claims expires, and

(b) accept or reject any plan of reorganization or arrangement for [Subordinated Lender] and vote [Subordinated Lender]'s claims in respect of the Subordinated Debt in any way it chooses.

Such power of attorney is irrevocable and coupled with an interest.

8. **Legend; Amendment of Debt**. (a) [Subordinated Lender] will immediately put a legend on the [Subordinated Lender] Note that the [Subordinated Lender] Note is subject to this Agreement.

(b) No amendment of the Subordinated Debt documents will modify this Agreement in any way that terminates or impairs the subordination of the Subordinated Debt or the subordination of any security interest or lien that Lenders have in Borrower's property. No amendment, modification or waiver of any provision of the Subordinated Debt Documents (including any refinancing thereof) shall be made without first obtaining the consent of Lenders, if the effect thereof is to: (i) increase the interest rate on the Subordinated Debt or change (to earlier dates) the dates upon which principal, interest and other sums are due under the [Subordinated Lender] Note; (ii) alter the redemption, prepayment or subordination provisions thereof; (iii) impose on Borrower or any guarantor of the Subordinated Debt any new or additional prepayment charges, premiums, reimbursement obligations, reimbursable costs or expenses, fees or other payment obligations; (iv) alter the representations, warranties, covenants, events of default, remedies and other provisions in a manner which would make such provisions materially more onerous, restrictive or burdensome to Borrower or any guarantor of the Subordinated Debt; or (v) otherwise increase the obligations of Borrower or any guarantor of the Subordinated Debt in respect of the Subordinated Debt or confer additional rights upon [Subordinated Lender], which individually or in the aggregate would be materially adverse to Borrower or any guarantor of the Subordinated Debt or Lenders.

(c) At any time without notice to [Subordinated Lender], Lenders may take such action with respect to the Senior Debt as Lenders, in their sole discretion, may deem appropriate,

including, without limitation, terminating advances, increasing the principal, extending the time of payment, increasing interest rates, renewing, compromising or otherwise amending any documents affecting the Senior Debt and any Collateral securing the Senior Debt, and enforcing or failing to enforce any rights against Borrower or any other person. No action or inaction will impair or otherwise affect Lenders' rights under this Agreement.

9. **Representations and Warranties**. [Subordinated Lender] represents and warrants to Lenders that:

(a) all action on the part of [Subordinated Lender], its officers, directors, partners, members and shareholders, as applicable, necessary for the authorization of this Agreement and the performance of all obligations of [Subordinated Lender] hereunder has been taken;

(b) this Agreement constitutes the legal, valid and binding obligation of [Subordinated Lender], enforceable against [Subordinated Lender] in accordance with its terms;

(c) the execution, delivery and performance of and compliance with this Agreement by [Subordinated Lender] will not (i) result in any material violation or default of any term of any of [Subordinated Lender]'s charter, formation or other organizational documents (such as Articles or Certificate of Incorporation, bylaws, partnership agreement, operating agreement, etc.) or (ii) violate any material applicable law, rule or regulation.

10. **Term; Reinstatement**. This Agreement shall remain effective until the Senior Discharge Date. If, after the Senior Discharge Date, Lenders must disgorge any payments made on the Senior Debt for any reason (including, without limitation, the bankruptcy of Borrower), this Agreement and the relative rights and priorities provided in it, will be reinstated as to all disgorged payments as though the payments had not been made, and [Subordinated Lender] will immediately pay Lenders all payments received under the Subordinated Debt to the extent the payments or retention thereof would have been prohibited under this Agreement.

11. **Successors and Assigns**. This Agreement binds [Subordinated Lender], its successors or assigns, and benefits Lenders' successors or assigns. This Agreement is for [Subordinated Lender]'s and Lenders' benefit and not for the benefit of Borrower or any other party. [Subordinated Lender] shall not sell, assign, pledge, dispose of or otherwise transfer all or any portion of the Subordinated Debt or any related document or any interest in any Collateral therefor unless prior to the consummation of any such action, the transferee thereof shall execute and deliver to Lenders an agreement of such transferee to be bound hereby, or an agreement substantially identical to this Agreement providing for the continued subjection of the Subordinated Debt, the interests of the transferee in the Collateral and the remedies of the transferee with respect thereto as provided herein with respect to [Subordinated Lender] and for the continued effectiveness of all of the other rights of Lenders arising under this Agreement, in each case in form satisfactory to Lenders.

12. **Further Assurances**. [Subordinated Lender] hereby agrees to execute such documents and/or take such further action as Lenders may at any time or times reasonably request in order to carry out the provisions and intent of this Agreement, including, without limitation,

ratifications and confirmations of this Agreement from time to time hereafter, as and when requested by Lenders.

13. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

14. **Governing Law; Waiver of Jury Trial**. (a) This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York, without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction; provided that Section 5-1401 of the New York General Obligations Law shall apply.

(b) EACH PARTY HERETO WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN.

15. **Entire Agreement**. This Agreement represents the entire agreement with respect to the subject matter hereof, and supersedes all prior negotiations, agreements and commitments. Lenders and [Subordinated Lender] are not relying on any representations by the other creditor party or Borrower in entering into this Agreement, and each of Lenders and [Subordinated Lender] has kept and will continue to keep itself fully apprised of the financial and other condition of Borrower. This Agreement may be amended only by written instrument signed by Lenders and [Subordinated Lender].

16. **Legal Fees**. In the event of any legal action to enforce the rights of a party under this Agreement, the party prevailing in such action shall be entitled, in addition to such other relief as may be granted, all reasonable costs and expenses, including reasonable attorneys' fees, incurred in such action.

17. **Severability**. Any provision of this Agreement which is illegal, invalid, prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent such illegality, invalidity, prohibition or unenforceability without invalidating or impairing the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

18. **Notices**. All notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto shall be in writing and shall be delivered or sent by first-class mail, postage prepaid, or by overnight courier or messenger service or by facsimile or electronic mail, message confirmed, and shall be deemed to be effective for purposes of this Agreement on the day that delivery is made or refused. Unless otherwise specified in a notice mailed or delivered in accordance with the foregoing sentence, notices, demands, instructions and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses and facsimile numbers indicated on the signature pages hereto.

19. **Loan Document**. Notwithstanding anything to the contrary in the Senior Term Loan Agreement, the parties agree that this Agreement shall be a "Loan Document" under the Senior Term Loan Agreement.

[Signature pages follow.]

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

[ ]

By _____
Name:
Title:

Address for Notices:

LENDERS:

CAPITAL ROYALTY PARTNERS II L.P.
By CAPITAL ROYALTY PARTNERS II GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member

CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" L.P.
By CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member

PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II L.P.
By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II GP L.P., its General Partner
By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member

Address for Notices:

1000 Main Street, Suite 2500
Houston, TX 77002
Attn: General Counsel
Tel: 713.209.7350
Fax: 713.209.7351

Acknowledged and Agreed to:

BORROWER:
EXAGEN DIAGNOSTICS, INC.

By _____
Name:
Title:

Address for Notices:

FORM OF INTERCREDITOR AGREEMENT

Exhibit I-1

INTERCREDITOR AGREEMENT

This Intercreditor Agreement (this "***Agreement***") is made as of [ ], among Capital Royalty Partners II L.P., a Delaware limited partnership ("***CRII***"), and Capital Royalty Partners II – Parallel Fund "A" L.P., a Delaware limited partnership ("***CRPPF***" and, collectively with CRII, and their successors and assignees, "***CR***"), and [ ], a [ ] ("/ /").

Recitals

A. [ ] and Exagen Diagnostics, Inc., a Delaware corporation ("***Borrower***"), have entered into the [ ] Credit Agreement (as defined below), which, along with any Bank Services Agreements (as defined therein) is secured by certain property of Borrower.

B. CR and Borrower has entered into that certain Term Loan Agreement, dated as of October 10, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the "***CR Credit Agreement***"), which is secured by certain property of one or more Obligors (as defined below).

C. To induce each of [ ] and CR (collectively, "***Creditors***" and each individually, a "***Creditor***") to make and maintain the credit extensions under the [ ] Credit Agreement and the CR Credit Agreement, respectively, the other Creditor is willing to enter into this Agreement to, among other things, subordinate certain of its liens on the terms and conditions herein set forth.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. **Definitions**.

(a) As used herein, the following terms have the following meanings:

"***Bankruptcy Code***" means the federal bankruptcy law of the United States as from time to time in effect, currently as Title 11 of the United States Code. Section references to current sections of the Bankruptcy Code shall refer to comparable sections of any revised version thereof if section numbering is changed.

"***Claim***" means, (i) in the case of [ ], any and all present and future "claims" (used in its broadest sense, as contemplated by and defined in Section 101(5) of the Bankruptcy Code, but without regard to whether such claim would be disallowed under the Bankruptcy Code) of [ ] now or hereafter arising or existing under or relating to the [ ] Documents, whether joint, several, or joint and several, whether fixed or indeterminate, due or not yet due, contingent or non-contingent, matured or unmatured, liquidated or unliquidated, or disputed or undisputed, whether under a guaranty or a letter of credit, and whether arising under contract, in tort, by law, or otherwise, any interest or fees thereon (including interest or fees that accrue after the filing of a petition by or against Borrower under the Bankruptcy Code, irrespective of whether allowable under the Bankruptcy Code), any costs of Enforcement Actions, including reasonable attorneys' fees and costs, and any prepayment or termination, and (ii) in the case of CR, any and all present and future "claims" (used in its broadest sense, as contemplated by and defined in Section 101(5)

of the Bankruptcy Code, but without regard to whether such claim would be disallowed under the Bankruptcy Code) of CR now or hereafter arising or existing under or relating to the CR Documents, whether joint, several, or joint and several, whether fixed or indeterminate, due or not yet due, contingent or non-contingent, matured or unmatured, liquidated or unliquidated, or disputed or undisputed, whether under a guaranty or a letter of credit, and whether arising under contract, in tort, by law, or otherwise, any interest or fees thereon (including interest or fees that accrue after the filing of a petition by or against Borrower under the Bankruptcy Code, irrespective of whether allowable under the Bankruptcy Code), any costs of Enforcement Actions, including reasonable attorneys' fees and costs, and any prepayment or termination.

