As filed with the Securities and Exchange Commission on June 11, 2012

Registration No. 333-179500

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

Amendment No. 3 to
FORM S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

ATOSSA GENETICS INC.

(Exact name of registrant as specified in its charter)

Delaware	**3841**	**26-4753208**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

4105 E. Madison Street, Suite 320
Seattle, Washington 98112
(206) 325-6086

(Address, including zip code, and telephone number,
including area code of registrant's principal executive offices)

Steven C. Quay, M.D., Ph.D.
Chairman, Chief Executive Officer and President
4105 E. Madison Street, Suite 320
Seattle, Washington 98112
(206) 325-6086

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

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Approximate Date of Commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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. o

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

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

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

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

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

The registrant is an emerging growth company, as defined in Section 2(a) of the Securities Act. This Registration Statement complies with the requirements that apply to an issuer that is an emerging growth company.

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 contained in this prospectus is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission and these securities may not be sold until that registration statement becomes effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS **SUBJECT TO COMPLETION DATED JUNE 11, 2012**

1,000,000 Shares

This is the initial public offering of 1,000,000 shares of our common stock. We expect the initial public offering price will be between $5.00 and $7.00 per share. Currently, no public market exists for our securities. We have applied for listing of the shares on the NASDAQ Capital Market under the symbol “ATOS”.

	Per Share	Total
Public offering price	$	$
Placement agent fees	$	$
Proceeds, before expenses, to Company	$	$

* Does not include a non-accountable expense reimbursement fee of 3% of the gross proceeds of this offering.

We are an “emerging growth company” under applicable Securities and Exchange Commission rules and will be subject to reduced public company reporting requirements. Investing in these securities involves a high degree of risk. See “Risk Factors” contained in this prospectus beginning on page 10.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We have granted the placement agent an option for a period of 45 days from , 2012 to arrange for the sale of up to an additional 150,000 shares to cover overallotments.

Dawson James Securities, Inc. is the placement agent for this offering. Dawson James is not purchasing or selling any shares of common stock, nor are they required to arrange for the purchase and sale of any specific number or dollar amount of common stock, other than to use their “best efforts” to arrange for the sale of common stock by us. We intend to close the offering within 30 days from the date the registration statement in which this prospectus forms a part is declared effective by the Securities and Exchange Commission. Although we do not intend to have multiple closings, as described above, the placement agent has a 45 day option from , 2012 to arrange for the sale of up to 150,000 additional shares of common stock to cover overallotments. We have not arranged to place the funds from investors in an escrow, trust or similar account.

Delivery of the shares of common stock will be made on or about , 2012.

DAWSON JAMES SECURITIES, INC.

The date of this prospectus is , 2012.

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Unless the context requires otherwise, in this prospectus the terms “we,” “us” and “our” as well as the “Company” refer to Atossa Genetics Inc. and our wholly-owned subsidiary, National Reference Laboratory for Breast Health Inc.

PROSPECTUS SUMMARY

This summary highlights some information from this prospectus. It may not contain all the information important to making an investment decision. You should read the following summary together with the more detailed information regarding our company and the securities being sold in this offering, including "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes, included elsewhere in this prospectus.

The Company

We are a healthcare company focused on the prevention of breast cancer through the commercialization of diagnostic tests that can detect precursors to breast cancer, and through the research, development, and ultimate commercialization of treatments for pre-cancerous lesions.

Our diagnostic tests consist of patented medical devices cleared by the Food and Drug Administration, or FDA, that can collect fluid samples from the breast milk ducts, where, according to the National Cancer Institute, over 95% of breast cancers arise. These samples are processed at our wholly-owned National Reference Laboratory for Breast Health, which has been certified pursuant to the Clinical Laboratory Improvement Amendments, or CLIA, has been licensed in the states of California, Florida, Maryland, Rhode Island, and Washington, and is in the process of obtaining a license to accept testing samples from New York (which requires out-of-state laboratories to hold a state license). CLIA certification is legally required to receive reimbursement from federal or state medical benefit programs, like Medicare and Medicaid, and is a practical requirement for most third-party insurance benefit programs. Our CLIA-certified laboratory, which is permitted to accept samples from all 50 states under its CLIA certification, its state licenses, or, in New York under recognized exemption provisions while its license application is pending, examines the specimens by microscopy for the presence of normal, pre-malignant, or malignant changes as determined by cytopathology and biomarkers that distinguish "usual" ductal hyperplasia, a benign condition, from atypical ductal hyperplasia, which may lead to cancer. These cytopathological results provide patients and physicians with information about the care path that should be followed, depending on the individual risk of future cancer as determined by the results.

Additionally, we are conducting research on the treatment of these pre-cancerous cells by using our patented and FDA-cleared microcatheters to deliver, directly into the milk ducts, pharmaceutical formulations that can be used to treat these pre-cancerous lesions. By using this localized delivery method, patients are expected to receive high local concentrations of these drugs at the site of the pre-cancerous lesions, potentially promoting efficacy of the treatment while limiting systemic exposure, which has the potential to lower the overall toxicity of these treatments.

We launched our commercial operations in late 2011 and, as of June 8, 2012, have enrolled and sold MASCT System kits or provided ArgusCYTE collection kits to 34 doctors and clinics as providers of the ForeCYTE and/or ArgusCYTE tests. We have received, processed, and reported the results to physicians from 276 ForeCYTE samples and 13 ArgusCYTE samples as of March 31, 2012 and 794 ForeCYTE samples and 36 ArgusCYTE samples as of June 8, 2012. When we launched operations in December 2011, we did so as part of our field experience trial to collect information about the ease or difficulty of adoption of the ForeCYTE and ArgusCYTE tests in both mammography clinics and physicians' offices, the number of sales calls to receive the first orders, and the growth of sales of specimen collection kits on a monthly basis. We intend to use the data from this field experience trial to form our national marketing efforts as we scale up our commercial operations going forward. As of December 31, 2011 and March 31, 2012, we have generated $1,500 and $54,713 in revenue, respectively, from the sale of our products and services. We incurred net operating losses of approximately $1.0 million, $1.1 million and $3.4 million for our three months ended March 31, 2012 and our fiscal years ended December 31, 2010 and 2011, respectively. As of March 31, 2012, we had an accumulated deficit of approximately $5.7 million. We have not yet established an ongoing source of revenue sufficient to cover our operating costs and allow us to continue as a going concern. Our ability to continue as a going concern is dependent on obtaining adequate capital to fund operating losses until we become profitable. We plan to obtain additional capital resources by selling our equity securities, selling the MASCT System and generating laboratory service revenue from our tests, and making short-term borrowings from stockholders or other related parties when needed. However, we cannot assure you that we will be successful in accomplishing any of these plans and, if we are unable to obtain adequate capital, we could be forced to cease operations.

Our Diagnostic Tests

We currently offer two diagnostic tests and plan to offer two additional tests in late 2012 or early 2013. The tests that we currently offer and that are in development consist of the following:

ForeCYTE The ForeCYTE Breast Health Test, launched in December 2011, provides personalized information about the 10-year and lifetime risk of breast cancer for women between ages 18 and 65. It involves collecting a specimen of nipple aspirate fluid, or NAF, using our patented, FDA-cleared *Mammary Aspirate Specimen Cytology Test*, or MASCT, System (our MASCT System received 510(k) clearance from the FDA in 2003). The NAF specimen is collected by a physician and returned to our CLIA-certified laboratory. We study the patient's NAF specimen and use a proprietary molecular and cellular biomarker test that detects basal or luminal cells to identify the presence of atypical ductal hyperplasia, or ADH, which is considered a precursor to breast cancer. We then input these cytopathological test results, together with the patient's personal medical and reproductive history and family history, into a clinically-validated risk assessment algorithm that calculates 10-year and lifetime risk of breast cancer and presents these results in one of three risk tiers developed by The National Comprehensive Cancer Network: Normal (<15% lifetime risk), Intermediate (15 – 20% lifetime risk), or High (>20% lifetime risk). The ForeCYTE Test results contain recommendations for care paths in each risk group and personalized information so that patients and healthcare providers can make more informed treatment decisions. The algorithm was developed from a Swedish registry of 158,041 individuals, in whom 3,257 cancers occurred, and was validated by E. Amir, D.G. Evans, A. Shenton, and others in an independent study of 3,150 women, 64 of whom developed breast cancer. The algorithm incorporates family history, personal reproductive history, and the presence or absence of usual ductal hyperplasia, or UDH (which is benign), ADH (which is pre-malignant) or malignant changes.

ArgusCYTE The ArgusCYTE Breast Health Test, launched in December 2011, provides information to help inform breast cancer treatment options and to help monitor potential recurrence. It can monitor breast cancer distant recurrence by obtaining a "liquid biopsy" or blood sample, and analyzing it for the presence of circulating tumor cells, which can then be analyzed to determine the expression of Estrogen Receptor/Progesterone Receptor, or ER/PR, and Human Epidermal Growth Factor Receptor, or Her2, in those cells, a predictor of the cancer's sensitivity to existing treatment options. The presence of circulating tumor cells in the blood sample may serve as an early indicator of the recurrence of breast cancer and the data obtained from the ArgusCYTE sensitivity analysis may help physicians better select which treatment options to use with a particular patient. The ArgusCYTE test uses a proprietary blood collection tube to obtain a blood sample for shipment and analysis at our CLIA-certified laboratory. The supplier of the blood collection tube owns patents with respect to the tube, while we own patents concerning laboratory features utilized in the testing process.

FullCYTE The FullCYTE Breast Health Test, which we intend to launch in late 2012 or early 2013 and is currently in development, is designed to assess the individual breast ducts for pre-cancerous changes in women previously identified to be at high risk for breast cancer. It involves collecting ductal lavage samples from each of the five to seven individual breast milk ducts using our patented and FDA-cleared Mammary Ductal Microcatheter System (our Microcatheter System received 510(k) clearances from the FDA in 1999 and 2000) and analyzing the samples by molecular and cellular biomarkers, in a fashion similar to the ForeCYTE test described above. From these tests, we are able to ascertain the individual duct that contains the pre-malignant or malignant changes, which may allow the physician to better target treatment.

NextCYTE The NextCYTE Breast Cancer Test, which is in the prevalidation phase and which we intend to launch in late 2012 or early 2013, is designed to profile breast cancer specimens for prediction of treatment outcomes and distant recurrence in women newly diagnosed with breast cancer. It involves using surgery specimens and advanced genome sequencing techniques to quantify and analyze the entire tumor genetic transcriptome, which represents all genes that are being actively expressed within the tumor. We expect that physicians will be able to use the information provided by the NextCYTE test to better customize treatment options for women, based on the genetic composition of the individual tumor. We are currently conducting research to verify the superiority of the technology regarding NextCYTE and have an option through February 2013 to license this technology from the University of Oslo in Norway.

We may not, however, achieve commercial market acceptance of any of our products and services. We must first demonstrate to physicians and other healthcare professionals the benefits of our tests and the MASCT System for their practice and these physicians and healthcare professionals may be reluctant to introduce new services into their practice due to uncertainty regarding reliability of the results of a new product or the learning curve associated with adoption of new services and techniques. Moreover, if third-party payors continue to refuse to cover the cost of collection of the NAF sample, whether from our MASCT System or competitors' NAF collection devices, physicians may be less likely to recommend or use our products and services if the cost of performing a particular test will not be reimbursed. Even if we are successful in convincing physicians and other healthcare professionals to utilize our tests and services, we must obtain adequate capital to fund our operations until we become profitable and we may not be able to do so. Additionally, we have no prior experience with commercializing any products or services and will need to create an infrastructure to scale operations for commercialization, including hiring experienced personnel (including anatomic pathologists, cytologists, histotechnologists, skilled laboratory and information technology staff, and sales representatives) and building a network of regional, specialty distributors, each with a staff of independent sales representatives who have experience in women's health products to target physicians and mammography clinics in the United States.

Intraductal Treatment Research

Our Intraductal Treatment Research Program comprises our patented microcatheter-delivery technology and our patented pharmaceutical formulations for the intraductal treatment of breast pre-cancerous changes, ductal carcinoma in situ, or DCIS, and breast cancers. The method uses our Mammary Ductal Microcatheter System, invented by Dr. Susan Love, President of the Dr. Susan Love Research Foundation, and her colleagues, to administer proprietary pharmaceutical formulations into milk ducts that display pre-cancerous changes, with high local concentrations of the drugs in order to promote greater efficacy and limited systemic exposure, potentially lowering the overall toxicity of the treatment.

An October 2011 peer-reviewed paper published in *Science Translational Medicine* documented a study conducted at the Johns Hopkins Medical School demonstrating the prevention of breast cancer in rats with intraductal non-systemic chemotherapy, and a proof-of-principle Phase 1 clinical trial involving 17 women with breast cancer who subsequently received surgery. An accompanying editorial commented that

"intraductal treatment could be especially useful for women with premalignant lesions or those at high risk of developing breast cancer, thus drastically improving upon their other, less attractive options of breast-removal surgery or surveillance (termed 'watch and wait')." We intend to build on these academic studies with a research program targeted initially at neoadjuvant therapy in DCIS and to begin preclinical studies during 2012. We have not yet begun the process of applying for FDA approval of our Intraductal Treatment Research Program.

Intellectual Property and FDA Marketing Clearances

As of February 8, 2012, we own more than 120 issued patents (31 in the United States and at least 90 in foreign countries), and 6 pending patent applications (4 in the United States, 1 pending foreign application and 1 pending International Patent Cooperation Treaty (PCT) application) directed to our products, services, and technologies.

Our Founder

Our founder and chief executive officer, Steven C. Quay, M.D., Ph.D., FCAP, invented the MASCT System. Dr. Quay is a board-certified anatomic pathologist who completed both an internship and residency in anatomic pathology at the Massachusetts General Hospital, a Harvard Medical School teaching hospital, and is a former faculty member of the pathology department of Stanford University School of Medicine. He holds 76 U.S. patents and has invented and developed five FDA-approved pharmaceuticals.

Our Commercialization Strategy

The ForeCYTE Test provides us with two revenue sources:

(i) revenue from the sale of the MASCT System device and patient kits to physicians, breast health clinics, and mammography clinics; and

(ii) service revenue from the preparation and interpretation of the NAF samples sent to our laboratory for analysis.

The ArgusCYTE test provides only laboratory service revenue.

We offer each component of the MASCT System for sale separately. We currently price our NAF sample collection device at approximately $250 per device and our patient kits at approximately $30 per kit, and the cytology and molecular diagnostics testing and analysis services are billed to federal and/or state health plans at the 2012 Medicare reimbursement rates of either $384 or $1,275 per patient, depending on the complexity of the analysis performed. We expect that the substantial majority of patients will be billed at the $384 rate and that we would perform the more complex tests, corresponding with a reimbursement rate of $1,275, for only those patients who have an initial test result that requires further analysis. We have billed the testing and analysis regarding the 276 ForeCYTE samples processed through March 31, 2012 (which is equivalent to 138 patients) at the 2012 Medicare reimbursement rate of $384 per patient. We bill third-party payors at higher rates, as is customary for our industry. Currently, Medicare and certain insurance carriers do not reimburse for the NAF collection procedure by our MASCT System or for other NAF collection device systems similar to our MASCT System, although Medicare and certain insurance carriers do reimburse for the laboratory analysis of the NAF sample. Although we have received reimbursement from insurance carriers and Medicare for both our ForeCYTE and ArgusCYTE tests, any lack of Medicare or insurance coverage for the NAF collection procedure will require patients to bear the full costs of the NAF sample acquisition process used with the MASCT System, which may result in physicians and other healthcare professionals not adopting the MASCT System or recommending its use in patients. If this were to occur, we may be forced to reduce the price of the MASCT System, provide discounted pricing arrangements to secure sales, or we may not be able to sell the product and services components of the MASCT System at acceptable margins, all of which could limit our ability to generate revenue.

While we are conducting our field experience trial we are not charging for our ArgusCYTE collection kits and we currently price the ArgusCYTE test at approximately $1,500. Because we do not currently have a sufficiently reliable prior history of reimbursement with respect to the ArgusCYTE test, we currently do not recognize revenue until we have received reimbursement. As of March 31, 2012, we have not received reimbursement for any ArgusCYTE tests.

In December 2011, we began limited marketing of the ForeCYTE Test to physicians, primarily obstetric-gynecologists, as well as breast health and mammography clinics, for use in conjunction with other health screening examinations, including annual physical examinations and regularly scheduled cervical Pap smears and mammograms. We are establishing relationships with breast cancer centers to provide the ArgusCYTE Test to their patients. We plan to use regional specialty product distributors, with independent sale representatives specializing in women's health, to commercialize the ForeCYTE and ArgusCYTE Tests; however, we currently do not have distributor relationships and we cannot be certain that we will be able to build these relationships to adequately address the regional or national market. As of March 1, 2012 we had one person involved in sales.

Risk Factors

Our business is subject to numerous risks as discussed more fully in the section entitled "Risk Factors" beginning on page 10. Principal risks of our business include, but are not limited to, the following:

- we will need significant additional capital to execute our business strategy as currently contemplated and have not identified significant alternative sources of funding, should this offering be unsuccessful;
- we have a history of operating losses and expect to incur losses for the foreseeable future and may never achieve profitability;
- The MASCT System and other risk assessment tools, diagnostic tests and other predictive and personalized medicine products that we may develop may never achieve significant commercial market acceptance;
- we are dependent on the commercial success of the MASCT System and the ForeCYTE and ArgusCYTE Tests;
- we may not be successful in commercializing the MASCT System because physicians and clinicians may be slow to adopt our product and, even if commercialized, the fees we receive for our products and services may be significantly lower than currently expected;
- our ability to commercialize the MASCT System may be limited because Medicare and certain insurance carriers are not expected to provide reimbursement for the NAF sample collections which are necessary for our tests (even though Medicare and certain insurance carriers do provide reimbursement for the laboratory analysis of the collected NAF samples through our ForeCYTE and ArgusCYTE tests); and
- we may not be able to hire, train or maintain the independent sales representatives and build the distributorship arrangements necessary to market and sell the MASCT System and our services as planned.

Implications of being an Emerging Growth Company

As a company with less than $1 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- Only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure.
- Reduced disclosure about our executive compensation arrangements.
- Not having to obtain non-binding advisory votes on executive compensation or golden parachute arrangements.
- Exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1 billion in annual revenue, we have more than $700 million in market value of our stock held by

non-affiliates, or we issue more than $1 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced burdens. We have taken advantage of these reduced reporting burdens in this prospectus, and the information that we provide may be different than what you might get from other public companies in which you hold stock.

Company Information

We were incorporated in Delaware in April 2009. Our principal executive offices are located at 4105 East Madison Street, Suite 320, Seattle, Washington 98112, and our telephone number is (206) 325-6086. Our corporate website is located at *www.atossagenetics.com* and our laboratory website is located at *www.nrlbh.com*. Information contained on, or that can be accessed through, our websites is not a part of this prospectus.

MASCT is our registered trademark and Oxy-MASCT and our name and logo are our trademarks. ForeCYTE, FullCYTE, NextCYTE, and ArgusCYTE are our service marks. This prospectus also includes additional trademarks, trade names and service marks of third parties, which are the property of their respective owners.

Our company name comes from Queen Atossa, daughter of Cyrus the Great and wife of Darius I, the King of the Achaemenid Empire. In about 470 BC, she became the first woman in recorded history to be diagnosed with breast cancer, of which she died.

THE OFFERING

Securities offered by us:	1,000,000 shares of common stock (or 1,150,000 if the placement agent exercises its overallotment option in full).
Capitalization after the offering:	12,256,867 shares of common stock outstanding after the offering (or 12,406,867 if the placement agent exercises its overallotment option in full).
Use of proceeds:	We intend to use the net proceeds from this offering to expand our cytology and molecular diagnostics laboratory, fund the manufacture of MASCT System units, hire and train sales and marketing personnel, continue the research and development of the FullCYTE and NextCYTE Tests, support the internal research and development of the Intraductal Treatment Research Program, and for general corporate purposes. See “Use of Proceeds.”
Proposed NASDAQ trading symbol:	“ATOS”

The number of shares of our common stock outstanding is based on 11,256,867 shares of common stock outstanding as of March 31, 2012, and excludes 608,000 shares issuable upon the exercise of options outstanding as of March 31, 2012 under our 2010 Stock Option and Incentive Plan, or 2010 Plan, as well as 392,000 shares of common stock reserved for future issuance under our 2010 Plan, in addition to 6,833,840 shares of common stock underlying outstanding warrants with a weighted-average exercise price of $1.56 per share.

Unless otherwise indicated, all information in this prospectus assumes that the placement agent does not exercise its right to arrange for the sale of up to 150,000 additional shares to cover overallotments, if any.

SUMMARY FINANCIAL DATA

The following summary financial data should be read together with our financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The summary financial data in this section is not intended to replace our financial statements and the related notes. Our historical results are not necessarily indicative of the results to be expected for any future period.

We were incorporated on April 30, 2009. The following statement of operations data, including share data, for the fiscal years ended December 31, 2010 and 2011 have been derived from our audited financial statements and related notes included elsewhere in this prospectus. The balance sheet data as of December 31, 2011 and December 31, 2010 has been derived from our audited financial statements included elsewhere in this prospectus. The statement of operations data, including share data, for the three months ended March 31, 2011 and 2012, and the balance sheet data as of March 31, 2012, have been derived from our unaudited financial statements included elsewhere in this prospectus. The unaudited interim financial statements have been prepared on the same basis as the audited financial statements and reflect all adjustments necessary to fairly state our financial position as of March 31, 2012 and results of operations for the three months ended March 31, 2011 and 2012. The operating results for any period are not necessarily indicative of financial results that may be expected for any future period.

	For The Years Ended December 31,		For The Three Months Ended March 31,		From April 30, 2009 (Inception) Through March 31,
	2011	2010	2012	2011	2012
			(Unaudited)	(Unaudited)	(Unaudited)
Statement of Operations Data:					
Net Revenue	$ 1,500	$ —	$ 54,713	$ —	$ 56,213
Cost of Goods Sold	(5,164)	—	(12,277)	—	(17,441)
Loss on Reduction of Inventory to LCM	(92,026)	—	(16,047)	—	(108,073)
Gross Profit (Loss)	(95,690)	—	26,390	—	(69,300)
Selling expenses	(160,851)	(12,204)	(69,115)	—	(242,170)
General and Administrative expenses	(3,172,649)	(1,065,792)	(1,019,442)	(225,423)	(5,380,741)
Total operating expenses	(3,333,500)	(1,077,996)	(1,088,557)	(225,423)	(5,622,910)
Operating Loss	(3,429,190)	(1,077,996)	(1,062,167)	(225,423)	(5,692,210)
Interest Income	4,914	455	864	—	6,232
Interest Expense	(17,992)	(9,139)	(1,613)	(4,968)	(28,744)
Net Loss before Income Taxes	(3,442,269)	(1,086,680)	(1,062,917)	(230,391)	(5,714,722)
Income Taxes	—	250	—	—	250
Net Loss	$(3,442,269)	$(1,086,930)	$ (1,062,917)	$ (230,391)	$(5,714,972)
Loss per common share – basic	$ (0.38)	$ (0.18)	$ (0.09)	$ (0.04)	$ (0.81)
Weighted average shares outstanding, diluted	$ (0.38)	$ (0.18)	$ (0.09)	$ (0.04)	$ (0.81)
Weighted average shares outstanding, basic	9,117,746	5,935,897	11,256,867	6,000,067	7,039,480
Weighted average shares outstanding, diluted	9,117,746	6,004,721	11,256,867	6,000,067	7,039,480

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	As of March 31, 2012 (Unaudited)
Balance Sheet Data:	
Total assets	$ 1,365,979
Total liabilities	$ 779,292
Stockholders' equity:	
Common Stock, $0.001 par value, 75,000,000 shares authorized, 11,256,867 shares outstanding, actual, as of March 31, 2012	11,257
Additional paid-in capital	6,290,402
Accumulated deficit	(5,714,972)
Total stockholders' equity	586,687
Total liabilities & stockholders' equity	$ 1,365,979

RISK FACTORS

A purchase of our shares of common stock is an investment in our securities and involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information contained in this prospectus, before purchasing our securities. If any of the following risks actually occur, our business, financial condition and results of operations would likely suffer. In that case, the market price of the common stock could decline, and you may lose part or all of your investment in our company.

Risks Relating to our Business

We have only a limited operating history, and, as such, an investor cannot assess our profitability or performance based on past results.

We are a development stage company, with operations beginning in December 2008 around acquiring the MASCT System patent rights and assignments and the FDA clearance for marketing, which was completed in January 2009. We were incorporated in Delaware in April 2009 and our operations to date have consisted primarily of securing manufacturing for the MASCT and the Duct Microcatheter Systems, establishing our CLIA-certified laboratory, validating the Laboratory Developed Tests we use in the ForeCYTE and ArgusCYTE tests, conducting research and development on the FullCYTE and NextCYTE tests, and beginning the commercialization of our products. We will require significant additional capital to achieve our business objectives, and the inability to obtain such financing on acceptable terms or at all could lead to closure of the business.

Our revenue and income potential is uncertain. Any evaluation of our business and prospects must be considered in light of these factors and the risks and uncertainties often encountered by companies in the development stage. Some of these risks and uncertainties include our ability to:

- execute our business plan and commercialization strategy;
- work with contract manufacturers to produce the MASCT and Microcatheter Systems in commercial quantities;
- create brand recognition;
- respond effectively to competition;
- manage growth in operations;
- respond to changes in applicable government regulations and legislation;
- access additional capital when required;
- sell our products and service at the prices currently expected; and
- attract and retain key personnel.

Our independent auditors have issued a report questioning our ability to continue as a going concern.

The report of our independent auditors contained in our financial statements explains that we have not yet established an ongoing source of revenue sufficient to cover operating costs and allow us to continue as a going concern. Our ability to continue as a going concern is dependent on obtaining adequate capital to fund operating losses until we become profitable. If we are unable to obtain adequate capital, we may be unable to expand our product offerings or geographic reach and we could be forced to cease operations.

We will depend on the proceeds from this offering to continue the commercial launch of the ForeCYTE and ArgusCYTE Tests, and we do not have specific plans to obtain funding from alternative sources; if the proceeds from this offering are insufficient, the further commercial launch of our tests may be delayed.

We expect to spend substantial amounts of capital to:

- launch and commercialize the ForeCYTE and ArgusCYTE Tests, including the manufacture of the device in commercial quantities and building an independent distributor sales force to address certain markets;

- maintain laboratory facilities for our testing and analytical services, including necessary testing equipment; and
- continue our research and development activities to advance our product pipeline.

We expect that we will require additional capital beyond the proceeds from this offering to complete our commercialization plans and may need to raise additional funds if we encounter delays or problems in the production of the MASCT System device in commercial quantities, or the establishment of a larger sales force. We have not identified sources for such additional funding and cannot be certain that additional funding will be available on acceptable terms, or at all. If we are unable to raise additional capital in sufficient amounts or on acceptable terms, we may have to significantly delay, scale back or discontinue the commercialization of our products and services or our research and development activities.

Failure to raise additional capital as needed could adversely affect us and our ability to grow.

We will need considerable amounts of capital to develop our business. We may raise funds through public or private equity offerings or debt financings. If we cannot raise funds on acceptable terms when needed, we may be unable to grow or maintain the business. Furthermore, such lack of funds may inhibit our ability to respond to competitive pressures or unanticipated capital needs, or may force us to reduce operating expenses, which could significantly harm the business and development of operations. Because our independent auditors have expressed doubt as to our ability to continue as a "going concern," as reported in their report on our financial statements, our ability to raise capital may be severely hampered. Similarly, our ability to borrow any such capital may be more expensive and difficult to obtain until this "going concern" issue is eliminated.

We have a history of operating losses, we currently sell the MASCT System for significantly less than it costs to manufacture, and we expect to continue to incur losses in the future.

We have a limited operating history and have incurred total net operating losses of approximately $5.7 million from our incorporation in April 2009 through March 31, 2012. We have received $56,213 in revenue as of March 31, 2012 and we do not expect that we will be in a position to generate significant revenue until we are able to launch our tests more broadly. Additionally, we will continue to incur further losses in connection with inventory costs for our medical test products, marketing and sales expenses in launching our products and services, research and development costs for additional tests, and the maintenance of our CLIA-certified laboratory. For example, the sales price of our MASCT System is currently substantially lower than its cost because the MASCT System is currently manufactured only in sufficient quantities to be utilized in our field experience trial and because the Company's current marketing strategy is to attempt to quickly penetrate the market of the products and services offered by the Company by offering the MASCT System at a price substantially lower than its cost to attract market awareness. This practice of selling our MASCT System substantially below its cost negatively impacts our profitability. Although we expect that the cost to manufacture our MASCT System will be substantially lower when we increase the volume of production for post-trial commercial launch and once we have been more successful in penetrating the market, if our expectation is not realized we may not be able to generate significant revenue nor achieve profitability. Accordingly, we may never achieve profitability.