"***Collateral***" means all real or personal property of any Obligor in which any Creditor now or hereafter has a security interest.

"***Common Collateral***" means all Collateral in which both [ ] and CR have a security interest.

"***CR Documents***" means all documentation related to the CR Credit Agreement and all Loan Documents (as defined in the CR Credit Agreement), including security or pledge agreements and all other related agreements.

"***CR Senior Collateral***" means all Collateral in which CR has a security interest, other than the [ ] Senior Collateral.

"***Credit Documents***" means, collectively, the CR Documents and the [ ] Documents.

"***Enforcement Action***" means, with respect to any Creditor and with respect to any Claim of such Creditor or any item of Collateral in which such Creditor has or claims a security interest, lien, or right of offset, any action, whether judicial or nonjudicial, to repossess, collect, offset, recoup, give notification to third parties with respect to, sell, dispose of, foreclose upon, give notice of sale, disposition, or foreclosure with respect to, or obtain equitable or injunctive relief with respect to, such Claim or Collateral. The filing by any Creditor of, or the joining in the filing by any Creditor of, an involuntary bankruptcy or insolvency proceeding against Borrower also is an Enforcement Action.

"***Intellectual Property***" means, collectively, all copyrights, copyright registrations and applications for copyright registrations, including all renewals and extensions thereof, all rights to recover for past, present or future infringements thereof and all other rights whatsoever accruing thereunder or pertaining thereto (collectively, "***Copyrights***"), all patents and patent applications, including the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations in part thereof, all damages and payments for past or future infringements thereof and rights to sue therefor, and all rights corresponding thereto throughout the world and all income, royalties, damages and payments now or hereafter due and/or payable under or with respect thereto (collectively, "***Patents***"), and all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including all renewals of trademark and service mark registrations, all rights to recover for all past, present and future infringements thereof and all rights to sue therefor, and all rights corresponding

thereto throughout the world (collectively, "***Trademarks***"), together, in each case, with the product lines and goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark, together with (a) all inventions, processes, production methods, proprietary information, know-how and trade secrets; (b) all licenses or user or other agreements granted to any Obligor with respect to any of the foregoing, in each case whether now or hereafter owned or used; (c) all information, customer lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, recorded knowledge, surveys, engineering reports, test reports, manuals, materials standards, processing standards, performance standards, catalogs, computer and automatic machinery software and programs; (d) all field repair data, sales data and other information relating to sales or service of products now or hereafter manufactured; (e) all accounting information and all media in which or on which any information or knowledge or data or records may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data; (f) all licenses, consents, permits, variances, certifications and approvals of governmental agencies now or hereafter held by any Obligor; and (g) all causes of action, claims and warranties now or hereafter owned or acquired by any Obligor in respect of any of the items listed above.

"***Junior Collateral***" means, (i) in the case of [ ], all Common Collateral consisting of CR Senior Collateral and (ii) in the case of CR, all Common Collateral consisting of [ ] Senior Collateral.

"***Obligor***" means Borrower, each subsidiary thereof and each other person or entity that provides a guaranty of, or collateral for, any Claim of any Creditor.

"***Proceeds Sweep Period***" means the period beginning on the later to occur of (i) the occurrence of an event of default under any Creditor's Credit Documents and (ii) receipt by the other Creditor of written notice from such Creditor of such event of default, and ending on the date on which such event of default shall have been waived in writing by the Creditor issuing such notice.

"***Senior Collateral***" means, (i) in the case of [ ], all [ ] Senior Collateral and (ii) in the case of CR, all CR Senior Collateral.

"***[ ] Credit Agreement***" means that certain Amended and Restated Loan and Security Agreement between [ ] and Borrower dated as of January 14, 2013 as the same may be amended, restated, supplemented or otherwise modified from time to time.

"***[ ] Documents***" means the [ ] Credit Agreement and all Loan Documents, each as defined in the [ ] Credit Agreement.

"***[ ] Senior Collateral***" means all Collateral in which [ ] has a security interest, and which consists of: (A) prior to the occurrence of the Second Borrowing Milestone (as defined in the CR Credit Agreement), all (i) accounts, (ii) to the extent evidencing, governing, securing or otherwise related to such accounts, all general intangibles (excluding Intellectual Property), chattel paper, instruments and documents, and (iii) proceeds of such accounts or proceeds of insurance policies thereof; and (B) after the occurrence of the Second Borrowing Milestone (as

defined in the CR Credit Agreement as in effect on the date hereof) and the amendment of the [ ] Credit Agreement by [ ] and Borrower thereafter, all (i) cash and cash equivalents, (ii) accounts, (iii) inventory, (iv) to the extent evidencing, governing, securing or otherwise related to such accounts and inventory, all general intangibles (excluding Intellectual Property), chattel paper, instruments and documents, and (v) proceeds of such accounts and inventory or proceeds of insurance policies thereof;

provided that, for purposes of clarification, notwithstanding the foregoing, in no event shall "[ ] Senior Collateral" include (i) any right, title or interest of any Obligor in any Intellectual Property, any licenses or any proceeds of the sale or licensing of any Intellectual Property or licenses (except to the extent such property constitutes accounts), (ii) equipment, (iii) to the extent evidencing, governing, securing or otherwise related to such equipment, all general intangibles, chattel paper, instruments and documents, or (iv) proceeds of such equipment or proceeds of insurance policies thereof.

"***UCC***" means the Uniform Commercial Code of any applicable jurisdiction and, if the applicable jurisdiction shall not have any Uniform Commercial Code, the Uniform Commercial Code as in effect in the State of California. The following terms have the meanings given to them in the applicable UCC: "account", "chattel paper", "commodity account", "deposit account", "document", "equipment", "general intangible", "instrument", "inventory", "proceeds" and "securities account".

2. **Lien Subordination**.

(a) Notwithstanding the respective dates of attachment or perfection of the security interests of CR and the security interests of [ ], or any contrary provision of the UCC, or any applicable law or decision, or the provisions of the Credit Documents, and irrespective of whether [ ] or CR holds possession of all or any part of the Collateral, (i) all now existing and hereafter arising security interests of [ ] in any [ ] Senior Collateral shall at all times be senior to the security interests of CR in such [ ] Senior Collateral, and (ii) all now existing and hereafter arising security interests of CR in any CR Senior Collateral shall at all times be senior to the security interests of [ ] in such CR Senior Collateral.

(b) Each Creditor hereby:

(i) acknowledges and consents to (A) Borrower granting to the other Creditor a security interest in the Common Collateral of such other Creditor, (B) the other Creditor filing any and all financing statements and other documents as deemed necessary by the other Creditor in order to perfect its security interest in its Common Collateral, and (C) Borrower's entry into the Credit Documents to which the other Creditor is a party;

(ii) acknowledges and agrees that the other Creditor's Claims, the Borrower's entry into the Credit Documents with the other Creditor, and the security interests in the Common Collateral granted by Borrower to the other Creditor shall be permitted under such Creditor's Credit Documents, notwithstanding any provision of such Creditor's Credit Documents to the contrary; and

(iii) acknowledges, agrees and covenants, notwithstanding **Section 2(c)**, that it shall not contest, challenge or dispute the validity, attachment, perfection, priority or enforceability of the other Creditor's security interest in the Common Collateral, or the validity, priority or enforceability of the other Creditor's Claim.

(c) Subject to **Section 2(b)(iii)**, the priorities provided for herein with respect to security interests and liens are applicable only to the extent that such security interests and liens are enforceable, perfected and have not been avoided; if a security interest or lien is judicially determined to be unenforceable or unperfected or is judicially avoided with respect to one or more Claims or any part thereof, the priorities provided for herein shall not be available to such security interest or lien to the extent that it is avoided or determined to be unenforceable. Nothing in this **Section 2(c)** affects the operation of any turnover of payment provisions hereof, or of any other agreements among any of the parties hereto.

3. **Distribution of Proceeds of Common Collateral**.

(a) During each Proceeds Sweep Period, all proceeds including proceeds of any sale, exchange, collection, or other disposition of:

(i) [ ] Senior Collateral shall be distributed first, to [ ], in an amount up to the amount of [ ]'s Claim; then, to CR, in an amount up to the amount of CR's Claim;

(ii) CR Senior Collateral shall be distributed first, to CR, in an amount up to the amount of CR's Claim; then, to [ ], in an amount up to the amount of [ ]'s Claim.

(b) Each Creditor shall promptly deliver any payment, distribution, security or proceeds received by it during each Proceeds Sweep Period in respect of its Junior Collateral to the other Creditor, in the form received (except for endorsement or assignment) for application to the other Creditor's Claims in accordance with **Section 3(a)**.