Raising funds by issuing equity or debt securities could dilute the value of the common stock and impose restrictions on our working capital.

If we were to raise additional capital by issuing equity securities, the value of the then outstanding common stock would be reduced, unless the additional equity securities were issued at a price equal to or greater than the market value of the common stock at the time of issuance of the new securities. If the additional equity securities were issued at a per share price less than the per share value of the outstanding shares, then all of the outstanding shares would suffer a dilution in value with the issuance of such additional shares. Further, the issuance of debt securities in order to obtain additional funds may impose restrictions on our operations and may impair our working capital as we service any such debt obligations.

The products and services that we have developed or may develop may never achieve significant commercial market acceptance.

We may not succeed in achieving commercial market acceptance of any of our products and services. In order to market the MASCT System and to gain market acceptance for the MASCT System and our

ForeCYTE and ArgusCYTE Tests, we will need to demonstrate to physicians and other healthcare professionals the benefits of the MASCT System and its practical and economic application for their particular practice. Despite FDA clearance for the MASCT System, many physicians and healthcare professionals may be hesitant to introduce new services, or techniques, into their practice for many reasons, including the learning curve associated with the adoption of such new services or techniques into already established procedures and the uncertainty of the applicability or reliability of the results of a new product. In addition, the availability of full or even partial payment for our products and tests, whether by third-party payors (e.g., insurance companies), or the patients themselves, will likely heavily influence physicians' decisions to recommend or use our products and services.

We will likely be increasingly required to offer discounted pricing arrangements to managed care payors and physicians and other referral services in response to competitive pressures.

There are other companies within the medical device product industry that have products used in NAF collection and there are laboratories other than ours that can process NAF samples. Because of this existing competition, as well as potential future competition from additional companies and laboratories, we will likely be increasingly required to offer discounted pricing arrangements to managed care payors, physicians and other referral services so that our products and services are selected over the products and services of others. If we offer such discounted pricing arrangements, our revenue will decrease and we may not generate sufficient revenue to cover our operating costs, which could materially adversely affect our business.

Additionally, such discounts could raise issues under the federal Anti-Kickback Statute and Medicare's discriminatory billing prohibition. If we were found to be in violation of such statute or prohibition, we could be subject to significant fines, and these fines would likely materially adversely affect our business and results of operations.

We may encounter difficulties in operating or maintaining our laboratory facility, which could cause delays and unexpected problems.

We have established the CLIA-certified National Reference Laboratory for Breast Health as a wholly-owned subsidiary and we rely on this physical facility in Seattle, Washington for the testing of patient samples. Our facility has received California, Florida, Maryland, Rhode Island, and Washington state laboratory licenses, and federal CLIA laboratory certification. However, our management team does not have significant prior experience with establishing and managing this type of laboratory facility. In addition, certain pieces of laboratory equipment required for the performance of our testing and analytical services may be difficult and costly to replace, and may require significant replacement lead-time. In the event that we are unable to maintain the laboratory facility in good working order, or if such laboratory or equipment is adversely affected by periodic malfunctions or man-made or natural disasters, then we may be unable to conduct business and meet potential customer demands for a significant period of time, which could negatively affect revenue and our long-term prospects.

The loss of the services of our Chief Executive Officer could adversely affect our business.

Our success is dependent in large part upon the ability to execute our business plan, manufacture the MASCT System, maintain our clinical and diagnostic laboratory, and attract and retain highly skilled professional, sales and marketing personnel. In particular, due to the relatively early stage of our business, our future success is highly dependent on the services of Steven C. Quay, our Chief Executive Officer and founder, who provides much of the necessary experience to execute our business plan. We do not currently maintain "key man" insurance with respect to Dr. Quay. The loss of his services for any reason could impede our ability to achieve our objectives, such as the commercialization of the MASCT System and the development of a core of healthcare professionals who use the MASCT System, particularly initially, as we seek to build a reputation among physicians and clinicians.

We may experience difficulty in locating, attracting, and retaining experienced and qualified personnel, which could adversely affect our business.

We will need to attract, retain, and motivate experienced anatomic pathologists, cytologists, histotechnologists, skilled laboratory and information technology staff, experienced sales representatives, and other personnel, particularly in the Greater Seattle area as we expand our commercialization activities. These

employees may not be available in this geographic region. In addition, competition for these employees is intense and recruiting and retaining skilled employees is difficult, particularly for a development-stage organization such as ours. If we are unable to attract and retain qualified personnel, revenue and earnings may be adversely affected.

We have no prior experience with commercializing any products or services, and will need to establish a sophisticated sales and marketing effort in order to be successful.

We intend to build a network of regional, specialty distributors, each with a staff of independent sales representatives with experience in women's health products to target physicians and mammography clinics in the United States. Marketing our products to physicians and healthcare professionals will require us to educate such professionals on the comparative advantages of our products over other methods currently used for the detection and diagnosis of breast cancer. Experienced independent sales representatives may be difficult to locate and all sales representatives will need to undergo extensive training. We will need to incur significant costs to build, train, supervise and effectively deploy this independent sales force. We cannot be certain that we will be able to recruit sufficiently skilled sales representatives or that any new sales representatives will ultimately become productive. Independent sales representatives may carry competing products or products that provide a better financial return to them and therefore may not emphasize our products. If we are unable to recruit, train and retain qualified and productive independent sales personnel, our ability to successfully commercialize our products and services will be impaired.

We use third-party suppliers for the production of the MASCT and Microcatheter Systems, which are currently manufactured in small quantities. If such suppliers are not capable of producing quantities of these systems sufficient for commercial sale when we are ready, we may not generate significant revenue or become profitable.

We rely on third-party suppliers for the continued manufacture and supply of the MASCT and Microcatheter Systems, including the NAF collection device and patient collection kits and for the laboratory instruments, equipment, consumable supplies, and other materials necessary to perform the specialized diagnostic tests. If our third-party suppliers cannot produce the MASCT or Microcatheter Systems in quantities sufficient for our commercial needs on acceptable terms when needed, we may be unable to commercialize the MASCT System and Microcatheter System and generate revenue from their sales as planned. In addition, if at any time after commercialization of our products, we are unable to secure essential equipment or supplies in a timely, reliable and cost-effective manner, we could experience disruptions in our services that could adversely affect anticipated results.

Currently Medicare and certain insurance carriers will not reimburse for the NAF collection procedure, which could slow or limit adoption of the MASCT System or prevent us from pricing the MASCT System at desired levels.

The Halo® Breast Pap Test, an NAF collection device similar to the MASCT System, is being marketed by Halo Healthcare, Inc. (formerly Neomatrix, LLC) of Irvine, California (Halo Healthcare, Inc. owns the registered trademark Halo®). Certain insurance carriers do not currently reimburse for the HALO System procedures. For example, in September 2010, United Healthcare published a policy statement indicating that it would not cover the costs of these procedures because it believes there is insufficient clinical evidence to support medical efficacy, based on its conclusion that there is inadequate clinical evidence that automated nipple aspiration either allows for better clinical decision-making or reduces breast cancer mortality. United Healthcare also recommended further studies to determine the efficacy of cytological examination of ductal fluid in detecting atypical cells to identify women at increased risk of breast cancer, as well as comparisons of the results to established methods of detecting and diagnosing breast cancer. Similarly, Medicare does not currently reimburse for the NAF collection procedure. Lack of Medicare or insurance coverage will require patients to bear the full costs of the NAF sample acquisition process used with the MASCT System. As a result, and particularly in light of healthcare reform and cost-containment initiatives being undertaken widely across the United States, physicians and other healthcare professionals may be slow to adopt the MASCT System and may not recommend its use in patients. We may be forced to reduce the price of the MASCT System components in response to low demand or to provide discounted pricing arrangements in order to secure sales, or may not be able to sell the product and services components of the MASCT System at acceptable margins, which would severely limit our ability to generate revenue.

Our intended business to sell predictive medical products may expose us to possible litigation and product liability claims.

Our business may expose us to potential product liability risks from the MASCT System, ForeCYTE Test, and/or ArgusCYTE Test inherent in the testing, marketing and processing of predictive, or personalized medical products. Product liability risks may arise from, but are not limited to:

- the inability of the MASCT System to extract a sufficient NAF sample from the breast, which may lead to an NAF sample size that is inadequate for proper processing at our laboratory and insufficient for screening, which could lead to an inaccurate assessment of the health of the patient;
- failure by healthcare professionals to properly safeguard NAF samples collected using the MASCT System;
- the potential loss, mislabeling or misplacement of NAF sample shipments and test kits;
- the MASCT System is a manually operated device, and, as a result, human error may result in improper collection of NAF or application of the MASCT System;
- inadequate cleaning of the collection pump between patients resulting in mixing of NAF samples from two patients or NAF samples attributed to the wrong patient;
- improper fitting of the MASCT System device to the breast; and
- inadequate cleaning of the breast prior to applying the MASCT System.

The ArgusCYTE Test must be run on fresh blood and improper storage conditions following drawing from the patient could lead to a missed diagnosis.

A successful product liability claim, or the costs and time commitment involved in defending against a product liability claim, could have a material adverse effect on our business. Any successful product liability claim may prevent us from obtaining adequate product liability insurance in the future on commercially desirable or reasonable terms. An inability to obtain sufficient insurance coverage at an acceptable cost, or otherwise, to protect against potential product liability claims could prevent or inhibit the commercialization of our products.

Our laboratory activities, including the analysis and reading of the NAF tests could expose us to possible litigation based on malpractice, data aggregation errors, or misdiagnoses.

Through a wholly-owned subsidiary, we operate a CLIA-certified laboratory to analyze patient samples and to report the results to referring healthcare professionals, researchers and potential collaborators worldwide. We or our subsidiary may be subject to claims by an affected patient, healthcare provider, researcher or collaborator if laboratory personnel make any of the following mistakes, by way of example:

- errors in the analysis of the tests;
- incorrect aggregation, categorization or labeling of data;
- improper, incorrect or inaccurate development of a computer database which categorizes, analyzes, or compares test data; or
- misinterpretation of the results of the test or collected data.

We maintain insurance to protect against such suits, but we cannot be certain that the insurance will be sufficient to cover potential damages, or that it will be cost-effective for us to maintain such a policy. Any adverse outcome against us could involve significant monetary judgments and could severely impact our financial resources and would be expected to impair our ability in the future to obtain malpractice, or other insurance, for our laboratory services.

If our patents do not adequately protect our products, others could compete with us more directly, which would adversely affect our business.

Our commercial success will depend in part on our ability to obtain new patents and enforce existing patents, as well as our ability to maintain adequate protection of other intellectual property for our technologies and products in the United States and abroad. If we do not adequately protect our intellectual

property, competitors may be able to use our technologies and erode or negate any competitive advantage we may otherwise have, which could adversely affect our business, negatively affect our position in the marketplace and limit our ability to commercialize our products. The laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems in protecting our proprietary rights in these countries.

The patent positions of diagnostic, medical device, and pharmaceutical companies, including ours, involve complex legal and factual questions, and, therefore, validity and enforceability cannot be predicted with certainty, nor can we be certain that we are not infringing the patents of others. Our patents may be challenged, deemed unenforceable, invalidated or circumvented. In particular, on March 20, 2012, the U.S. Supreme Court issued a decision in *Mayo Collaborative Services, DBA Mayo Medical Laboratories, et al. v. Prometheus Laboratories, Inc*., No. 10-1150, holding that several claims drawn to measuring drug metabolite levels from patient samples were not patentable subject matter. Although the Court's decision seems to impact diagnostics patents that merely apply a law of nature via a series of routine steps, the full impact of the *Prometheus* decision is not yet known. We will thus be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies, existing products and any future products are covered by valid and enforceable patents or are effectively maintained as trade secrets, and we are willing and have the necessary resources to take enforcement action against such unauthorized use by third parties.

The degree of future protection for our proprietary rights is uncertain, and we cannot ensure that:

- we were the first to make the inventions covered by each of our patents and pending patent applications;
- we were the first to file patent applications for these inventions;
- others will not independently develop similar, or alternative technologies, or duplicate any of our technologies;
- any of our pending patent applications will result in issued patents;
- any of our issued patents will be valid or enforceable;
- any patents issued to us will provide a basis for commercially viable products, will provide us with any competitive advantages or will not be challenged by third parties;
- we will develop additional proprietary technologies or products that are patentable; or
- the patents of others will not have an adverse effect on our business.

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

We rely on trade secrets to protect our proprietary know-how and technological advances, particularly where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, consultants, outside scientific collaborators and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. Failure to obtain, or maintain, trade secret protection could enable competitors to use our proprietary information to develop products that compete with our products or cause additional, material adverse effects upon our competitive business position.

Our current patent portfolio may not include all patent rights needed for the full development and commercialization of our products. We cannot be sure that patent rights we may need in the future will be available for license on commercially reasonable terms, or at all.

Although our patents may prevent others from making, using or selling similar products, they do not ensure that we will not infringe the patent rights of third parties. We may not be aware of all patents or patent applications that may impact our ability to make, use or sell our products or services. Furthermore, we may

not be aware of published or granted conflicting patent rights. Any conflicts resulting from patent applications and patents of others could significantly reduce the coverage of our patents and limit our ability to obtain meaningful patent protection. If others obtain patents with conflicting claims, we may need to obtain licenses to these patents or to develop or obtain alternative technology.

We may be unable to obtain any licenses or other rights to patents, technology or know-how from third parties necessary to conduct our business as described in this prospectus and such licenses, if available at all, may not be available on commercially reasonable terms. Any failure to obtain such licenses could delay or prevent us from developing or commercializing our proposed products and services, which would harm our business. Litigation or patent interference proceedings need to be brought against third parties, as discussed below, to enforce any of our patents or other proprietary rights, or to determine the scope and validity or enforceability of the proprietary rights of such third parties.

Litigation regarding patents, patent applications and other proprietary rights may be expensive and time consuming. If we are involved in such litigation, we could be delayed in bringing product or service candidates to market and our ability to operate could be harmed.

Our commercial success will depend in part on our ability to manufacture, use and sell products and services without infringing patents or other proprietary rights of third parties. Third parties may challenge or infringe upon our, or our licensors', existing or future patents. Although we are not currently aware of any pending or actual litigation, or other proceedings, or third-party claims of intellectual property infringement related to the MASCT System, the Mammary Ductal Microcatheter System or other product candidates, the medical device and diagnostic industry is characterized by extensive litigation regarding patents and other intellectual property rights. Other parties may obtain patents in the future and allege that the use of our technologies infringes these patent claims or that it is employing their proprietary technology without authorization.

Legal proceedings involving our patents or patent applications, or those of others, could result in adverse decisions regarding the patentability of our inventions relating to our products or the enforceability, validity or scope of protection offered by our patents.

Even if we are successful in proceedings involving our intellectual property rights or those of others, we may incur substantial costs and divert management time and attention in pursuing these proceedings. If we are unable to avoid infringing the patent rights of others, we may be required to seek a license, defend an infringement action, or challenge the validity of the patents in court. Patent litigation is costly and time-consuming and we may not have sufficient resources to bring enforcement actions to a successful conclusion. In addition, if we do not obtain a license, develop or obtain non-infringing technology, fail to defend an infringement action successfully or have infringed patents declared invalid, we may incur substantial monetary damages, encounter significant delays in bringing our product candidates to market, or be precluded from participating in the manufacture, use or sale of our products or product candidates or methods of treatment requiring licenses.

Risks Related to our Industry

Our inadvertent or unintentional failure to comply with the complex government regulations concerning privacy of medical records could subject us to fines and adversely affect our reputation.

The federal privacy regulations, among other things, restrict our ability to use or disclose protected health information in the form of patient-identifiable laboratory data, without written patient authorization, for purposes other than payment, treatment, or healthcare operations (as defined under the Health Insurance Portability and Accountability Act, or HIPAA) except for disclosures for various public policy purposes and other permitted purposes outlined in the privacy regulations. The privacy regulations provide for significant fines and other penalties for wrongful use or disclosure of protected health information, including potential civil and criminal fines and penalties. Although the HIPAA statute and regulations do not expressly provide for a private right of damages, we could incur damages under state laws to private parties for the wrongful use or disclosure of confidential health information or other private personal information.

We intend to implement policies and practices that we believe will make us compliant with the privacy regulations. However, the documentation and process requirements of the privacy regulations are complex and

subject to interpretation. Failure to comply with the privacy regulations could subject us to sanctions or penalties, loss of business, and negative publicity.

The HIPAA privacy regulations establish a "floor" of minimum protection for patients as to their medical information and do not supersede state laws that are more stringent. Therefore, we are required to comply with both HIPAA privacy regulations and various state privacy laws. The failure to do so could subject us to regulatory actions, including significant fines or penalties, and to private actions by patients, as well as to adverse publicity and possible loss of business. In addition, federal and state laws and judicial decisions provide individuals with various rights for violation of the privacy of their medical information by healthcare providers such as us.

Changes in regulations, policies, or payor mix may adversely affect reimbursement for laboratory services and could have a material adverse impact on our revenue and profitability.

Most of our services will be billed to a party other than the physician who ordered the test. Reimbursement levels for healthcare services are subject to continuous and often unexpected changes in policies. Changes in governmental and third-party reimbursement rates and policies may result from statutory and regulatory changes, retroactive rate adjustments, administrative rulings, competitive bidding initiatives, and other policy changes. Uncertainty also exists as to the coverage and reimbursement status of new services. Government payors and insurance companies have increased their efforts to control the cost, utilization, and delivery of healthcare services. For example, at least yearly, Congress has considered and enacted changes in the Medicare fee schedule in conjunction with budgetary legislation. Further reductions of reimbursement for Medicare services or changes in policy regarding coverage of tests may be implemented from time to time. The payment amounts under the Medicare fee schedules are often used as a reference for the payment amounts set by other third-party payors. As a result, a reduction in Medicare reimbursement rates could result in a corresponding reduction in the reimbursements we may receive from such third-party payors. Changes in test coverage policies of other third-party payors may also occur. Such reimbursement and coverage changes in the past have resulted in reduced prices, added costs and reduced accession volume, and have imposed more complex regulatory and administrative burdens. Further changes in federal, state, and local third-party payor laws, regulations, or policies may have a material adverse impact on our business.

Failure to participate as a provider with payors, or operating as a non-contracting provider, could have a material adverse effect on revenue.

The healthcare industry has experienced a trend of consolidation among healthcare insurers, resulting in fewer but larger insurers with significant bargaining power in negotiating fee arrangements with healthcare providers, including laboratories. Managed care providers often restrict their contracts to a small number of laboratories that may be used for tests ordered by physicians in the managed care provider's network. We currently do not have any managed care provider contracts and there can be no assurance any contracts will be established. If we do not have a contract with a managed care provider, we may be unable to gain those physicians as clients. In cases in which we will contract with a specified insurance company as a participating provider, we will be considered "in-network," and the reimbursement of third-party payments is governed by contractual relationships. Our in-network services will be primarily negotiated on a fee-for-service basis at a discount from our patient fee schedule, which could result in price erosion that would adversely affect revenue. Our failure to obtain managed care contracts, or participate in new managed care networks, could adversely affect revenue and profitability. In cases in which we do not have a contractual relationship with an insurance company, or are not an approved provider for a government program, we will have no contractual right to collect for services and such payors may refuse to reimburse us for services, which could lead to a decrease in accession volume and a corresponding decrease in revenue. As an out-of-network provider, reductions in reimbursement rates for non-participating providers could also adversely affect us. Third-party payors, with whom we do not participate as a contracted provider, may also require that we enter into contracts, which may have pricing and other terms that are materially less favorable than the terms under which we intend to operate. While accession volume may increase as a result of these contracts, revenue per accession may decrease.

Use of our laboratory services as a non-participating provider is also expected to result in greater co-payments for the patient, unless we elect to treat patients as if we were a participating provider in accordance with applicable law. Treating such patients as if we were a participating provider may adversely

impact results of operations because we may be unable to collect patient co-payments and deductibles. In some states, applicable law prohibits us from treating these patients as if we were a participating provider. As a result, referring physicians may avoid use of our services, which could result in a decrease in accession volume and adversely affect revenue.

Changes in FDA policies regarding the "home brew" exception from FDA review for laboratory-developed tests and reagents could adversely affect our business and results of operations.

Laboratory diagnostic tests developed and validated by a laboratory for its own use, also known as laboratory developed tests, which are referred to as LDTs or "home brew" tests, are subject to regulation under the federal Food, Drug and Cosmetic Act, or FDCA. To date, the FDA has decided, as a matter of enforcement discretion, not to exercise its authority with respect to most "home brew" tests performed by high complexity laboratories certified under CLIA, which is the type of laboratory that we have established. In addition, manufacturers and suppliers of analyte specific reagents, or ASRs, which we may utilize in our LDTs, are required to register with the FDA, conform manufacturing operations to the FDA's Quality System Regulation, or QSR, and comply with certain reporting and other record keeping requirements. The FDA regularly considers the application of additional regulatory controls over the development and use of LDTs by laboratories. It is possible that the FDA will require premarket notification or approval for LDT diagnostic tests that we may develop and perform in the future. The FDA held public hearings in the third quarter of 2010 to discuss how it will oversee LDTs. No definitive recommendations or findings have yet come from these hearings, but it is likely that the FDA will impose additional or new regulations affecting LDTs, including requiring premarket notification or approval for these tests. Any premarket notification or approval requirements could restrict or delay our ability to provide specialized diagnostic services and may adversely affect our business. FDA regulation of LDTs, or increased regulation of the various medical devices used in laboratory-developed testing, could increase the regulatory burden and generate additional costs and delays in introducing new tests.

The failure to comply with complex federal and state laws and regulations related to submission of claims for services could result in significant monetary damages and penalties and exclusion from the Medicare and Medicaid programs.

We are subject to extensive federal and state laws and regulations relating to the submission of claims for payment for services, including those that relate to coverage of services under Medicare, Medicaid, and other governmental healthcare programs, the amounts that may be billed for services, and to whom claims for services may be submitted, such as billing Medicare as the secondary, rather than the primary, payor. The failure to comply with applicable laws and regulations, for example, enrollment in PECOS, the Medicare Provider Enrollment, Chain and Ownership System, could result in our inability to receive payment for our services or attempts by third-party payors, such as Medicare and Medicaid, to recover payments from us that we have already received. Submission of claims in violation of certain statutory or regulatory requirements can result in penalties, including civil money penalties of up to $10,000 for each item or service billed to Medicare in violation of the legal requirement, and exclusion from participation in Medicare and Medicaid. Government authorities may also assert that violations of laws and regulations related to submission of claims violate the federal False Claims Act or other laws related to fraud and abuse, including submission of claims for services that were not medically necessary. The Company will be generally dependent on independent physicians to determine when its services are medically necessary for a particular patient. Nevertheless, we could be adversely affected if it was determined that the services we provided were not medically necessary and not reimbursable, particularly if it were asserted that we contributed to the physician's referrals of unnecessary services. It is also possible that the government could attempt to hold us liable under fraud and abuse laws for improper claims submitted by us if it were found that we knowingly participated in the arrangement that resulted in submission of the improper claims.

Our business is subject to rapid technological innovation, and the development by third parties of new or improved diagnostic testing technologies or information technology systems could have a material adverse effect on our business.

The anatomic pathology industry is characterized by rapid changes in technology, frequent introductions of new diagnostic tests, and evolving industry standards and client demands for new diagnostic technologies. Advances in technology may result in the development of more point-of-care testing equipment that can be

operated by physicians or other healthcare providers in their offices, or by patients themselves, without the services of freestanding laboratories and pathologists, thereby reducing demand for our services. In addition, advances in technology may result in the creation of enhanced diagnostic tools that enable other laboratories, hospitals, physicians, patients, or third parties to provide specialized laboratory services superior to ours, or that are more patient-friendly, efficient, or cost-effective. Our success depends in part upon our ability to acquire or license on favorable terms or develop new and improved technologies for early diagnosis before its competitors and to obtain appropriate reimbursement for diagnostic tests using these technologies. Introduction of prophylactic treatments or cures for breast cancer could substantially reduce or eliminate demand for our services.

Risks Related to This Offering, the Securities Markets and Investment in our Securities

There has been no prior public market for our common stock and the lack of such a market may make resale of our stock difficult.

No prior public market has existed for our common stock and we cannot assure any investor that an active trading market will develop following this offering. We intend to apply for listing of our common stock on the NASDAQ Capital Market. However, we do not know whether an active trading market for our common stock will ever develop or continue, particularly in light of the relatively small size of this offering. If a public trading market does not develop, you may have difficulty selling your common stock.

The offering may not be fully subscribed, and, even if the offering is fully subscribed, we will need additional capital in the future. If additional capital is not available, we may not be able to continue to operate our business pursuant to our business plan or we may have to discontinue our operations entirely.

The placement agent in this offering will offer our common stock on a “best efforts” basis, meaning that we may raise substantially less than the total offering amount contemplated by this prospectus. No refunds will be made available to investors if less than all of the shares of common stock are sold. We will likely need significant additional capital to continue to develop our business, which we may seek to raise through, among other things, public and private equity offerings and debt financing. Any equity financings will be dilutive to existing stockholders, and any debt financings will likely involve covenants restricting our business activities. Additional financing may not be available on acceptable terms or at all.

The ownership of our common stock is concentrated among a small number of stockholders, and if our principal stockholders, directors and officers choose to act together, they may be able to significantly influence management and operations, which may prevent us from taking actions that may be favorable to you.

Our ownership is concentrated among a small number of stockholders, including our founders, directors, officers and entities related to these persons. Following the completion of this offering, our directors, officers and entities affiliated with them will beneficially own over 35% of our outstanding voting securities. Accordingly, these stockholders, acting together, will have the ability to exert substantial influence over all matters requiring approval by our stockholders, including the election and removal of directors and any proposed merger, consolidation or sale of all or substantially all of our assets. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control of the Company or impeding a merger or consolidation, takeover or other business combination that could be favorable to you.

Anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control which could limit the market price of the our common stock and could prevent or frustrate attempts by the our stockholders to replace or remove current management and the current Board of Directors.

Our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective upon the completion of this offering, contain provisions that could delay or prevent a change in control or changes in our Board of Directors that our stockholders might consider favorable. These provisions include the establishment of a staggered Board of Directors, which divides the board into three classes, with directors in each class serving staggered three-year terms. The existence of a staggered board can make it more difficult for a third party to effect a takeover of our company if the incumbent board does not support the transaction. For more information about these anti-takeover provisions as well

as anti-takeover provisions under the Delaware General Corporation Law, please see "Description of Securities — Anti-Takeover Devices." These and other provisions in our corporate documents and Delaware law might discourage, delay or prevent a change in control or changes in the Board of Directors of the Company. These provisions could also discourage proxy contests and make it more difficult for an investor and other stockholders to elect directors not nominated by our Board. Furthermore, the existence of these provisions, together with certain provisions of Delaware law, might hinder or delay an attempted takeover other than through negotiations with the Board of Directors.

We do not expect to pay dividends in the future, which means that investors may not be able to realize the value of their shares except through a sale.

We have never, and do not anticipate that we will, declare or pay a cash dividend. We expect to retain future earnings, if any, for our business and do not anticipate paying dividends on common stock at any time in the foreseeable future. Because we do not anticipate paying dividends in the future, the only opportunity for our stockholders to realize the creation of value in our common stock will likely be through a sale of those shares.

We are an "emerging growth company" and we cannot be certain if we will be able to maintain such status or if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart our Business Startups Act of 2012, or JOBS Act, and we intend to adopt certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of section 404 of the Sarbanes-Oxley Act, 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. We may remain as an "emerging growth company" for up to five full fiscal years following our initial public offering. We would cease to be an emerging growth company, and therefore not be able to rely upon the above exemptions, if we have more than $1 billion in annual revenue in a fiscal year, we issue more than $1 billion of non-convertible debt over a three-year period, or we have more than $700 million in market value of our common stock held by non-affiliates as of any June 30 before the end of the five full fiscal years. Additionally, we cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, we have elected to use the extended transition period for complying with new or revised accounting standards.

Pursuant to Section 107(b) of the JOBS Act, we have elected to use the extended transition period for complying with new or revised accounting standards for an "emerging growth company." This election will permit us to delay the adoption of new or revised accounting standards that will have different effective dates for public and private companies until such time as those standards apply to private companies. Consequently, our financial statements may not be comparable to companies that comply with public company effective dates.