(c) At all times other than during a Proceeds Sweep Period, all proceeds including proceeds of any sale, exchange, collection, or other disposition of Collateral shall be distributed or applied, as applicable, in accordance with the CR Documents and the [ ] Documents.

4. **Subordination of Remedies**. Each Creditor (for purposes of this **Section 4**, the "***Junior Creditor***") agrees that, (i) unless and until all Claims of the other Creditor (for purposes of this **Section 4**, the "***Senior Creditor***") have been indefeasibly paid in full and all commitments of the Senior Creditor under its Credit Documents have been terminated, or (ii) until the expiration of a period of 180 days from the date of notice of default under the Senior Creditor's Credit Documents given by the Senior Creditor to the Junior Creditor, whichever is earlier, and whether or not any Insolvency Proceeding has been commenced by or against Borrower, the Junior Creditor shall not, without the prior written consent of the Senior Creditor, enforce, or attempt to enforce, any rights or remedies under or with respect to any of such Junior Creditor's Junior Collateral, including causing or compelling the pledge or delivery of Junior Collateral, any attachment of, levy upon, execution against, foreclosure upon or the taking of other action against or institution of other proceedings with respect to any Junior Collateral, notifying any account debtors of Borrower, asserting any claim or interest in any insurance with respect to the Junior Collateral, or exercising any rights under any lockbox agreement, account control

agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the Junior Creditor is a party, or institute or commence, or join with any person or entity in commencing, any action or proceeding with respect to such rights or remedies (including any action of foreclosure, enforcement, collection or execution and any Insolvency Proceeding involving Borrower), except that notwithstanding the foregoing, at all times, including during a Proceeds Sweep Period, the Junior Creditor shall be able to exercise its rights under a lockbox agreement or an account control agreement with respect to any deposit account, securities account or commodity account constituting Collateral, including its rights to freeze such account or exercise any rights of offset, provided that any distribution or withdrawal from such account shall be applied in accordance with **Section 3(a)**.

5. **Insolvency Proceedings**. In the event of Borrower's insolvency, reorganization or any case or proceeding under any bankruptcy or insolvency law or laws relating to the relief of debtors, including, without limitation, any voluntary or involuntary bankruptcy, insolvency, receivership or other similar statutory or common law proceeding or arrangement involving Borrower, the readjustment of its liabilities, any assignment for the benefit of its creditors or any marshalling of its assets or liabilities (each, an "***Insolvency Proceeding***"), (a) this Agreement shall remain in full force and effect in accordance with Section 510(a) of the United States Bankruptcy Code, (b) the Collateral shall include, without limitation, all Collateral arising during or after any such Insolvency Proceeding.

6. **Limitation on Liens**. Each Creditor agrees that it shall not obtain a security interest on any property of any Obligor to secure all or any portion of such Creditor's Claims unless, concurrently therewith, the other Creditor obtains a security interest on such property and the Creditors agree that all such security interests are and shall be subject to this Agreement.

7. **Notice of Default**. Each Creditor shall give to the other prompt written notice of the occurrence of any default or event of default (which has not been promptly waived or cured) under any of such Creditor's Credit Documents (and any subsequent cure or waiver thereof) and shall, simultaneously with giving any notice of default or acceleration to Borrower, provide to the other Creditor a copy of such notice of default. CR acknowledges and agrees that any event of default under the CR Documents shall be deemed to be an event of default under the [ ] Documents, and [ ] acknowledges and agrees that any event of default under the [ ] Documents shall be deemed to be an event of default under the CR Documents.

8. **Release of Liens**. In the event of any private or public sale or other disposition, by or with the consent of any Creditor (for purposes of this **Section 8**, the "***Senior Creditor***"), of all or any portion of such Creditor's Senior Collateral, the other Creditor (for purposes of this **Section 8**, the "***Junior Creditor***") agrees that such sale or disposition shall be free and clear of such Junior Creditor's liens, provided that such sale or disposition is made in accordance with the UCC. The Junior Creditor agrees that, in connection with any such sale or other disposition, (i) the Senior Creditor is authorized to file any and all UCC and other applicable lien releases and/or terminations in respect of the liens held by the Junior Creditor in connection with such a sale or other disposition, and (ii) it shall execute any and all lien releases or other documents reasonably requested by the Senior Creditor in connection therewith.

9. **Agent for Perfection**.

(a) [ ] acknowledges that applicable provisions of the UCC may require, in order to properly perfect CR's security interest in the Common Collateral securing the CR Claims, that CR possess certain of such Common Collateral, and may require the execution of control agreements in favor of CR concerning such Common Collateral. In order to help ensure that CR's security interest in such Common Collateral is properly perfected (but subject to and without waiving the other provisions of this Agreement), [ ] agrees to hold both for itself and, solely for the purposes of perfection and without incurring any duties or obligations to CR as a result thereof or with respect thereto, for the benefit of CR, any such Common Collateral, and agrees that CR's lien in such Common Collateral shall be deemed perfected in accordance with applicable law.

(b) CR acknowledges that applicable provisions of the UCC may require, in order to properly perfect [ ]'s security interest in the Common Collateral securing the [ ] Claims, that [ ] possess certain of such Common Collateral, and may require the execution of control agreements in favor of [ ] concerning such Common Collateral. In order to help ensure that [ ]'s security interest in such Common Collateral is properly perfected (but subject to and without waiving the other provisions of this Agreement), CR agrees to hold both for itself and, solely for the purposes of perfection and without incurring any additional duties or obligations to [ ] as a result thereof or with respect thereto, for the benefit of [ ], any such Common Collateral, and agrees that [ ]'s lien in such Common Collateral shall be deemed perfected in accordance with applicable law.

10. **Credit Documents**.

(a) Each Creditor represents and warrants that it has provided to the other true, correct and complete copies of all Credit Documents which relate to its credit agreement.

(b) At any time and from time to time, without notice to the other Creditor, each Creditor may take such actions with respect to its Claims as such Creditor, in its sole discretion, may deem appropriate, including, without limitation, terminating advances to Borrower, increasing the principal amount, extending the time of payment, increasing applicable interest to the default rate, renewing, compromising or otherwise amending the terms of any documents affecting its Claims and any Collateral therefor, and enforcing or failing to enforce any rights against Borrower or any other person. No such action or inaction shall impair or otherwise affect such Creditor's rights hereunder. Each Creditor waives any benefits of California Civil Code Sections 2809, 2810, 2819, 2845, 2847, 2848, 2849, 2850, 2899 and 3433. Each Creditor waives the benefits, if any, of any statutory or common law rule that may permit a subordinating creditor to assert any defenses of a surety or guarantor, or that may give the subordinating creditor the right to require a senior creditor to marshal assets, and each Creditor agrees that it shall not assert any such defenses or rights.

(c) Each Creditor agrees that any other Creditor may release or refrain from enforcing its security interest in the Collateral, or permit the use or consumption of such Collateral by Borrower free of the other Creditor's security interest, without incurring any liability to any other Creditor.

11. **Waiver of Right to Require Marshaling**. Each Creditor hereby expressly waives any right that it otherwise might have to require any other Creditor to marshal assets or to resort to Collateral in any particular order or manner, whether provided for by common law or statute. No Creditor shall be required to enforce any guaranty or any security interest or lien given by any person or entity as a condition precedent or concurrent to the taking of any Enforcement Action with respect to the Collateral.

12. **Representations and Warranties**. Each Creditor represents and warrants to the other that:

(a) all action on the part of such Creditor, its officers, directors, partners, members and shareholders, as applicable, necessary for the authorization of this Agreement and the performance of all obligations of such Creditor hereunder has been taken;

(b) this Agreement constitutes the legal, valid and binding obligation of such Creditor, enforceable against such Creditor in accordance with its terms;

(c) the execution, delivery and performance of and compliance with this Agreement by such Creditor will not (i) result in any material violation or default of any term of any of such Creditor's charter, formation or other organizational documents (such as Articles or Certificate of Incorporation, bylaws, partnership agreement, operating agreement, etc.) or (ii) violate any material applicable law, rule or regulation.

13. **Disgorgement**.

(a) If, at any time after payment in full of the [ ] Claims any payments of the [ ] Claims must be disgorged by [ ] for any reason (including, without limitation, any Insolvency Proceeding), this Agreement and the relative rights and priorities set forth herein shall be reinstated as to all such disgorged payments as though such payments had not been made and CR shall immediately pay over to [ ] all money or funds received or retained by CR with respect to the CR Claims to the extent that such receipt or retention would have been prohibited hereunder.

(b) If, at any time after payment in full of the CR Claims any payments of the CR Claims must be disgorged by CR for any reason (including, without limitation, any Insolvency Proceeding), this Agreement and the relative rights and priorities set forth herein shall be reinstated as to all such disgorged payments as though such payments had not been made and [ ] shall immediately pay over to CR all money or funds received or retained by [ ] with respect to the [ ] Claims to the extent that such receipt or retention would have been prohibited hereunder.

14. **Successors and Assigns**. This Agreement shall bind any successors or assignees of each Creditor. This Agreement shall remain effective until all Claims are indefeasibly paid or otherwise satisfied in full and Creditors have no commitment to extend credit under the Credit Documents. This Agreement is solely for the benefit of the Creditors and not for the benefit of Borrower, any Obligor or any other party. Each Creditor shall not sell, assign, pledge, dispose of or otherwise transfer all or any portion of its Claims or any of its Credit Documents or any interest in any Common Collateral unless prior to the consummation of any such action, the

transferee thereof shall execute and deliver to the other Creditor an agreement of such transferee to be bound hereby, or an agreement substantially identical to this Agreement providing for the continued subjection of such Claims, the interests of the transferee in the Collateral and the remedies of the transferee with respect thereto as provided herein with respect to the transferring Creditor and for the continued effectiveness of all of the other rights of the other Creditor arising under this Agreement, in each case in form satisfactory to the other Creditor.