FORWARD-LOOKING STATEMENTS

This prospectus contains, in addition to historical information, certain information, assumptions and discussions that may constitute forward-looking statements. These statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected or anticipated. Although we believe our assumptions underlying our forward-looking statements are reasonable as of the date of this prospectus, we cannot assure you that the forward-looking statements set out in this prospectus will prove to be accurate. We typically identify these forward-looking statements by the use of forward-looking words such as “expect,” “potential,” “continue,” “may,” “will,” “should,” “could,” “would,” “seek,” “intend,” “plan,” “estimate,” “anticipate” or the negative version of those words or other comparable words. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our ability to successfully sell our products and services at currently expected prices or otherwise at prices acceptable to us;
- our ability to successfully develop and commercialize new tests and technologies currently in development and in the time frames currently expected;
- our ability to engage third-party suppliers to manufacture the MASCT or Microcatheter System and its components at quantities and costs acceptable to us;
- our ability to satisfy ongoing FDA requirements for the MASCT and Microcatheter System and to obtain regulatory approvals for our other products and services in development;
- the benefits and clinical accuracy of the ForeCYTE and ArgusCYTE Tests and whether any product or service that we commercialize is safer or more effective than competing products and services;
- our ability to establish and maintain intellectual property rights covering our products and services;
- the willingness of health insurance companies and other third-party payors to approve our products and services for coverage and reimbursement;
- our ability to establish and maintain an independent sales representative force to market our products and services that we may develop, both regionally and nationally;
- our expectations regarding, and our ability to satisfy, federal, state and foreign regulatory requirements;
- the accuracy of our estimates of the size and characteristics of the markets that our products and services may address;
- our expectations as to future financial performance, expense levels and liquidity sources; and
- our ability to attract and retain key personnel.

This prospectus also contains estimates and other statistical data provided by independent parties and by us relating to market size and growth and other industry data. These and other forward-looking statements made in this prospectus are presented as of the date on which the statements are made. We have included important factors in the cautionary statements included in this prospectus, particularly in the section entitled “Risk Factors,” that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any new information, future events or circumstances that may affect our business after the date of this prospectus. Except as required by law, we do not intend to update any forward-looking statements after the date on which the statement is made, whether as a result of new information, future events or circumstances or otherwise.

USE OF PROCEEDS

We estimate that the net proceeds of the sale of the shares that we are offering will be approximately $4.9 million, or approximately $5.7 million if the placement agent exercises its over-allotment option in full, assuming an initial public offering price of $6.00 per share, which is the midpoint of the range listed on the cover page of this prospectus, and after deducting estimated placement agent fees, the placement agent non-accountable expense reimbursement fee, other placement agent expense reimbursement obligations and estimated offering expenses that we must pay.

A $1.00 increase (decrease) in the assumed initial public offering price of $6.00 per share would increase (decrease) the net proceeds to us from this offering by approximately $900,000, 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 placement agent fees and estimated offering expenses payable by us.

Because we are conducting a best efforts offering with no minimum offering amount, there is no assurance that we will sell any shares or raise any proceeds.

The principal purposes of this offering are to obtain additional working capital to fund anticipated operating expenses, establish a public market for our common stock and facilitate future access to the public capital markets. We estimate that we will use the net proceeds from this offering for the following purposes:

- up to approximately $500,000 of these net proceeds to expand our cytology and molecular diagnostics laboratory;
- up to approximately $500,000 of these net proceeds to fund manufacture of a number of MASCT System units needed to launch the MASCT System across the United States as our initial national roll-out of the product;
- up to approximately $1,500,000 of these net proceeds to hire and train sales and marketing personnel for initial regional marketing and subsequent national distribution;
- up to approximately $1,000,000 of these net proceeds to develop and commence manufacturing and commercialization of the FullCYTE Test;
- up to approximately $1,000,000 of these net proceeds to develop and commercialize the NextCYTE Test; and
- the remaining net proceeds for the research and development of Intraductal Treatment Programs and for general working capital purposes.

If we raise less than $4.9 million in proceeds, we will utilize the proceeds raised in the manner set forth above until all proceeds are exhausted. For example, if we raise $2.5 million in proceeds, we would use $500,000 to expand our cytology and molecular diagnostics laboratory, $500,000 to fund the manufacture of a number of MASCT System units needed to launch the MASCT System across the United States and we would use $1,500,000 to hire and train sales and marketing personnel.

A portion of the net proceeds may be used to acquire or invest in complementary businesses, technologies, services or products in the event that we identify opportunities for such acquisitions, or investments that we believe are in the best interests of our stockholders. We have no current plans, agreements or commitments with respect to any such acquisition or investment, and we are not currently engaged in any negotiations with respect to any such transaction.

Although we currently anticipate that we will use the net proceeds as described above, there may be circumstances where a reallocation of funds may be necessary. The amounts and timing of our actual expenditures will depend upon numerous factors, including the progress of our development and commercialization efforts, the development of our business opportunities and our operating costs and expenditures. Accordingly, our management will have significant flexibility in applying these net proceeds. An investor will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions on how to use the proceeds.

The costs and timing of commercialization of our products and development of business opportunities are highly uncertain, are subject to substantial risks and can often change. Accordingly, we may change the allocation of use of these proceeds as a result of contingencies such as the uptake of our products in the marketplace, competitive responses, and operating costs and expenditures.

Pending use of the proceeds from this offering as described above or otherwise, we intend to invest the net proceeds in short-term, interest-bearing, investment-grade securities.

DIVIDEND POLICY

The Company does not anticipate that it will declare dividends in the foreseeable future, but rather intends to retain any future earnings for the development of the business. Payment of future cash dividends, if any, will be at the discretion of the Board of Directors of the Company after taking into account various factors, including the Company's financial condition, operating results, current and anticipated cash needs, outstanding indebtedness and plans for expansion and restrictions imposed by lenders, if any.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2012 on:

- an actual basis; and
- an as-adjusted basis to reflect the receipt of the net proceeds from the sale of common stock in this offering at an assumed initial public offering price of $6.00 per share, which is the midpoint of the range set forth on the cover page of this prospectus, after deducting the estimated placement agent fees, the placement agent non-accountable expense reimbursement fee and estimated offering expenses.

A potential investor should read this capitalization table together with the financial statements and the related notes appearing elsewhere in this prospectus, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial information included in this prospectus.

	As of March 31, 2012	
	Actual	As-Adjusted
	(unaudited)	
Common Stock, $0.001 par value, 75,000,000 shares authorized and 11,256,867 and 12,256,867 shares outstanding, actual and as-adjusted, respectively[(1)]	$ 11,257	$ 12,257
Additional paid-in capital	6,290,402	11,189,402
Accumulated deficit	(5,714,972)	(5,714,972)
Total stockholders' equity	$ 586,687	$ 5,486,687

(1) The number of shares of our common stock outstanding is based on 11,256,867 shares of common stock outstanding as of March 31, 2012, and excludes 608,000 shares issuable upon the exercise of options outstanding as of March 31, 2012 under our 2010 Plan, as well as 392,000 shares of common stock reserved for future issuance under our 2010 Plan, in addition to 6,833,840 shares of common stock underlying outstanding warrants with a weighted-average exercise price of $1.56 per share.

DILUTION

Our net tangible book value as of March 31, 2012 was $550,052, or $0.05 per share of common stock. Net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of shares of common stock outstanding as of March 31, 2012. After giving effect to the sale by us of 1,000,000 shares of common stock being sold in this offering at an assumed initial public offering price of $6.00 per share, which is the midpoint of the range listed on the cover page of this prospectus, and after deducting the 7% estimated placement agent fees, the 3% non-accountable expense reimbursement fee, placement agent expense reimbursement obligations and estimated offering expenses payable by us, our pro forma net tangible book value as of March 31, 2012 would have been approximately $5.4 million, or approximately $0.44 per share. This amount represents an immediate increase in net tangible book value of $0.40 per share to our existing stockholders and an immediate dilution in net tangible book value of approximately $5.56 per share to new investors.

The following table illustrates this hypothetical per-share dilution:

Assumed initial public offering price		$ 6.00
Net tangible book value per share as of March 31, 2012	$ 0.05	
Increase in net tangible book value per share attributed to new investors purchasing shares in this offering	0.40	
As-adjusted net tangible book value per share after this offering		0.44
Dilution per share to new investors		$ 5.56

A $1.00 increase (decrease) in the assumed initial public offering price of $6.00 per share would increase (decrease) our adjusted net tangible book value per share after this offering by approximately $0.07 and would increase (decrease) dilution per share to new investors by approximately $0.93, 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 placement agent fees and estimated offering expenses payable by us. In addition, to the extent any outstanding options or warrants are exercised, you will experience further dilution.

The following table summarizes, as of March 31, 2012, the number of shares purchased from us, the total consideration paid or to be paid to us, and the average price per share paid or to be paid to us by existing stockholders and new investors purchasing a total of 1,000,000 shares of our common stock at an assumed offering price of $6.00 per share, which is the midpoint of the price range listed on the cover page of this prospectus.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	11,256,867	91.8%	$ 6,898,540	53.5%	$ 0.61
New investors	1,000,000	8.2%	6,000,000	46.5%	6.00
Total	12,256,867	100%	$ 12,898,540	100%	$ 1.05

A $1.00 increase (decrease) in the assumed initial public offering price of $6.00 per share would increase (decrease) the total consideration paid by new investors by $900,000 and increase (decrease) the percent of total consideration paid by new investors by 3.90% assuming that the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting estimated placement agent fees, placement agent expense reimbursement obligations and estimated offering expenses payable by us.

Assuming the placement agent over-allotment option is not exercised, sales by us in this offering will reduce the percentage of shares held by existing stockholders to approximately 91.8% and will increase the number of shares held by our new investors to approximately 1,000,000, or 8.2%.

The number of shares of our common stock to be outstanding after this offering is based on 11,256,867 shares of our common stock outstanding as of March 31, 2012 and excludes:

- 814,000 shares issuable upon the exercise of options outstanding as of March 31, 2012 under our 2010 Plan;
- 186,000 shares of common stock reserved for future issuance under our 2010 Plan; and
- 6,833,840 shares of common stock underlying outstanding warrants with a weighted-average exercise price of $1.56 per share.

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

The following discussion of the financial condition and results of operations should be read in conjunction with the "Summary Financial Data" and the financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements, which are based on assumptions about the future of the Company's business. The actual results could differ materially from those contained in the forward-looking statements. Please read "Forward-Looking Statements" included elsewhere in this prospectus for additional information regarding forward-looking statements used in this prospectus.

Company Overview

We are a healthcare company focused on the prevention of breast cancer through the commercialization of diagnostic tests that can detect precursors to invasive breast cancer, and through the research, development, and ultimate commercialization of treatments for pre-cancerous lesions.

Our diagnostic tests consist of FDA-cleared and patented medical devices that can collect fluid and tissue samples from the breast milk ducts, where, according to the National Cancer Institute, over 95% of breast cancers arise. These samples are processed at our CLIA-certified laboratory, the National Reference Laboratory for Breast Health, which examines the specimens by microscopy for the presence of normal, pre-malignant, or malignant changes as determined by cytopathology and biomarkers that distinguish "usual" ductal hyperplasia, a benign condition, from atypical ductal hyperplasia, which may lead to cancer. These cytopathological results provide patients and physicians with information about the care path that should be followed, depending on the individual risk of future cancer as determined by the results.

Additionally, we are conducting research on the treatment of these pre-cancerous cells by using our patented and FDA-cleared microcatheters to deliver, directly into the milk ducts, pharmaceutical formulations that can be used to treat these pre-cancerous lesions. By using this localized delivery method, patients are expected to receive high local concentrations of these drugs at the site of the pre-cancerous lesions, potentially promoting efficacy of the treatment while limiting systemic exposure, which has the potential to lower the overall toxicity of these treatments.

Current Operations

We launched our commercial operations in late 2011 and, as of March 31, 2012, have enrolled and sold MASCT System kits or provided ArgusCYTE collection kits to 25 doctors and clinics as providers of the ForeCYTE and/or ArgusCYTE tests and have received, processed, and reported the results to physicians from 276 ForeCYTE samples and 13 ArgusCYTE samples. From inception (April 30, 2009) through March 31, 2012, we have generated $56,213 in revenue from the sale of our MASCT System and laboratory services. We incurred net operating losses of $1,062,917 and $230,391 for the three months ended March 31, 2012 and 2011, respectively. As of March 31, 2012, we had an accumulated deficit of approximately $5.7 million. We have not yet established an ongoing source of revenue sufficient to cover our operating costs and allow us to continue as a going concern. Our ability to continue as a going concern is dependent on obtaining adequate capital to fund operating losses until we become profitable. We plan to obtain additional capital resources by selling our equity securities, selling the MASCT System and generating laboratory service revenue from our tests, and making short-term borrowings from stockholders or other related parties when needed. However, we cannot assure you that we will be successful in accomplishing any of these plans and, if we are unable to obtain adequate capital, we could be forced to cease operations.

Revenue Sources

The commercialization of the ForeCYTE Test provides us with two revenue sources: (i) sales-based revenue from the sale of the MASCT System device and patient kits to physicians, breast health clinics, and mammography clinics and (ii) service, or use-based, revenue from the preparation and interpretation of the NAF samples sent to our laboratory for analysis. The commercialization of the ArgusCYTE test provides only laboratory service revenue.

Commencing in December 2011, we began to market the ForeCYTE Test to physicians, primarily obstetric-gynecologists, as well as breast health and mammography clinics, for use in conjunction with other health screening examinations, including annual physical examinations and regularly scheduled cervical Pap

smears and mammograms. We are establishing relationships with breast cancer centers to provide the ArgusCYTE Test to their patients. We plan to initially use regional specialty product distributors, with independent sale representatives specializing in Women's Health, to commercialize the ForeCYTE and ArgusCYTE Tests. As of March 31, 2012, we have one person involved in sales; however, we cannot be certain that we will be able to build distributor relationships adequately to address the national market. In addition to Dr. Quay, in April 2012 we hired a board-certified pathologist part-time to assist in the interpretation of the NAF samples.

We intend to use the net proceeds from this offering to expand our cytology and molecular diagnostics laboratory, fund the manufacture of MASCT System units, hire and train sales and marketing personnel, continue the research and development of the FullCYTE and NextCYTE Tests, support the internal research and development of the Intraductal Treatment Research Program, and for general corporate purposes.

Commercial Lease Agreements

In December 2009, we entered into a commercial lease agreement with Ensisheim, an affiliated entity, for office space located in Seattle, Washington. From inception through December 31, 2009, we incurred only a nominal amount of rent expense for the lease. For the period of January 1, 2010 through June 30, 2010, we incurred $6,600 of rent expense for the lease. We and Ensisheim terminated the lease, effective July 1, 2010 and we commenced use of the facility rent-free for the period from July 1, 2010 through March 31, 2011. In March 2011, we entered into a commercial lease agreement with Sanders Properties, LLC for the same office space located in Seattle, Washington. The lease provides for monthly rent of $1,100 and a security deposit of $1,500. The lease terms are from April 1, 2011 to March 31, 2013. For the periods of April 1, 2011 through December 31, 2011 and the three months ended March 31, 2012, we incurred $9,900 and $13,200, respectively, of rent expense for the lease.

In September 2010, we entered into a commercial lease agreement with CompleGen, Inc. for laboratory space located in Seattle, Washington. The lease provides for monthly rent of $3,657. The initial lease term was from September 2010 through March 2011, at which time the lease converted into a month-to-month lease. The monthly rent for the lease increased to $4,267 commencing January 2012. For the periods of September 2010 through December 31, 2011 and the three months ended March 31, 2012, we incurred $43,890 and $12,802, respectively, of rent expense for the lease.

In July 2011, we entered into a commercial lease agreement with Sanders Properties, LLC for another office space located in Seattle, Washington. The lease provides for monthly rent of $600 and a security deposit of $1,200. The lease terms are from July 11, 2011 to July 31, 2012. For the periods of July 11, 2011 through December 31, 2011 and the three months ended March 31, 2012, we incurred $3,395 and $5,260, respectively, of rent expense for the lease.

In September 2011, we entered into a commercial lease agreement with Sanders Properties, LLC for additional office space located in Seattle, Washington. The lease provides for monthly rent of $1,400 and a security deposit of $1,000. The lease terms are from October 1, 2011 to March 31, 2012. For the periods of October 1, 2011 through December 31, 2011 and the three months ended March 31, 2012, we incurred $4,200 and $4,200, respectively, of rent expense for the lease. This lease ended on March 31, 2012 and was not renewed.

In December 2011, we entered into a commercial lease agreement with Fred Hutchinson Cancer Research Center for laboratory space located in Seattle, Washington. The lease provides for monthly rent of $16,395. The lease terms are from February 2012 through November 2014. We will initially rent temporary office and laboratory space of 6,342 sq. ft. and then move into permanent office and laboratory space in the same building of 7,504 sq. ft. in or around October 2012. We will be entitled to rent abatement for 6.25 months upon moving into the permanent space. We expect to move our CLIA-certified laboratory facilities and executive offices into this space once the new space is CLIA-certified and we expect to terminate our month-to-month lease with CompleGen following completion of this move. For the three months ended March 31, 2012, we incurred $19,674 of rent expense for the lease.

We expect that these new facilities will be sufficient to meet our needs for the foreseeable future and we do not expect to need additional office and laboratory space for at least the next 24 months.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments, including those described below. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results and experiences may differ materially from these estimates.

While our significant accounting policies are more fully described in Note 3 to our financial statements included at the end of this prospectus, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our reported financial results and affect the more significant judgments and estimates that we use in the preparation of our financial statements.

Revenue Recognition

Overview

We will recognize product and service revenue in accordance with GAAP when the following overall fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or the service has been performed, (iii) the Company's price to the customer is fixed or determinable, and (iv) collection is reasonably assured.

Product Revenue

We recognize revenue for sales of the MASCT kits and devices upon the occurrence of all of the following: (i) receipt of cash, (ii) confirmation of product delivery (shipping documents and the completion of any customer acceptance requirements, when applicable, will be used to verify product delivery), and (iii) assessment of whether a price is fixed or determinable based upon the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. Once a history of sales and collectability has been established, we expect to recognize revenue upon delivery of goods from the supplier's or our warehouse or upon arrival of goods at the customer's designated location, depending on the shipping terms, with an offsetting reserve for doubtful accounts estimated based on the relevant collections history.

Service Revenue

We recognize revenue for our diagnostic testing on an accrual basis at the Medicare allowed and invoiced amount and upon satisfaction of the above four fundamental criteria. Amounts invoiced above the Medicare allowed reimbursement amount are recognized upon receipt of cash during the initial three- to six-month period as we have insufficient individual customer history on which to determine the collectability of amounts that are invoiced above the Medicare amount. Diagnostic testing revenue at the Medicare rate is recognized upon completion of the test, communication of results to the patient's physician, and when collectability is reasonably assured. Customer purchase orders and/or contracts will generally be used to determine whether persuasive evidence of an arrangement exists. Once the Company has an appropriate history of sales and can determine the proper amount to recognize as uncollectible, it will then begin to recognize the entire amount, both Medicare allowed and non-Medicare billing, when all criteria of revenue recognition are met, with an offsetting allowance for doubtful accounts estimated based on collections history. We estimate it will take between three to six months of sales and collection history to establish reasonable assurance of collection and estimate of doubtful accounts, which is subject to change based on the sufficiency of the actual number of sales transactions for the period.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid instruments with original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of

contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Research and Development Expenses

Research and development costs are generally expensed as incurred. Our research and development expenses consist of costs incurred for internal and external research and development.

Share-Based Payments

In December 2004, the Financial Accounting Standards Board, or the FASB, issued the Statement of Financial Accounting Standards, or SFAS, No. 123(R), "Share-Based Payment," which replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123(R) is now included in the FASB's ASC Topic 718, "Compensation — Stock Compensation." Under SFAS No. 123(R), companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees or independent contractors are required to provide services. Share-based compensation arrangements include stock options and warrants, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. In March 2005, the SEC issued Staff Accounting Bulletin No. 107, or SAB 107, which expresses views of the staff regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides the staff's views regarding the valuation of share-based payment arrangements for public companies. SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods. On April 14, 2005, the SEC adopted a new rule amending the compliance dates for SFAS No. 123(R). Companies may elect to apply this statement either prospectively, or on a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods under SFAS No. 123.

We have fully adopted the provisions of FASB ASC 718 and related interpretations as provided by SAB 107. As such, compensation cost is measured on the date of grant as the fair value of the share-based payments. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

The amended employment agreement with the CEO, entered into on July 22, 2010, granted options to purchase 250,000 shares (or 565,830 shares prior to the reverse stock-split on September 28, 2010) at a price of $5.00 per share, in consideration of his service to the Company. Of these options, 25% (or 62,500 shares) vested on December 31, 2010 with the remaining 75% (or 187,500 shares) to vest in equal quarterly installments over the next three years so long as the executive remains employed with the company. These options have five-year contractual terms.

The amended employment agreement with the CTO, entered into on July 22, 2010, granted options to purchase 100,000 shares (or 226,332 shares prior to the reverse stock-split on September 28, 2010) at a price of $5.00 per share in consideration of her service to the Company. Of these options, 25% (or 25,000 shares) vested on December 31, 2010 with the remaining 75% (or 75,000 shares) to vest in equal quarterly installments over the next three years so long as the executive remains employed with the company. These options have five-year contractual terms.

On April 4, 2011, 45,000 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to Dr. Tim Hunkapiller for being a member of the Company's Scientific Advisory Board and consulting services to be provided to the Company, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest as follows:

(i) 11,250 option shares shall vest ninety (90) days after the date of grant;

(ii) 11,000 option shares shall vest one hundred and eighty (180) days after the date of grant;

(iii) 11,500 option shares shall vest two hundred and seventy (270) days after the date of grant;

(iv) 11,250 option shares shall vest three hundred and sixty (360) days after the date of grant.

On September 1, 2011, 219,000 incentive stock options were granted under the 2010 Stock Option and Incentive Plan to employees and officers as part of their employment agreements, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest and become exercisable as follows:

(i) twenty-five percent (25%) of the underlying shares on the first anniversary of the date of grant; and

(ii) one-forty eighth (1/48) of the underlying shares monthly thereafter.

On September 1, 2011, 200,000 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to non-employee directors for services to be provided to the Company, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest and become exercisable as follows:

(i) 80,000 option shares shall vest on September 1, 2011;

(ii) 30,000 options shares shall vest on December 1, 2011;

(iii)30,000 options shares shall vest on March 1, 2012;

(iv)30,000 options shares shall vest on June 1, 2012;

(v) 30,000 options shares shall vest on September 1, 2012.

On April 30, 2012, 19,757 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to non-employee directors for serving as directors of the Company, at an exercise price of $6.00 per share. These options have a ten-year contractual term and shall vest and become exercisable in full immediately as of the grant date.

In accordance with the guidance provided in ASC Topic 718, Stock Compensation (formerly SFAS 123R), the compensation costs associated with these options are recognized, based on the grant-date fair values of these options, over the requisite service period, or vesting period. Accordingly, the Company recognized a compensation expense of $44,882 for the three months ended March 31, 2012.

The Company estimated the fair value of these options using the Black-Scholes-Merton option pricing model based on the following weighted-average assumptions:

	CEO & CTO	Dr. Hunkapiller	Employees & Officers	Non-employee Directors	Non-employee Directors
Date of grant	22-Jul-10	4-Apr-11	1-Sep-11	1-Sep-11	30-Apr-12
Fair value of common stock on date of grant	$ 2.756 (B)	$ 0.906 (C)	$ 0.906 (C)	$ 0.906 (C)	$ 6.00 (D)
Exercise price of the options	$ 5.00	$ 1.25	$ 1.25	$ 1.25	$ 6.00
Expected life of the options (years)	3.33	5.31	5.65	5.65	5.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	58.59%	54.12%	53.90%	53.90%	62.46%
Risk-free interest rate	1.03%	2.26%	1.08%	1.08%	0.89%
Expected forfeiture per year (%)	0.00%	0.00%	(A)	0.00%	0.00%
Weighted-average fair value of the options (per unit)	$ 0.6744	$ 0.3729	$ 0.3579	$ 0.3579	$ 3.0367

(A) 0.00% for the first year after the grant date, and 2.50% for every three months thereafter.

(B) The fair value of the Company’s common stock was derived implicitly from the public offering filed in March 2010 at $3.00 per share and from the terms of an underwritten offering contemplated in July 2010 at $6.00 per Unit that was filed in October 2010, with $2.756 per share being allocated to common stock using an iterative approach in order for the combined fair value of the common stock and warrants to equal the amount of consideration to be received in the offering.

(C) The fair value of the Company’s common stock was derived implicitly from the Private Placement during April through June 2011 at $1.25 per Unit, wherein one Unit was comprised of one share of common stock and one warrant to purchase one share of common stock at an exercise price of $1.60 per share.

(D) The fair value of the Company’s common stock was derived implicitly from the public offering filed in February 2012 at $6.00 per share.

In October 2010, the Company filed a Registration Statement on Form S-1 with the SEC. However, the market for early stage investments in medical technology transactions had deteriorated between mid-2010 and early 2011. In addition, the Company's ability to negotiate with potential investors was limited. The Company's cash position had also diminished since the summer of 2010 and the founders of the Company were unable to finance the Company at the level needed for growth. The withdrawal of the Registration Statement in February 2011 further weakened the impression of the Company in the market. The fair value of the Company's common stock decreased from $2.756 in 2010 to $0.906 in 2011 primarily because the grants in 2011 relied on the arm's-length negotiation of the private placement financing (for illiquid stock) as opposed to relying on an anticipated initial public offering (of publicly-traded stock), as was the case in 2010. The private placement transactions were between the company and over 200 accredited investors and ascribed a value of $0.906 to the Company's common stock.

Fair value hierarchy of the above assumptions can be categorized as follows:

(1) There were no Level 1 inputs.

(2) Level 2 inputs include:

- Risk-free rate — The risk-free rate of return reflects the interest rate for United States Treasury Note with similar time-to-maturity to that of the options.

(3) Level 3 inputs include:

- Expected lives — The expected lives of options granted were derived from the output of the option valuation model and represented the period of time that options granted are expected to be outstanding.
- Expected forfeitures per year — The expected forfeitures are estimated at the dates of grant and will be revised in subsequent periods pursuant to actual forfeitures, if significantly different from the previous estimates.
- Expected volatility — We did not have a historical trading history sufficient to develop an internal volatility rate for use in the model. As a result, as required by ASC 718-10-30, the Company has accounted for the options using the calculated value method. The Company identified seven public entities in the similar industry for which share price information was available, and considered the historical volatilities of those public entities' share prices in calculating the expected volatility appropriate to the Company.

The estimates of fair value from the model are theoretical values of stock options and changes in the assumptions used in the model could result in materially different fair value estimates. The actual value of the stock options will depend on the market value of the Company's common stock when the stock options are exercised.

Notwithstanding that the fair market value of the Company's common stock in September 2011 was $0.906 per share, the Company filed a Registration Statement on Form S-1 in February 2012 to offer shares of its common stock at $5.00 to $7.00 per share. This increase in share value is justified by the accomplishments achieved by the Company between September 2011 and February 2012, the end results of which are described elsewhere in this prospectus in the summary of the Company's business and operations. However, the specific actions that took place between September 2011 and February 2012 that supported this increase in value were as follows. The MASCT System manufacturing had been completed, supplies for the field experience trial were completed and the Company had established an FDA-compliant inventory and warehousing facility. Further, the National Reference Laboratory for Breast Health, the Company's wholly-owned subsidiary, was established as a Delaware corporation, was equipped and staffed, and the protocols and procedures needed to be a CLIA-registered facility were put in place. Moreover, the ForeCYTE test, which involves cytopathology and five biomarkers of hyperplasia and one biomarker of sample integrity, was completed, tested, and validated to CLIA standards. Computer hardware and software was acquired, set up, made operational, and the ForeCYTE report template, with unique reporting information for the requesting physician and a patient letter template, were created. The company explored and identified a technology for the ArgusCYTE test (which is the technology that the Company is currently using for the ArgusCYTE test), negotiated a supply agreement

with the supplier, and tested and validated the test. An ArgusCYTE report template was also established and a new reporting scheme invented and a patent application filed.

Further, the Company negotiated the option to acquire the FullCYTE Microcatheter System from Hologics, reestablished the supply chain and began preparing for a commercial launch later in 2012 or early 2013. In doing so, the Company increased its U.S. patent portfolio from 5 to 31 and its total portfolio of patents and applications to over 120. The Company also prepared marketing documents for the launch of the ForeCYTE and ArgusCYTE tests, which occurred in December 2011. The Company studied the use of the FullCYTE microcatheter in six patients to establish the feasibility of performing next-generation tests on samples taken with the microcatheters. Additionally, the Company negotiated a one-year option to acquire commercial rights to the NextCYTE technology, and started researching the utility of the technology in providing superior information in the setting of cancer diagnosis and treatment selection.