15. **Further Assurances**. Each Creditor hereby agrees to execute such documents and/or take such further action as the other Creditor may at any time or times reasonably request in order to carry out the provisions and intent of this Agreement, including, without limitation, ratifications and confirmations of this Agreement from time to time hereafter, as and when requested by the other Creditor.

16. **Counterparts**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

17. **Governing Law; Waiver of Jury Trial**.

(a) This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of California without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction.

(b) EACH CREDITOR WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN.

18. **Entire Agreement**. This Agreement represents the entire agreement with respect to the subject matter hereof, and supersedes all prior negotiations, agreements and commitments. Each Creditor is not relying on any representations by the other Creditor or Borrower in entering into this Agreement, and each Creditor has kept and will continue to keep itself fully apprised of the financial and other condition of Borrower. This Agreement may be amended only by written instrument signed by the Creditors.

19. **Relationship among Creditors**. The relationship among the Creditors is, and at all times shall remain solely that of Creditors. Creditors shall not under any circumstances be construed to be partners or joint venturers of one another; nor shall the Creditors under any circumstances be deemed to be in a relationship of confidence or trust or a fiduciary relationship with one another, or to owe any fiduciary duty to one another. Creditors do not undertake or assume any responsibility or duty to one another to select, review, inspect, supervise, pass judgment upon or otherwise inform each other of any matter in connection with Borrower’s property, any Collateral held by any Creditor or the operations of Borrower. Each Creditor shall rely entirely on its own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by any Creditor in connection with such matters is solely for the protection of such Creditor.

20. **Credit Agreements**. Notwithstanding anything to the contrary in the CR Credit Agreement, the parties agree that (i) this Agreement shall be a “Loan Document” under the CR

Credit Agreement, and (ii) indebtedness of the Borrower under the [ ] Credit Agreement shall be "Permitted Priority Debt" under the CR Credit Agreement. Notwithstanding anything to the contrary in the [ ] Credit Agreement, the parties agree that (i) this Agreement shall be a "Loan Document" under the [ ] Credit Agreement, and (ii) indebtedness of the Borrower under the CR Credit Agreement shall be "Permitted Indebtedness" under the [ ] Credit Agreement.

21. **Severability**. Any provision of this Agreement which is illegal, invalid, prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent such illegality, invalidity, prohibition or unenforceability without invalidating or impairing the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

22. **Notices**. All notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto shall be in writing and shall be delivered or sent by first-class mail, postage prepaid, or by overnight courier or messenger service or by facsimile, message confirmed, and shall be deemed to be effective for purposes of this Agreement on the day that delivery is made or refused. Unless otherwise specified in a notice mailed or delivered in accordance with the foregoing sentence, notices, demands, instructions and other communications in writing shall be given to or made upon the respective parties hereto at their respective addresses and facsimile numbers indicated on the signature pages hereto.

[Signature pages follow.]

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

[ ]:

[ ]

By _____
Name: [ ]
Title: [ ]

Address for Notices:

[ ]
[ ]
[ ]
Tel: [ ]
Email: [ ]

CR:

CAPITAL ROYALTY PARTNERS II L.P.
By CAPITAL ROYALTY PARTNERS II GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member

CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" L.P.
By CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member

Address for Notices:

1000 Main Street, Suite 2500
Houston, TX 77002
Attn: General Counsel
Tel: 713.209.7350
Fax: 713.209.7351
Email: adorenbaum@capitalroyalty.com

Acknowledged and Agreed to:

BORROWER:

EXAGEN DIAGNOSTICS, INC.

By: _____
Name: [ ]
Title: [ ]

Address for Notices:

[ ]
[ ]
Attn: [ ]
Tel.: [ ]
Fax: [ ]
Email: [ ]

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of October 10, 2013, (as it may be amended, restated, supplemented or otherwise modified from time to time) among EXAGEN DIAGNOSTICS, INC., a Delaware corporation ("***Borrower***"; collectively with each entity that becomes a "***Grantor***" hereunder as contemplated by **Section 5.12**, the "***Grantors***" and each, a "***Grantor***"), CAPITAL ROYALTY PARTNERS II L.P, CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" L.P., and PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II L.P. (together, the "***Secured Parties***" and each, a "***Secured Party***") and CAPITAL ROYALTY PARTNERS II L.P., as Control Agent for the Secured Parties (the "***Control Agent***").

The Secured Parties have agreed to provide term loans to Borrower as provided in the Loan Agreement (as defined below).

Each Grantor (other than Borrower) shall guarantee the obligations of Borrower to the Secured Parties under the Loan Agreement.

To induce the Secured Parties to extend credit under the Loan Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor has agreed to grant a security interest in the Collateral (as defined below) of such Grantor as security for the Secured Obligations (as defined below).

Accordingly, the parties hereto agree as follows:

Section 1. Definitions, Etc.

1.01 Certain Uniform Commercial Code Terms. As used herein, the terms "***Accession***", "***Account***", "***As-Extracted Collateral***", "***Chattel Paper***", "***Commodity Account***", "***Commodity Contract***", "***Deposit Account***", "***Document***", "***Electronic Chattel Paper***", "***Equipment***", "***Fixture***", "***General Intangible***", "***Goods***", "***Instrument***", "***Inventory***", "***Investment Property***", "***Letter-of-Credit Right***", "***Proceeds***" and "***Promissory Note***" have the respective meanings set forth in Article 9 of the NYUCC, and the terms "***Certificated Security***", "***Entitlement Holder***", "***Financial Asset***", "***Securities Account***", "***Security***", "***Security Entitlement***" and "***Uncertificated Security***" have the respective meanings set forth in Article 8 of the NYUCC.

1.02 Additional Definitions. In addition, as used herein:

"***Collateral***" has the meaning assigned to such term in **Section 3.01**.

"***Control Agent***" has the meaning assigned to such term in **Section 5.13**.

"***Controlled Foreign Corporation***" means a "controlled foreign corporation" as defined in the Code.

"***Copyrights***" means all copyrights, copyright registrations and applications for copyright registrations, including all renewals and extensions thereof, all rights to recover for past, present or future infringements thereof and all other rights whatsoever accruing thereunder or pertaining thereto.

"***Excluded Asset***" means:

(a) any Trademark that would be rendered invalid, abandoned, void or unenforceable by reason of its being included as part of the Collateral; and

(b) to the extent any property is excluded from the Collateral solely by operation of **Section 3.02**, such property.

"***Initial Pledged Shares***" means the Shares of each Issuer beneficially owned by any Grantor on the date hereof and identified in **Annex 2**.

"***Issuers***" means, collectively, (a) the respective Persons identified on **Annex 2** under the caption "Issuer", (b) any other Person that shall at any time be a Subsidiary of any Grantor, and (c) the issuer of any equity securities hereafter owned by any Grantor.

"***Joinder***" has the meaning specified in **Section 5.12**.

"***Loan Agreement***" means that certain Term Loan Agreement, dated as of the date hereof, among Borrower, the Subsidiary Guarantors and the Secured Parties, as such agreement is amended, supplemented, restated, extended, renewed, or replaced from time to time.

"***Motor Vehicles***" means motor vehicles, tractors, trailers and other like property, if the title thereto is governed by a certificate of title or ownership.

"***NYUCC***" means the Uniform Commercial Code as in effect from time to time in the State of New York.

"***Patents***" means all patents and patent applications, including the inventions and improvements described and claimed therein together with the reissues, divisions, continuations, renewals, extensions and continuations in part thereof, all income, royalties, damages and payments now or hereafter due and/or payable with respect thereto, all damages and payments for past or future infringements thereof and rights to sue therefor, and all rights corresponding thereto throughout the world.

"***Pledged Property***" means the Deposit Accounts, the Pledged Shares, the Securities Accounts, the Commodity Accounts and all or any part of any other present or future interests of any Grantors in Investment Property, including all of the present or future Security Entitlements of such Grantor as Entitlement Holders in respect of such Security Entitlements, all of the present or future Commodity Contracts of such Grantor as commodity customers in respect of such Commodity Contracts, all credit balances relating to such property, all other rights and benefits accruing to or arising in connection with such property, and all Proceeds of such property.

"***Pledged Shares***" means, collectively, (i) the Initial Pledged Shares and (ii) all other Shares of any Issuer now or hereafter owned by any Grantor, together in each case with (a) all certificates representing the same, (b) all shares, securities, moneys or other property representing a dividend on or a distribution or return of capital on or in respect of the Pledged Shares, or resulting from a split-up, revision, reclassification or other like change of the Pledged Shares or otherwise received in exchange therefor, and any warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Shares, and (c) without prejudice to any provision of any of the Loan Documents prohibiting any merger or consolidation by an Issuer, all Shares of any successor entity of any such merger or consolidation.

"***Secured Obligations***" means, with respect to each Grantor, the Obligations of such Grantor.

"***Secured Parties***" means each of the Persons listed on the signature pages hereto as "Secured Party" and their successors and assigns as Lenders under the Loan Agreement.

"***Secured Parties Representative***" has the meaning specified in **Section 4.05**.