The Company also established third-party relationships to perform the reimbursement billing in anticipation of the commercial launch and to permit electronic remittance of testing revenue. The Company launched a Field Test Experience limited launch of both the ForeCYTE and ArgusCYTE tests on schedule in December 2011 and has seen significant market acceptance of both tests from the doctors and clinics using the tests. The Company passed a CLIA inspection and became CLIA-certified, has obtained five state licenses and has a pending application in New York State, the only remaining state where licensure is required. Finally, the Board of Directors and scientific advisory board were each strengthened with the addition of key new executives and scientists.

The Board of Directors considered each of the foregoing achievements, and considered input from the Company's investment bankers, in determining that the value of the Company supports a valuation of $5.00 to $7.00 per share of the Company's common stock.

Options issued and outstanding as of March 31, 2012 and their activities during the three months then ended are as follows:

	Number of Underlying Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Contractual Life Remaining in Years
Outstanding as of January 1, 2011	608,000	$ 3.41	
Granted	—	—	
Expired	—	—	
Forfeited	—	—	
Outstanding as of March 31, 2012	608,000	3.41	5.88
Exercisable as of March 31, 2012	381,875	3.18	6.22
Vested and expected to vest[(1)]	608,000	3.41	5.88

(1) Includes vested shares and unvested shares after a forfeiture rate is applied.

As of March 31, 2012 and December 31, 2011, the aggregate intrinsic value of options outstanding, exercisable, and vested and expected to vest was $389,049 and $329,053, respectively.

A summary of the status of the Company's unvested shares as of March 31, 2012 and changes during the period then ended is presented below:

Unvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of January 1, 2012	289,250	$ 159,013
Granted	—	—
Vested	(63,125)	(29,685)
Forfeited	—	—
Unvested as of March 31, 2012	226,125	$ 129,328

The intrinsic value of all outstanding vested and unvested options as of December 31, 2011 and March 31, 2012 based on the assumed initial public offering midpoint price of $6.00 per share and the exercise price of the outstanding options are as follows:

	December 31, 2011		March 31, 2012	
	Number of Options	Intrinsic Value ($)	Number of Options	Intrinsic Value ($)
Unvested	289,250	778,125	226,125	637,673
Vested	318,750	857,438	381,875	1,076,888

Results of Operations

Discussion of Fiscal Year Ended December 31, 2010

For the year ended December 31, 2010, we had no revenue and total expenses of $1,077,996, consisting of $119,996 in expenses for research and development, or R&D, $478,276 in expenses for legal and professional fees, $242,718 in expenses for compensation, $108,664 in expenses for consulting and $128,342 for all other general and administrative, or G&A, expenses. The R&D expenses consisted primarily of $103,750 of compensation paid to R&D management and staff, and rent of $10,971. The legal and professional expenses consisted entirely of legal and accounting fees primarily related to corporate matters, including fees incurred in connection with the prior filing of a Registration Statement on Form S-1, which was withdrawn in favor of a private placement that we completed in 2011. The all other G&A expenses consisted of $52,500 for website development and Internet expenses, $12,204 for advertising and promotion expenses, and $63,637 for other miscellaneous G&A expenses.

Discussion of Fiscal Year Ended December 31, 2011

For the year ended December 31, 2011, we had revenue of $1,500, cost of goods sold of $5,164, $92,026 in loss on reduction of inventory to lower of cost or market, and total operating expenses of $3,333,500, consisting of $3,172,649 in G&A expenses and $160,851 in selling expenses.

The revenue consisted of sales of $1,500 of our MASCT System. The cost of goods sold of $5,164 consisted of $4,158 in direct costs related to the revenue and $1,006 in non-inventory item costs of goods. The loss on reduction of inventory to lower of cost or market of $92,026 was a result of the sales price of our MASCT System being substantially lower than its cost. Our MASCT System is currently sold at a price substantially lower than its cost because the MASCT System is currently manufactured only in sufficient quantities to be utilized in our field experience trial. Because the MASCT System is being manufactured in small quantities, the manufacturing cost is higher than we expect it will be when the volume of production of our MASCT System is increased for post-trial commercial launch.

The G&A expenses consisted primarily of $486,877 in salaries and bonus expense, $431,280 in legal expense, $124,189 in consulting expense, $75,651 in accounting expense, $73,454 in travel expense, $65,784 in payroll taxes, $57,218 in licenses & permits expenses, $56,133 in professional fees, $47,103 in health insurance expense and $26,973 in business insurance. Also included in G&A expense is $1,580,749 in research and development expense, consisting primarily of $589,861 in salaries and bonus expense, $45,199 in rent expense, $75,109 in laboratory supplies, $164,631 in MASCT System development, $265,120 in ductal

lavage product development, $76,405 in ductal lavage service development, $135,234 in circulating tumor cells service development, and $103,225 in patent licenses acquisition.

The selling expenses consisted of $104,401 in salaries and $56,450 in advertising.

Discussion of Three Months Ended March 31, 2012

For the three months ended March 31, 2012, we had revenue of $54,713, cost of goods sold of $12,277, $16,047 in loss on reduction of inventory to lower of cost or market, and total operating expenses of $1,088,557, consisting of $1,019,442 in G&A expenses and $69,115 in selling expenses.

The revenue consisted of sales of $2,000 of our MASCT System and $52,713 of our ForeCYTE test. The cost of goods sold of $12,277 consisted of $10,957 in direct costs related to the revenue and $1,320 in non-inventory item costs of goods. The loss on reduction of inventory to lower of cost or market of $16,047 was a result of the sales price of our MASCT System being substantially lower than its cost. Our MASCT System is currently sold at a price substantially lower than its cost because the MASCT System is currently manufactured only in sufficient quantities to be utilized in our field experience trial. Because the MASCT System is being manufactured in small quantities, the manufacturing cost is higher than we expect it will be when the volume of production of our MASCT System is increased for post-trial commercial launch.

The G&A expenses consisted primarily of $105,329 in salaries and bonus expense, $226,914 in legal expense, $45,908 in consulting expense, $19,900 in accounting expense, $13,925 in travel expense, $30,776 in payroll taxes, $41,439 in professional fees, $15,339 in health insurance expense and $17,340 in business insurance. Also included in G&A expense is $417,990 in research and development expense, consisting primarily of $158,256 in salaries and bonus expense, $43,706 in rent expense, $10,723 in laboratory supplies, $39,686 in MASCT System development, $150,997 in ductal lavage product development, $6,170 in ductal lavage service development and $7,546 in circulating tumor cells service development.

The selling expenses consisted of $69,089 in salaries and $26 in advertising.

Comparison of the Three Months Ended March 31, 2012 and 2011

For the three months ended March 31, 2012, we had revenue of $54,713, cost of goods sold of $12,277, loss on reduction of inventory to lower of cost or market of $16,047, and total expenses of $1,088,557, consisting of G&A expenses of $1,019,442 and selling expenses of $69,115. This compares to revenue of $0, cost of goods sold of $0, loss on reduction of inventory to lower of cost or market of $0, G&A expenses of $225,423, and selling expenses of $0 for the three months ended March 31, 2011. Total expenses increased by $863,134 or 383% from $225,423 for the three months ended March 31, 2011 to $1,088,557 for the three months ended March 31, 2012.

As discussed below, we expect that our R&D and G&A expenses will continue to increase in the foreseeable future, and that if we successfully complete this offering and launch the MASCT System and our related laboratory service offerings, we would also begin to incur sales and marketing expenses as we build a regional, and ultimately national, sales force. We may limit our fixed sales and marketing costs initially by employing temporary workers or those who are compensated on a commission basis. However, we expect our expenditures to increase significantly in future periods.

Revenue and Cost of Goods Sold. We had revenue of $54,713, cost of goods sold of $12,277, and loss on reduction of inventory to lower of cost or market of $16,047 for the three months ended March 31, 2012, and did not have any revenue or cost of goods sold for the three months ended March 31, 2011. Revenue for the three months ended March 31, 2012 consisted of the sales of our MASCT System and our ForeCYTE test. The cost of goods sold consisted of $7,760 in direct costs related to the production of the MASCT Systems, $3,197 in cost of services which were sold and $1,320 in costs of goods sold for items expensed when purchased. The loss on reduction of inventory to lower of cost or market of $16,047 was a result of the sales price of our MASCT System being substantially lower than its cost. Our MASCT System is currently sold at a price substantially lower than its cost because the MASCT System is currently manufactured only in sufficient quantities to be utilized in our field experience trial. Because the MASCT System is being manufactured in small quantities, the manufacturing cost is higher than we expect it will be when the volume of production of our MASCT System is increased for post-trial commercial launch.

General and Administrative Expenses. G&A expenses for the three months ended March 31, 2012 were $1,019,442, an increase of $794,019 or 352% from $225,423 for the three months ended March 31, 2011. G&A expenses for the three months ended March 31, 2012 primarily consisted of $147,829 in salaries and bonus expense, $226,914 in legal expense, $45,908 in consulting expense, $19,900 in accounting expense, $13,925 in travel expense, $30,776 in payroll taxes, $41,439 in other professional fees, $15,339 in health insurance expense and $17,340 in business insurance. Also included in G&A expense is $375,490 in research and development expense, consisting primarily of $115,756 in salaries and bonus expense, $43,706 in rent expense, $10,723 in laboratory supplies, $39,686 in MASCT System development, $150,997 in ductal lavage product development, $6,170 in ductal lavage service development and $7,546 in circulating tumor cells service development.

G&A expenses for the three months ended March 31, 2011 were $225,423, and mainly consisted of $3,745 in legal and professional expenses, $48,137 in compensation expenses, $13,289 in consulting expenses, $11,135 in travel expense, $4,500 accounting expense, $21,599 in other professional fees and $7,815 in all other operating expenses. Also included in G&A expense is $115,203 of R&D expense, consisting primarily of $103,750 in salaries and bonus expense, $10,971 in rent expense and $482 in other R&D expense.

The increase in expenses was attributed to the receipt of funding in the second quarter of 2011 from a private placement, which allowed the company to hire additional employees and begin efforts to build, market and sell the MASCT System. We expect that our G&A expenses will continue to increase if we successfully complete the offering under this prospectus as we add full-time accounting and finance personnel and incur additional costs as a publicly traded company. Additionally, G&A costs are expected to rise as we increase headcount to coordinate the production and manufacture of the MASCT System.

Selling Expenses. We had selling expenses of $69,115 for the three months ended March 31, 2012, an increase of $69,115 from $0 for the three months ended March 31, 2011. The selling expenses for the three months ended March 31, 2012 consisted of $69,089 in salaries and $26 in advertising.

Liquidity and Capital Resources

We have a history of operating losses as we have focused our efforts on raising capital and building the MASCT System. The report of our independent auditors issued on our financial statements as of and for the year ended December 31, 2011 expresses substantial doubt about our ability to continue as a going concern. In 2011, we were successful in raising net proceeds of $5.7 million through a private placement in order to fund the growth of our operations and product development. Our ability to continue as a going concern is dependent on our obtaining additional adequate capital to fund additional operating losses until we become profitable. If we are unable to obtain adequate capital, we could be forced to cease operations.

Cash Flows

For the three months ended March 31, 2012, we incurred a net loss of $1,062,917. Net cash used in operating activities was $1,005,149 and net cash used in financing activities was $6,178. During the three months ended March 31, 2012 we repaid $750,000 that we previously drew on our bank line of credit. For the three months ended March 31, 2011, we incurred a net loss of $230,391, and net cash used in operating activities was $6,748.

Funding Requirements

We expect to incur substantial expenses and generate ongoing operating losses for the foreseeable future as we prepare for the scale-up manufacturing and ongoing launch of the MASCT System, complete the development of and launch the FullCYTE and NextCYTE Tests, and build and operate our planned diagnostics laboratory in the Fred Hutchinson Cancer Research Center. To fund our operations for at least the next 12 months under our current business plan, we estimate that we would need between $5 million and $7 million of additional capital. We expect that the proceeds from this offering, together with our existing resources as of the date of this prospectus, to be sufficient to fund our planned operations for at least the next 12 months. If we are unable to raise this amount of capital, however, we could be forced to curtail or cease operations. Our future capital uses and requirements depend on numerous forward-looking factors. These factors include the following:

- the amount of capital raised in this offering;

- the time and expense needed to complete the manufacturing of the MASCT and Microcatheter Systems;
- the expense associated with building a network of independent sales representatives to market the MASCT System, ForeCYTE Test and ArgusCYTE Test; and
- the degree of patient and physician acceptance of our products and the degree to which third-party payors approve the ForeCYTE and ArgusCYTE Tests for reimbursement.

As of March 31, 2012, we have generated $56,213 in revenue. We do not expect to generate significant revenue until we are able to manufacture and launch the MASCT System more broadly. We expect our continuing operating losses to result in increases in cash used in operations over at least the next year. Although we expect the proceeds of this offering, together with our existing resources as of the date of this prospectus, to be sufficient to fund our planned operations for at least the next 12 months, we may require additional funds earlier than we currently expect to successfully commercialize the MASCT System. Because of the numerous risks and uncertainties associated with the development and commercialization of the MASCT System and our services, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated research and development activities and commercialization efforts.

Additional funding may not be available to us on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of our stockholders. For example, if we raise additional funds by issuing equity securities or by selling debt securities, if convertible, further dilution to our existing stockholders would result. To the extent our capital resources are insufficient to meet our future capital requirements, we will need to finance our future cash needs through public or private equity offerings, collaboration agreements, debt financings or licensing arrangements.

If adequate funds are not available, we may be required to terminate, significantly modify or delay our development programs, reduce our planned commercialization efforts, or obtain funds through collaborators that may require us to relinquish rights to our technologies or product candidates that we might otherwise seek to develop or commercialize independently. Further, we may elect to raise additional funds even before we need them if we believe the conditions for raising capital are favorable.

Off-Balance Sheet Arrangements

We do not currently have, nor have we ever had, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts.