"***Shares***" means shares of capital stock of a corporation, limited liability company interests, partnership interests and other ownership or equity interests of any class in any Person.

"***Trademarks***" means all trade names, trademarks and service marks, logos, trademark and service mark registrations, and applications for trademark and service mark registrations, including all renewals of trademark and service mark registrations, all rights to recover for all past, present and future infringements thereof and all rights to sue therefor, and all rights corresponding thereto throughout the world, and in each case, the goodwill of the business connected with the use of, and symbolized by, each such trade name, trademark and service mark.

1.03 Other Defined Terms. All other capitalized terms used and not defined herein have the meanings ascribed to them in the Loan Agreement. References to agreements (including this Agreement) or other contractual obligations shall, unless otherwise specified, be deemed to refer to such agreements or contractual obligations as amended, supplemented, restated, amended and restated or otherwise modified from time to time to the extent not prohibited herein.

Section 2. Representations and Warranties. Each Grantor represents and warrants to the Secured Parties that:

2.01 Title.

(a) Such Grantor is the sole beneficial owner of its Collateral and no lien exists upon such Collateral (and no right or option to acquire the same exists in favor of any other Person) other than (a) the security interest created or provided for herein and (b) Permitted Liens.

(b) Subject to Permitted Liens, the security interest created or provided for herein constitutes a valid first priority, and to the extent the security interest in the Collateral may

be perfected in any manner described in clauses (i) through (iv) below, perfected lien on such Collateral subject, for the following Collateral, to the occurrence of the following: (i) in the case of Collateral in which a security interest may be perfected by filing a financing statement under the UCC, the filing of a UCC financing statement naming such Grantor as debtor, the Secured Parties as secured parties, and listing all personal property as Collateral (which has been delivered to the Control Agent in completed and duly authorized form), (ii) with respect to any Deposit Account, Securities Account or Commodity Account, the execution of agreements among such Grantor, the applicable financial institution and the Control Agent, effective to grant "control" (as defined in the UCC) over such Deposit Account, Securities Account or Commodity Account to the Control Agent, (iii) with respect to any Intellectual Property that does not qualify under clause (i) above, the filing of this Security Agreement or a short-form security agreement properly evidencing this Security Agreement with the applicable Intellectual Property office of the applicable government for such Intellectual Property, and (iv) in the case of all certificated Shares, the delivery thereof to the Control Agent properly endorsed for transfer to the Control Agent or in blank.

2.02 Names, Etc. The full and correct legal name, type of organization, jurisdiction of organization, organizational ID number (if applicable) and mailing address of such Grantor as of the date hereof are correctly set forth in **Annex 1**. **Annex 1** correctly specifies the place of business of such Grantor or, if such Grantor has more than one place of business, the location of the chief executive office of such Grantor.

2.03 Changes in Circumstances. Such Grantor has not (a) within the period of four months prior to the date hereof, changed its location (as defined in Section 9-307 of the NYUCC), or (b) except as specified in **Annex 1**, heretofore changed its name.

2.04 Pledged Shares.

(a) The Initial Pledged Shares constitute (a) 100% of the issued and outstanding Shares of each Issuer (other than a Controlled Foreign Corporation) beneficially owned by such Grantor on the date hereof (other than any Shares held in a Securities Account referred to in **Annex 7**), whether or not registered in the name of such Grantor and (b) in the case of each Issuer that is a Controlled Foreign Corporation, (i) 65% of the issued and outstanding shares of voting stock of such Issuer and (ii) 100% of all other issued and outstanding shares of capital stock of whatever class of such Issuer beneficially owned by such Grantor on the date hereof, in each case whether or not registered in the name of such Grantor. **Annex 2** correctly identifies, as at the date hereof, the respective Issuers of the Initial Pledged Shares and (in the case of any corporate Issuer) the respective class and par value of such Shares and the respective number of such Shares (and registered owner thereof) represented by each such certificate.

(b) The Initial Pledged Shares are, and all other Pledged Shares that in the future will constitute Collateral will be, (i) duly authorized, validly existing, fully paid and nonassessable (in the case of any Shares issued by a corporation) and (ii) duly issued and outstanding (in the case of any equity interest in any other entity), and none of such Pledged Shares are or will be subject to any contractual restriction, or any restriction under the charter, bylaws, partnership agreement or other organizational instrument of the respective Issuer thereof, prohibiting the transfer of such Pledged Shares (except for any such restriction contained herein

or in the Loan Documents, Permitted Restrictive Agreements or as otherwise permitted in the Loan Documents).

2.05 Promissory Notes. Annex 3 sets forth a complete and correct list of all Promissory Notes (other than any held in a Securities Account referred to in **Annex 7**) held by such Grantor on the date hereof.

2.06 Intellectual Property. Annexes 4, 5 and 6, respectively, set forth a complete and correct list of all (a) applied for or registered Copyrights, (b) applied for or registered Patents, including the jurisdiction and patent number, and (c) applied for or registered Trademarks, including the jurisdiction, trademark application or registration number and the application or registration date, and trade names, owned or exclusively licensed by such Grantor on the date hereof (or, in the case of any supplement to said Annexes 4, 5 and 6, effecting a pledge thereof, as of the date of such supplement).

2.07 Deposit Accounts, Securities Accounts and Commodity Accounts. **Annex 7** sets forth a complete and correct list of all Deposit Accounts, Securities Accounts and Commodity Accounts of such Grantor on the date hereof.

2.08 Commercial Tort Claims. **Annex 8** sets forth a complete and correct list of all commercial tort claims of such Grantor in existence on the date hereof.

2.09 Each of **Annexes 1**, **2**, **3**, **4**, **5**, **6**, **7**, and **8** shall be updated by Borrower prior to each Borrowing Date to insure the continued accuracy of such Annexes as of such Borrowing Date, by Borrower providing to the Lenders, in writing (including by electronic means), a revised version of such Annex in accordance with the provisions of **Section 12.02** of the Loan Agreement. Each such updated Annex shall be effective immediately upon the receipt thereof by the Lenders.

Section 3. Collateral.

3.01 Granting Clause. As collateral security for the payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, each Grantor hereby pledges and grants to the Secured Parties, as hereinafter provided a security interest in all of such Grantor's right, title and interest in, to and under all of its property, in each case whether tangible or intangible, wherever located, and whether now owned by such Grantor or hereafter acquired and whether now existing or hereafter coming into existence, including without limitation all of the following but excluding all Excluded Assets (collectively, "***Collateral***"):

(a) all Accounts:

(b) all As-Extracted Collateral;

(c) all Chattel Paper;

(d) all Deposit Accounts;

(e) all Documents;

(f) all Equipment;

(g) all Fixtures;

(h) all General Intangibles;

(i) all Goods not covered by the other clauses of this **Section 3**;

(j) the Pledged Shares;

(k) all Instruments, including all Promissory Notes;

(l) all Intellectual Property;

(m) all Inventory;

(n) all Investment Property not covered by other clauses of this **Section 3**, including all Securities, all Securities Accounts and all Security Entitlements with respect thereto and Financial Assets carried therein, and all Commodity Accounts and Commodity Contracts;

(o) all Letter-of-Credit Rights;

(p) all commercial tort claims, as defined in Section 9-102(a)(13) of the NYUCC, arising out of the events described in **Annex 8**;

(q) all other tangible and intangible personal property whatsoever of such Grantor; and

(r) all Proceeds of any of the Collateral, all Accessions to and substitutions and replacements for, any of the Collateral, and all offspring, rents, profits and products of any of the Collateral, and, to the extent related to any Collateral, all books, correspondence, credit files, records, invoices and other papers (including all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Grantor or any computer bureau or service company from time to time acting for such Grantor);

provided, however, that, nothing set forth in this **Section 3.01** or any other provision of this Agreement or any other Loan Document shall at any time constitute the grant of a security interest in, or a Lien on, any Excluded Asset.

3.02 Controlled Foreign Corporations; Certain Leases and Licenses. Notwithstanding anything herein to the contrary, in no event shall the Collateral include, and each Grantor shall not be deemed to have granted a security interest in, any of such Grantor's right, title or interest in:

(a) any of the outstanding voting capital stock or other ownership interests of a Controlled Foreign Corporation in excess of 65% of the voting power of all classes of capital stock or other ownership interests of such Controlled Foreign Corporation entitled to vote;

provided that (i) immediately upon the amendment of the Code to allow the pledge of a greater percentage of the voting power of capital stock or other ownership interests in a Controlled Foreign Corporation without adverse tax consequences, the Collateral shall include, and each Grantor shall be deemed to have granted a security interest in, such greater percentage of capital stock or other ownership interests of each Controlled Foreign Corporation in which it has any interest and (ii) if no adverse tax consequences to the applicable Grantor shall arise or exist in connection with the pledge of any Controlled Foreign Corporation, the Collateral shall include, and the applicable Grantor shall be deemed to have granted a security interest in, all of the capital stock or other ownership interests of such Controlled Foreign Corporation held by such Grantor; or

(b) any lease, license, contract or agreement to which any Grantor is a party, in each case, if and only if, and solely to the extent that, (A) the grant of a security interest therein shall constitute or result in a breach, termination or default or invalidity thereunder or thereof (other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC of any relevant jurisdiction or any other applicable law or principles of equity) and (B) such lease, license, contract or agreement (1) is an "off the shelf" license of intellectual property that is not material to the operation of the business of the applicable Grantor or which can be replaced without a material expenditure, or (2) is executed by the applicable Grantor after the date hereof (provided that the applicable Grantor, prior to entering into or obtaining such lease, license, contract or agreement, used commercially reasonable efforts to permit the collateral assignment thereof but was unsuccessful in obtaining such permission); provided that immediately upon the time at which the consequences described in the foregoing clause (A) shall no longer exist, the Collateral shall include, and the applicable Grantor shall be deemed to have granted a security interest in, all of such Grantor's right, title and interest in such lease, license, contract or agreement.

Section 4. Further Assurances; Remedies. In furtherance of the grant of the security interest pursuant to **Section 3**, the Grantors hereby jointly and severally agree with the Secured Parties as follows:

4.01 Delivery and Other Perfection. Subject to Permitted Liens, each Grantor shall promptly from time to time give, execute, deliver, file, record, authorize or obtain all such financing statements, continuation statements, notices, instruments, documents, agreements or consents or other papers as may be necessary or desirable in the judgment of the Majority Lenders to create, preserve, perfect, maintain the perfection of or validate the security interest granted pursuant hereto or to enable the Secured Parties to exercise and enforce their rights hereunder with respect to such security interest, and without limiting the foregoing, shall:

(a) if any of the Pledged Shares, Investment Property or Financial Assets constituting part of the Collateral are received by the Grantor, forthwith (x) deliver to the Control Agent the certificates or instruments representing or evidencing the same, duly endorsed in blank or accompanied by such instruments of assignment and transfer in such form and substance as the Control Agent may request, all of which thereafter shall be held by the Control Agent, pursuant to the terms of this Agreement, as part of the Collateral and (y) take such other action as the Control Agent may deem necessary or appropriate to duly record or otherwise perfect the security interest created hereunder in such Collateral;

(b) promptly from time to time deliver to the Control Agent any and all Instruments constituting part of the Collateral, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Control Agent may request; provided that (other than in the case of the Promissory Notes described in **Annex 3**) until the occurrence of an Event of Default that has not been waived in writing by the Majority Lenders in accordance with the Loan Agreement, such Grantor may retain for collection in the ordinary course any Instruments received by such Grantor in the ordinary course of business and the Control Agent shall, promptly upon request of such Grantor, make appropriate arrangements for making any Instrument delivered by such Grantor available to such Grantor for purposes of presentation, collection or renewal (any such arrangement to be effected, to the extent requested by the Control Agent, against trust receipt or like document);

(c) (i) enter into such control agreements as required and within such time period as set forth in **Section 6.01(h)(ii)(E)** of the Loan Agreement, and (ii) promptly from time to time thereafter, enter into such control agreements in favor of the Secured Parties, each in form and substance acceptable to the Majority Lenders, as may be required to perfect the security interest created hereby in any and all Deposit Accounts, Investment Property, Electronic Chattel Paper and Letter-of-Credit Rights acquired by the Grantors after the date hereof, and will promptly furnish to the Control Agent true copies thereof;

(d) promptly from time to time upon the request of the Majority Lenders, (i) execute and deliver such short-form security agreements as the Majority Lenders may deem necessary or desirable to protect the interests of the Secured Parties in respect of that portion of the Collateral consisting of Intellectual Property, and (ii) take such other action as the Majority Lenders may deem necessary or appropriate to duly record or otherwise perfect the security interest created hereunder in that portion of the Collateral consisting of Intellectual Property located in a country outside the United States;

(e) promptly upon request of the Majority Lenders, cause the Secured Parties to be listed as the lienholder on any certificate of title or ownership covering any Motor Vehicle (other than Motor Vehicles constituting Inventory) and within 120 days of such request deliver evidence of the same to the Control Agent;

(f) keep full and accurate books and records relating to the Collateral, and stamp or otherwise mark such books and records in such manner as the Majority Lenders may require in order to reflect the security interests granted by this Agreement;

(g) permit representatives of the Secured Parties upon reasonable notice, at any time during normal business hours to inspect and make abstracts from its books and records pertaining to the Collateral, and permit representatives of the Secured Parties to be present at such Grantor’s place of business to receive copies of communications and remittances relating to the Collateral, and forward copies of any notices or communications received by such Grantor with respect to the Collateral, all in such manner as the Majority Lenders may require; and

(h) (i) enter into and deliver to the Secured Parties such Landlord Consent as required and within such time period as set forth in the Loan Agreement, (ii) promptly from time to time upon the request of the Majority Lenders, use commercially reasonable efforts to, subject

to the receipt of any necessary landlord consents, execute and deliver such real property security documents and collateral access agreements with respect to real Property owned or leased (as tenant) by such Grantor in the United States, and (iii) cause to be recorded in the appropriate real property records such documents delivered pursuant to this **Section 4.01(h)** as the Control Agent may deem necessary or appropriate.

4.02 Other Financing Statements or Control. Except as otherwise permitted under the Loan Documents and except for Permitted Liens, no Grantor shall (a) file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to any of the Collateral in which the Secured Parties are not named as the sole secured parties, or (b) cause or permit any Person other than the Control Agent or the Secured Parties to have "control" (as defined in Section 9-104, 9-105, 9-106 or 9-107 of the NYUCC) of any Deposit Account, Securities Account, Commodity Account, Electronic Chattel Paper, Investment Property or Letter-of-Credit Right constituting part of the Collateral.

4.03 Preservation of Rights. The Secured Parties shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

4.04 Special Provisions Relating to Certain Collateral.

(a) **Pledged Shares**.

(i) Subject to Permitted Liens, the Grantors will cause the Pledged Shares to constitute at all times (1) 100% of the total number of Shares of each Issuer (other than a Controlled Foreign Corporation) then outstanding owned by the Grantors and (2) in the case of any Issuer that is a Controlled Foreign Corporation, 65% of the total number of shares of voting stock of such Issuer and 100% of the total number of shares of all other classes of capital stock of such Issuer then issued and outstanding owned by the Grantors.

(ii) Until the occurrence of an Event of Default that has not been waived in writing by the Majority Lenders in accordance with the terms of the Loan Agreement, the Grantors shall have the right to exercise all voting, consensual and other powers of ownership pertaining to the Pledged Shares for all purposes not inconsistent with the terms of this Agreement, the other Loan Documents or any other instrument or agreement referred to herein or therein, provided that the Grantors jointly and severally agree that they will not vote the Pledged Shares in any manner that is inconsistent with the terms of this Agreement, the other Loan Documents or any such other instrument or agreement; and the Control Agent or the Secured Parties shall execute and deliver to the Grantors or cause to be executed and delivered to the Grantors all such proxies, powers of attorney, dividend and other orders, and all such instruments, without recourse, as the Grantors may reasonably request for the purpose of enabling the Grantors to exercise the rights and powers that it is entitled to exercise pursuant to this **Section 4.04(a)(ii)**.

(iii) Until the occurrence of an Event of Default that has not been waived in writing by the Majority Lenders in accordance with the Loan Agreement, the Grantors shall be entitled to receive and retain any dividends, distributions or proceeds on the Pledged Shares paid in cash out of earned surplus.

(iv) After the occurrence of an Event of Default that has not been waived in writing by the Majority Lenders in accordance with the Loan Agreement, whether or not the Secured Parties or any of them exercises any available right to declare any Secured Obligations due and payable or seeks or pursues any other relief or remedy available to them under applicable law or under this Agreement, the other Loan Documents or any other agreement relating to such Secured Obligation, all dividends and other distributions on the Pledged Shares shall be paid directly to the Secured Parties Representative for distribution to the Secured Parties and retained by them as part of the Collateral, subject to the terms of this Agreement, and, if the Secured Parties Representative shall so request in writing, the Grantors jointly and severally agree to execute and deliver to the Secured Parties Representative appropriate additional dividend, distribution and other orders and documents to that end, provided that if such Event of Default is waived in writing by the Majority Lenders in accordance with the Loan Agreement, any such dividend or distribution theretofore paid to the Secured Parties Representative shall, upon request of the Grantors (except to the extent theretofore applied to the Secured Obligations), be returned by the Secured Parties Representative to the Grantors.

(b) **Intellectual Property**.

(i) For the purpose of enabling the Secured Parties to exercise rights and remedies under **Section 4.05** at such time as the Secured Parties shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, each Grantor hereby grants to the Secured Parties Representative, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use and the right to assign, license or sublicense any of the Intellectual Property now owned or hereafter acquired by such Grantor, wherever the same may be located, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(ii) Notwithstanding anything contained herein to the contrary, but subject to any provision of the Loan Documents that limits the rights of any Grantor to dispose of its property, until the occurrence of an Event of Default that has not been waived in writing by the Majority Lenders in accordance with the Loan Agreement, the Grantors will be permitted to exploit, use, enjoy, protect, defend, enforce, license, sublicense, assign, sell, dispose of or take other actions with respect to the Intellectual Property in the ordinary course of business of the Grantors. In furtherance of the foregoing, until the occurrence of an Event of Default that has not been waived in writing by the Majority Lenders in accordance with the terms of the Loan Agreement, the Secured Parties or the Secured Parties Representative shall from time to time, upon the request of the respective Grantor, execute and deliver any instruments, certificates or other documents, in the form so requested, that the Grantors shall have certified are appropriate in its judgment to allow it to take any action permitted above (including relinquishment of the license provided pursuant to **Section 4.04(b)(i)** as to any specific Intellectual Property). Further, upon the payment in full of all of the Secured Obligations (other than inchoate indemnity or reimbursement obligations or other obligations which, by their terms, survive termination of the Loan Agreement or Warrant Obligations) or earlier expiration of this Agreement or release of the Collateral, the Secured Parties Representative shall grant back to the Grantors the license granted pursuant to clause (i) immediately above. The exercise of rights and remedies under **Section 4.05** by the Secured Parties shall not terminate the rights of the holders of any licenses,

covenants not to sue, or sublicenses theretofore granted by the Grantors in accordance with the first sentence of this **Section 4.04(b)(ii)**.

(c) **Chattel Paper**. The Grantors will (i) deliver to the Control Agent each original of each item of Chattel Paper at any time constituting part of the Collateral, and (ii) cause each such original and each copy thereof to bear a conspicuous legend, in form and substance satisfactory to the Control Agent, indicating that such Chattel Paper is subject to the security interest granted hereby and that purchase of such Chattel Paper by a Person other than the Control Agent without the consent of the Control Agent would violate the rights of the Secured Parties.

4.05 Remedies.

(a) **Rights and Remedies Generally upon Event of Default**. Upon the occurrence of an Event of Default that has not been waived in writing by the Majority Lenders in accordance with the terms of the Loan Agreement, the Secured Parties shall have all of the rights and remedies with respect to the Collateral of a secured party under the NYUCC (whether or not the Uniform Commercial Code is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including the right, to the fullest extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Secured Parties were the sole and absolute owner thereof (and each Grantor agrees to take all such action as may be appropriate to give effect to such right). Upon the occurrence of an Event of Default that has not been waived in writing by the Majority Lenders in accordance with the terms of the Loan Agreement, the Majority Lenders shall appoint one of the Secured Parties to act as a representative of all the Secured Parties (such Person, the "***Secured Parties Representative***") to exercise, on behalf of all the Secured Parties, such rights and remedies of the Secured Parties described above; and without limiting the foregoing:

(i) the Secured Parties Representative may, in its name or in the name of any Grantor or otherwise, demand, sue for, collect or receive any money or other property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so;

(ii) the Secured Parties Representative may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral;

(iii) the Secured Parties Representative may require the Grantors to notify (and each Grantor hereby authorizes the Secured Parties Representative to so notify) each account debtor in respect of any Account, Chattel Paper or General Intangible, and each obligor on any Instrument, constituting part of the Collateral that such Collateral has been assigned to the Secured Parties hereunder, and to instruct that any payments due or to become due in respect of such Collateral shall be made directly to the Secured Parties Representative or as it may direct (and if any such payments, or any other Proceeds of Collateral, are received by any Grantor they

shall be held in trust by such Grantor for the benefit of the Secured Parties and as promptly as possible remitted or delivered to the Secured Parties Representative for application as provided herein);

(iv) the Secured Parties Representative may require the Grantors to assemble the Collateral at such place or places, convenient to the Secured Parties and the Grantors, as the Secured Parties Representative may direct;

(v) the Secured Parties Representative may require the Grantors to cause the Pledged Shares to be transferred of record into the name of the Secured Parties Representative or its nominee (and the Secured Parties Representative agrees that if any of such Pledged Shares is transferred into its name or the name of its nominee, the Secured Parties Representative will thereafter promptly give to the respective Grantor copies of any notices and communications received by them with respect to such Pledged Shares); and

(vi) the Secured Parties Representative may sell, lease, assign or otherwise dispose of all or any part of the Collateral, at such place or places as the Secured Parties Representative deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required by applicable statute and cannot be waived), and the Secured Parties Representative or anyone else may be the purchaser, lessee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Grantors, any such demand, notice and right or equity being hereby expressly waived and released. In the event of any sale, assignment, or other disposition of any of the Collateral consisting of Trademarks, the goodwill connected with and symbolized by the Trademarks subject to such disposition shall be included. The Secured Parties Representative may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned.

(vii) The Proceeds of each collection, sale or other disposition under this **Section 4.05**, including by virtue of the exercise of any license granted to the Secured Parties Representative in **Section 4.04(b)**, shall be applied in accordance with **Section 4.09**.

(b) **Certain Securities Act Limitations**. The Grantors recognize that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, the Secured Parties Representative may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Grantors acknowledge that any such private sales may be at prices and on terms less favorable to the Secured Parties Representative than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agree that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Secured Parties Representative shall have no

obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the issuer thereof to register it for public sale.

(c) **Notice**. The Grantors agree that to the extent the Secured Parties Representative is required by applicable law to give reasonable prior notice of any sale or other disposition of any Collateral, ten business days' notice shall be deemed to constitute reasonable prior notice.

4.06 Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to **Section 4.05** are insufficient to cover the costs and expenses of such realization and the indefeasible payment in full in cash of the Secured Obligations (other than inchoate indemnity or reimbursement obligations or Warrant Obligations), the Grantors shall remain liable for any deficiency.

4.07 Locations; Names, Etc. No Grantor shall (i) change its location (as defined in Section 9-307 of the NYUCC), (ii) change its name from the name shown as its current legal name on **Annex 1**, or (iii) agree to or authorize any modification of the terms of any item of Collateral that would result in a change thereof from one Uniform Commercial Code category to another such category (such as from a General Intangible to Investment Property), if the effect thereof would be to result in a loss of perfection of, or diminution of priority for, the security interests created hereunder in such item of Collateral, or the loss of control (within the meaning of Section 9-104, 9-105, 9-106 or 9-107 of the NYUCC) over such item of Collateral, unless in each case 30 days' prior written notice has been provided to the Control Agent and such change is not otherwise restricted by the terms of any Loan Document.

4.08 Private Sale. The Secured Parties shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to **Section 4.05** conducted in a commercially reasonable manner. Each Grantor hereby waives any claims against the Secured Parties or any of them arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Secured Parties Representative accepts the first offer received and does not offer the Collateral to more than one offeree.

4.09 Application of Proceeds. Except as otherwise herein expressly provided and except as provided below in this **Section 4.09**, the Proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Secured Parties Representative under this **Section 4**, shall be applied by the Secured Parties Representative:

First, to the payment of the costs and expenses of such collection, sale or other realization, including reasonable out of pocket costs and expenses of the Secured Parties and the fees and expenses of their agents and counsel, and all expenses incurred and advances made by the Secured Parties in connection therewith;

Next, to the indefeasible payment in full of the Secured Obligations (other than inchoate indemnity or reimbursement obligations or Warrant Obligations) in such order as the Secured Parties in their sole discretion determine; and

Finally, to the payment to the respective Grantor, or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

4.10 Attorney in Fact. Without limiting any rights or powers granted by this Agreement to the Secured Parties, upon the occurrence of an Event of Default that has not been waived in writing by the Majority Lenders in accordance with the Loan Agreement, the Secured Parties Representative (and any of the Secured Parties Representative's officers or employees or agents appointed by the Secured Parties Representative) is hereby appointed the attorney in fact of each Grantor for the purpose of carrying out the provisions of this **Section 4** and taking any action and executing any instruments that the Secured Parties Representative may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney in fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, so long as the Secured Parties Representative shall be entitled under this **Section 4** to make collections in respect of the Collateral, the Secured Parties Representative shall have the right and power to receive, endorse and collect all checks made payable to the order of any Grantor representing any dividend, payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

4.11 Perfection and Recordation. Each Grantor authorizes the Secured Parties to file Uniform Commercial Code financing statements describing the Collateral as "all assets" or "all personal property and fixtures" of such Grantor (provided that no such description shall be deemed to modify the description of Collateral set forth in **Section 3**).

4.12 Termination. When all Secured Obligations shall have been indefeasibly paid in full in cash (other than inchoate indemnity or reimbursment obligations or the Warrant Obligations), this Agreement automatically shall terminate, and each Secured Party shall, upon request of Grantors, cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the respective Grantor and to be released and canceled all licenses and rights referred to in **Section 4.04(b)**, in each case, at Grantors' sole expense. Each Secured Party shall also, at the expense of such Grantor, execute and deliver to such Grantor upon such termination such Uniform Commercial Code termination statements, certificates for terminating the liens on the Motor Vehicles and such other documentation as shall be reasonably requested by the respective Grantor to effect the termination and release of the liens on the Collateral as required by this **Section 4.12**, in each case, at Grantors' sole expense.

4.13 Further Assurances. Each Grantor agrees that, from time to time upon the written request of the Majority Lenders, such Grantor will execute and deliver such further documents and do such other acts and things as the Majority Lenders may request in order fully to effect the purposes of this Agreement. The Secured Parties shall release any lien covering any asset that has been disposed of in accordance with the provisions of the Loan Documents.

Section 5. Miscellaneous.

5.01 Notices. All notices, requests, consents and demands hereunder shall be delivered in accordance with **Section 12.02** of the Loan Agreement.

5.02 No Waiver. No failure on the part of any Secured Party to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by any Secured Party of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

5.03 Amendments, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by each Grantor and the Majority Lenders.

5.04 Expenses.

(a) The Grantors shall pay or reimburse the Control Agent or the Secured Parties for costs and expenses in accordance with **Section 12.03** of the Loan Agreement.

(b) The Grantors shall hereby indemnify the Secured Parties, their Affiliates, and their respective directors, officers, employees, attorneys, agents, advisors and controlling parties in accordance with **Section 12.03(b)** of the Loan Agreement.

5.05 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of each Grantor, the Control Agent, the Secured Parties Representative, and the Secured Parties (provided that no Grantor shall assign or transfer its rights or obligations hereunder without the prior written consent of the Secured Parties in accordance with the Loan Agreement.

5.06 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

5.07 Governing Law; Submission to Jurisdiction; Etc.

(a) **Governing Law**. This Agreement shall be construed in accordance with and governed by the law of the State of New York, without regard to principles of conflicts of laws that would result in the application of the laws of any other jurisdiction; provided that Section 5-1401 of the New York General Obligations Law shall apply.

(b) **Submission to Jurisdiction**. Each Grantor agrees that any suit, action or proceeding with respect to this Agreement or any other Loan Document to which it is a party or any judgment entered by any court in respect thereof may be brought initially in the federal or state courts in Houston, Texas or in the courts of its own corporate domicile and irrevocably submits to the non-exclusive jurisdiction of each such court for the purpose of any such suit, action, proceeding or judgment. This **Section 5.07(b)** is for the benefit of the Lenders only and, as a result, no Lender shall be prevented from taking proceedings in any other courts with

jurisdiction. To the extent allowed by applicable Laws, the Secured Parties may take concurrent proceedings in any number of jurisdictions.

(c) **Waiver of Venue**. Each Grantor irrevocably waives to the fullest extent permitted by law any objection that it may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement and hereby further irrevocably waives to the fullest extent permitted by law any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. A final judgment (in respect of which time for all appeals has elapsed) in any such suit, action or proceeding shall be conclusive and may be enforced in any court to the jurisdiction of which such Grantor is or may be subject, by suit upon judgment.

(d) **Service of Process**. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in **Section 5.01**. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

5.08 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS **SECTION 5.08**.

5.09 Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

5.10 Agents and Attorneys in Fact. The Secured Parties may employ agents and attorneys in fact in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys in fact selected by it in good faith.

5.11 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Secured Parties in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

5.12 Additional Grantors. Additional Persons may from time to time after the date of this Agreement become Grantors under this Agreement by executing and delivering to the

Control Agent a supplemental agreement (together with all schedules thereto, a "***Joinder***") to this Agreement, in substantially the form attached hereto as **Exhibit A**. Accordingly, upon the execution and delivery of any such Joinder by any such Person, such Person shall automatically and immediately, and without any further action on the part of any Person, become a "Grantor" under and for all purposes of this Agreement, and each of the Annexes hereto shall be supplemented in the manner specified in such Joinder. In addition, upon the execution and delivery of any such Joinder, the new Grantor makes the representations and warranties set forth in **Section 2**.

5.13 Limited Agency for Perfection.

(a) The Secured Parties each hereby appoint Capital Royalty Partners II L.P. as their collateral agent (in such capacity, together with any successor in such capacity appointed by Capital Royalty Partners II L.P. and consented to by the Majority Lenders (such consent not to be unreasonably withheld or delayed), the "***Control Agent***") for the limited purpose of acting as the agent on behalf of the Secured Parties with respect to the Pledged Property for purposes of the perfecting of the Liens of the Secured Parties on the Pledged Property. The Control Agent accepts such appointment and agrees to hold or to have control of, as applicable, the Pledged Property for the benefit of itself and the other Secured Parties and any permitted assignee of any thereof solely for the purpose of perfecting the security interest granted to such parties in such Pledged Property, subject to the terms and conditions of this **Section 5.13**. All Secured Parties hereby agree that Capital Royalty Partners II L.P. shall have the sole and exclusive right and authority to give instructions to, and otherwise direct, the Grantors in respect of the Pledged Property and no other Secured Party will hinder, delay or interfere with the exercise of such rights by the Control Agent in any respect. The Grantors hereby agree to pay, reimburse, indemnify and hold harmless the Control Agent for any claims or losses related to its acting in such role except to the extent due to the gross negligence or willful misconduct of the Control Agent. Except as specifically prescribed herein, the Control Agent shall have no obligation whatsoever to the other Secured Parties including any obligation to assure that the Pledged Property is genuine or owned by a Grantor or to preserve rights or benefits of any Person except as expressly set forth in this **Section 5.13**. In acting on behalf of the other Secured Parties, the duties or responsibilities of the Control Agent under this **Section 5.13** shall be limited solely to physically holding the Pledged Property delivered to the Control Agent by the Grantors and entering into control agreements for the benefit of the Secured Parties for purposes of perfecting the Lien held by the other Secured Parties.

(b) The Control Agent shall not have by reason of any document including this Agreement a fiduciary relationship in respect of any other Secured Party.

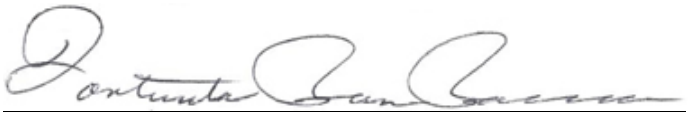
(c) The Control Agent may perform any of its duties under this Agreement by or through their respective officers, directors, agents, employees, affiliates or other designees.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the day and year first above written.

GRANTOR:

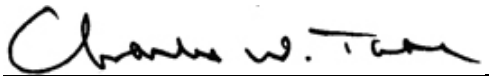
EXAGEN DIAGNOSTICS, INC., as Grantor

By 

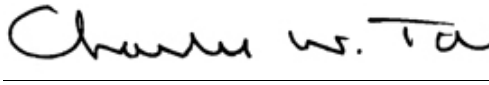
Name: Fortunato Ron Rocca
Title: Chief Executive Officer

SECURED PARTIES:

CAPITAL ROYALTY PARTNERS II L.P., as Secured Party and Control Agent
By CAPITAL ROYALTY PARTNERS II GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II GP LLC, its General Partner

By 
Name: Charles Tate
Title: Sole Member

CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" L.P., as Secured Party
By CAPITAL ROYALTY PARTNERS II - PARALLEL FUND "A" GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II - PARALLEL FUND "A" GP LLC, its General Partner

By 
Name: Charles Tate
Title: Sole Member

PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II L.P., as Secured Party
By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II GP L.P., its General Partner
By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II GP LLC, its General Partner

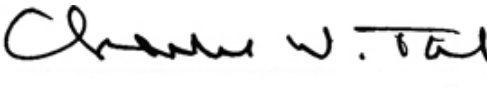
By 
Name: Charles Tate
Title: Sole Member

EXHIBIT A
to Security Agreement

FORM OF JOINDER AGREEMENT

JOINDER AGREEMENT dated as of [ ] by [NAME OF ADDITIONAL GRANTOR], a [ ] corporation (the "***Additional Grantor***"), in favor of CAPITAL ROYALTY PARTNERS II L.P., CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" L.P., and PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II L.P. (together, the "***Secured Parties***" and each, a "***Secured Party***") and CAPITAL ROYALTY PARTNERS II L.P., as Control Agent (the "***Control Agent***") under the Loan Agreement referred to below.

A. Reference is made to (i) the Term Loan Agreement (as amended, supplemented, restated, extended, renewed or replaced from time to time, the "***Loan Agreement***"), dated as of [ ], 2013, among EXAGEN DIAGNOSTICS, INC., a Delaware corporation ("***Borrower***"), the other Grantors party thereto and the Secured Parties, and (ii) the Security Agreement (as amended, supplemented, restated, extended, renewed or replaced from time to time, the "***Security Agreement***"; capitalized terms used herein by not defined shall have the meaning ascribed to such terms therein) dated as of [ ], 2013 granted by the Grantors party thereto in favor of the Secured Parties.

B. **Section 5.12** of the Security Agreement provides that additional Persons may from time to time after the date of the Security Agreement become Grantors under the Security Agreement by executing and delivering to the Secured Parties a supplemental agreement to the Security Agreement in the form of this Joinder.

C. To induce the Secured Parties to maintain the term loans pursuant to the Loan Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Additional Grantor has agreed to execute and deliver (i) a Guarantee Assumption Agreement under the Loan Agreement, and (ii) this Joinder to the Secured Parties.

The Additional Grantor hereby agrees to become a "Grantor" for all purposes of the Security Agreement (and hereby supplements each of the Annexes to the Security Agreement in the manner specified in **Appendix A** hereto). Without limitation, as collateral security for the payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations (other than inchoate indemnity or reimbursement obligations or Warrant Obligations), the Additional Grantor hereby pledges and grants to the Secured Parties as provided in **Section 3** of the Security Agreement a security interest in all of the Additional Grantor's right, title and interest in, to and under the Collateral of the Additional Grantor, in each case whether tangible or intangible, wherever located, and whether now owned by the Additional Grantor or hereafter acquired and whether now existing or hereafter coming into existence. In addition, the Additional Grantor hereby makes the representations and warranties set forth in **Section 2** of the Security Agreement, with respect to itself and its obligations under this Agreement, as if each reference in such Sections to the Loan Documents included reference to this Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Additional Grantor has caused this Joinder Agreement to be duly executed and delivered as of the day and year first above written.

[INSERT NAME OF ADDITIONAL GRANTOR], as Grantor

By _____
Name:
Title:

CAPITAL ROYALTY PARTNERS II L.P., as Secured Party and Control Agent
By CAPITAL ROYALTY PARTNERS II GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member

CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" L.P., as Secured Party
By CAPITAL ROYALTY PARTNERS II - PARALLEL FUND "A" GP L.P., its General Partner
By CAPITAL ROYALTY PARTNERS II – PARALLEL FUND "A" GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member

PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II L.P., as Secured Party
By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II GP L.P., its General Partner
By PARALLEL INVESTMENT OPPORTUNITIES PARTNERS II GP LLC, its General Partner

By _____
Name: Charles Tate
Title: Sole Member