Recent Accounting Pronouncements

The Company has adopted all recently issued accounting pronouncements that management believes to be applicable to the Company. The adoption of these accounting pronouncements, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

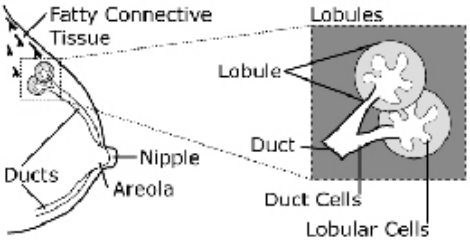
Jumpstart Our Business Startups Act of 2012

The JOBS Act permits an “emerging growth company” such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. Pursuant to Section 107(b) of the JOBS Act, we have elected to use the extended transition period for complying with new or revised accounting standards for an “emerging growth company.” This election will permit us to delay the adoption of new or revised accounting standards that will have different effective dates for public and private companies until such time as those standards apply to private companies. Consequently, our financial statements may not be comparable to companies that comply with public company effective dates.

SCIENTIFIC AND INDUSTRY BACKGROUND

Breast Anatomy and Nipple Aspirate Fluid Collection

The female breast has two main components: milk-producing, or glandular, tissue (lobes and ducts) and connective/fatty tissue. The breast is divided into 5 to 7 lobes that extend outward from the nipple and contain clusters of milk-producing glands. The lobes are further divided into smaller compartments called lobules. Each cluster drains into a duct, which connects the lobules and the nipple. In the ducts, cells closest to the outer portions of the lobules are called luminal cells and those deeper in the duct wall are called basal cells. The molecular-based determination of whether cells are luminal or basal in origin aids in the sub-typing of pre-cancerous changes and cancers. The breast is held together by fatty connective tissue, which provides support and contains nerves as well as blood and lymphatic vessels.



Since the early studies conducted in the 1950s by Dr. George Papanicolaou, the inventor of the “Pap smear” for cervical cancer, it has been understood that adult non-pregnant, non-lactating women continuously secrete fluid into the milk ducts of the breast. This fluid does not normally escape because the nipple orifices are occluded by smooth muscle contraction and dried secretions. This fluid contains several cell types, including breast duct cells that are shed, which may be normal, hyperplastic, atypical, or even malignant. The fluid also contains molecular diagnostic biomarkers, including associated proteins, complex lipids, ribonucleic acid, or RNA, and deoxyribonucleic acid, or DNA.

A number of medical devices have been designed over the years that apply negative pressure to the nipple to induce the expression of NAF, which is then collected by carefully touching a capillary tube to any apparent drops of NAF. The medical literature reports that in general, these devices are successful in obtaining NAF from 39% to 66% of all patients and that this sample collection variability has prevented the routine adoption of NAF cytology for breast cancer screening.

The MASCT System was designed to overcome this shortcoming by placing a hydrophilic, or water seeking, membrane in contact with the nipple during the cycles of negative pressure to “wick” fluid from the orifice of the ducts by capillary action, thereby increasing the frequency of obtaining NAF in women.

The Role of Atypical Ductal Hyperplasia as a Precursor to Breast Cancer

Atypical ductal hyperplasia, or ADH, is a condition in which the cells lining the breast duct grow excessively and abnormally. Without other risk factors, it produces up to a five-fold increased risk of breast cancer. With a family history of breast cancer, a diagnosis of ADH increases the risk of breast cancer 11- to 22-fold, and in one study, one-third of the women with a biopsy of ADH had a clinically inapparent malignancy, or occult cancer, growing nearby. Another study examined changes in chromosome markers in ADH that are typical for invasive ductal cancer to determine if ADH was monoclonal for these changes, as expected of cancer, or polyclonal, as expected of hyperplasia, or excessive cell proliferation. The results of this study showed that 40% of ADH was monoclonal and had the hallmarks of a cancerous growth.

The analysis of NAF for these chromosomal changes and the changes in expression of related proteins may help determine the malignant or non-malignant properties of ADH in a particular patient and thus provide information allowing a personalized medicine therapeutic approach.

The Role of Immunohistochemistry (IHC) in the Molecular Classification of Breast Cancer and Pre-Cancerous Lesions

Standard pathology and cytology criteria to classify breast cancer and pre-cancerous changes have limitations in predicting tumor behavior, sensitivity to molecular targeted treatments, such as Herceptin (trastuzumab), or the development of drug resistance. A method of predicting tumor behavior and treatment response that involves identifying molecular biomarkers in breast tissue is immunohistochemistry, or IHC. IHC is the process of localizing antigens (e.g. proteins) in cells of a tissue section exploiting the principle of antibodies binding specifically to antigens in cells. Specific molecular markers are characteristic of particular cellular events such as proliferation or cell death. Visualizing an antibody-antigen interaction can be accomplished in a number of ways. In the most common instance, an antibody is conjugated to an enzyme, such as peroxidase, that can catalyze a color-producing reaction. The use of IHC has become standard of care in many clinical settings, for example, the measurement of estrogen or progesterone receptors or HER2 antigens in breast cancer.

In May 2010, an international study from 21 academic institutions involving 42 investigators was published, describing the IHC-based molecular sub-typing of breast cancers from 10,159 women and the correlation with survival over 15 years. Five IHC biomarkers were used to identify six molecular sub-types. The five IHC markers were: the estrogen receptor and the progesterone receptors (two hormone receptors expressed by luminal cells), the human epidermal growth factors receptor-2 (HER2, a protein marker used to select specific adjuvant therapies), and cytokeratin 5/6 (CK5/6) and EGFR (proteins expressed by basal cells). The incidence of each sub-type, and the treatment options available, are shown in the following table:

Molecular Subtype	Incidence	Treatment Options
Luminal 1, Basal Negative	60%	Tamoxifen, Raloxifene
Luminal 1, Basal Positive	6%	Tamoxifen, Raloxifene, EGFR inhibitors
Luminal 2, Basal Negative	6%	Tamoxifen, Raloxifene, Trastuzumab
Non-Luminal HER2+	6%	Trastuzumab
Core Basal Subgroup	9%	EGFR inhibitors
Five Negative Phenotype	7%	Non-receptor targeted chemotherapy

The six IHC molecular subtypes had very different five and 15 year survival rates.

These and other findings indicate that the six subtypes of breast cancer defined by the expression of five immunohistochemical markers have distinct biological characteristics that are associated with important differences in short-term and long-term outcomes. The application of these markers in the clinical setting could improve the targeting of adjuvant therapies to those women most likely to benefit.

These same markers have been studied in pre-cancerous changes and have been found useful in distinguishing future biological behavior of otherwise cytologically indistinct samples. For example, CK5/6 expression in usual ductal hyperplasia is associated with an increased risk of later development of cancer. Similarly, estrogen or progesterone receptor, HER2, and EGFR expression in a setting of hyperplasia are found in lesions that more frequently progress to breast cancer. In fact, ADH and usual ductal hyperplasia can be distinguished by IHC staining in cases where the cytology is indistinguishable. Thus, IHC testing on NAF samples with pre-cancerous changes can provide information about the possibility of future progression to breast cancer.

The Role of NAF Cytology and IHC in the Diagnosis and Treatment of Atypical Ductal Hyperplasia

In a study of women with normal mammograms who were undergoing breast reduction surgery, which was conducted at the Virginia Mason Medical Center in Seattle, Washington and published in *Plastic and Reconstructive Surgery* in October 2009, the incidence of ADH was found to be 4.4%. A separate study conducted in 2003 of 824 women found an incidence of ADH of 7.4% by biopsy. ADH can be definitively diagnosed only by NAF analysis or a breast tissue biopsy. In a study of approximately 2.5 million screening mammograms done between 1996 and 2005 and collected from mammography registries participating in the Breast Cancer Surveillance Consortium, the incidence of biopsy-proven ADH was 0.1%, suggesting that the use of biopsies in conjunction with screening mammography fails to detect ADH in over 97% of patients.

A comprehensive study of the predictive value of NAF cytology for identifying women at risk for breast cancer was conducted at the University of California at San Francisco over a 19-year period. This study, conducted by Margaret Wrensch and others at the University of California San Francisco, showed in two studies, the first with a sample size of 4,046 women and the second with a sample size of 3,627, that women with abnormal cytology in breast fluid obtained by nipple aspiration had an increased relative risk of breast cancer compared with women from whom fluid was not obtained and with women whose fluid had normal cytology. The nipple aspirate fluids were collected from women in the San Francisco Bay Area during the period from 1972 through 1991, the women were classified according to the most severe epithelial cytology observed in fluid specimens, and breast cancer incidence through March 1999 was determined. The groups were stratified into women with acellular, normal, hyperplasia, or atypical NAF cytology and the incidence of breast cancer determined in the two groups over an average of 21 and nine years follow-up, respectively. The incidence of hyperplasia by NAF cytology was 13.6% and the incidence of ADH was 1.6%. Breast cancer occurred in 3.7% of the women with acellular cytology and in 8.2% and 11.0% of the women with hyperplasia and atypia, respectively.

Drug therapy clinical trials for preventing breast cancer in high risk women are called chemoprevention trials. In a five-year chemoprevention study of over 19,700 women with ADH or other factors that placed them at a high risk for invasive breast cancer, the use of either tamoxifen or raloxifene, drugs that block or interfere with the actions of estrogen receptors, reduced the incidence of breast cancer by approximately 50%. A separate study of raloxifene versus placebo showed a 72% reduction in cancer incidence at four years and a 66% reduction at eight years in women at high risk for invasive breast cancer.

In a study of NAF specimens in 33 women at the start and six months after taking either tamoxifen or raloxifene, NAF cytology was unchanged in 85%, worsened in 4%, and improved in 11% while the biomarker PSA, which has been shown to be controlled by sex hormones and inversely associated with breast cancer, increased from abnormally low (37 ng/L) to within the normal range (112 ng/L) during treatment. United States patent 7,128,877, owned by the Company, covers the testing of NAF for the biomarker PSA. Other classes of drugs, including inhibitors of aromatase, an enzyme involved in making estrogen, are being tested or considered for testing in breast cancer chemoprevention trials. The Company believes that increased use of pharmaceutical treatments with chemopreventive agents in high risk women will lead to more NAF cytology studies to both diagnose ADH and follow the effects of treatment.

Finally, changes in diet and/or the use of dietary supplements are considered to have a possible impact on breast cancer occurrence and can potentially change the cytology or the presence of biomarkers in NAF. A study of the effect of dietary intervention in 71 women over a one-year period was conducted. The probability of obtaining a cellular NAF cytology increased with dietary fat intake, reaching over seven-fold increase for the highest to lowest quartile of fat intake. Furthermore, cellular NAF decreased with increasing plasma levels of dietary supplement antioxidants, lutein and alpha-carotene. The National Cancer Institute, or NCI, is currently sponsoring seven studies of the use of NAF sample collection and analysis of cytology and molecular biomarkers as study endpoints to monitor the efficacy of chemoprevention clinical trials using pharmaceuticals or dietary supplements. The Company believes the successful outcome of one or more of these studies could increase the use of NAF analysis.

Risk Stratification with Duct Cytology

Breast cancer risk stratification is becoming increasingly important as additional screening and prevention options are now available for women at different levels of risk. For example, use of screening breast MRI, tamoxifen chemoprevention, and genetic counseling and testing for hereditary breast cancer are appropriate for some women at increased susceptibility. The National Comprehensive Cancer Network, or NCCN, sets risk thresholds as: “Normal Risk,” defined as less than 15% lifetime risk; “Intermediate Risk,” as 15-20% lifetime risk; and “High Risk,” as greater than 20% lifetime risk.

The ForeCYTE Breast Health Test uses an established algorithm based on family history (including cousins with breast cancer and unaffected female relatives), personal medical data (including height (premenopausal) and BMI (postmenopausal) and use of hormone replacement therapy, and ductal cytology to provide estimates of BRCA1/2 mutation probability in addition to empiric age adjusted 10-year and lifetime breast cancer risk. In contrast, other algorithms use only atypia, hyperplasia, or lobular carcinoma in situ to

increase the risk estimate in the model. Our model was developed using previously published data on the effects of familial and personal risk factors. Genetic risk is predicted assuming two autosomal-dominant loci — BRCA1/2 and a hypothetical low-penetrance dominant gene. The relative risk based on personal factors is used to adjust the calculated genetic absolute risk via a proportional hazard model. According to a peer-reviewed study published in *Oncology Genetics* in August 2009, this algorithm appeared the most consistently accurate for the prediction of breast cancer.

The Role of Ductal Lavage in Assessing Women at High Risk of Breast Cancer

Ductal lavage is a washing procedure that can remove fluid found in the individual breast ducts. The procedure involves inserting a small catheter into the ductal openings in the nipple and washing out cells from inside the duct. The cells are then analyzed to assess if they are normal or abnormal and the fluid can be tested for biomarkers of pre-cancerous and cancerous changes. We are conducting research using next-generation sequencing techniques to examine the genomic changes that occur in pre-cancerous hyperplasia and DCIS in the cells obtained from lavage fluid. Based on the generally accepted hypothesis that each of the five to seven breast ducts arises from a single cell during fetal development and is thus clonally distinct, breast cancer can be thought of as a “sick duct” disease. Knowing which duct is affected by precursors to breast cancer is the requisite diagnostic information to treating the condition with intraductal therapy. An October 2011 report from the Johns Hopkins Medical School demonstrated prevention of breast cancer in rats with intraductal but not systemic chemotherapy and the successful treatment of 17 women with breast cancer who subsequently received surgery.

Predicting Treatment and Recurrence Using Tumor Tissue Transcriptome Data

Gene expression is a measure of a gene’s activity, which is determined by the number of times it is transcribed into mRNA and finally by the protein it encodes. A snapshot of a tissue’s global gene activity (or expression) is captured by DNA microarray technology, by reverse transcription polymerase chain reaction, or RT-PCR, or by RNASeq, also called Whole Transcriptome Shotgun Sequencing, and is called a transcriptome. Lists of genes associated with prognoses, responses to various treatments or phenotypes, are called “gene profiles” or “gene signatures.” The four major test platforms used for detecting gene profiles are immunohistochemistry (IHC), fluorescent in situ hybridization (FISH), quantitative reverse transcriptase polymerase chain reaction (qRT-PCR), and cDNA microarray (quantitative cDNA detection). While the former two platforms are semiquantitative and well established for detection of ER and HER2 status at low costs, the latter two are quantitative methods that require complex statistical methods to avoid false discovery. These two methodologies provide highly standardized and reproducible outcomes of uncertain prognostic value at this point. In addition, IHC has the advantage of directly measuring protein expression, not just mRNA copy numbers, and it provides a visualization of the difference of protein localization and modification, which gene profiling cannot.

Breast cancer is a complex disease characterized by a number of genetic and epigenetic abnormalities. Patients associated with similar clinical and pathological parameters may have very different tumor profiles at the molecular level and may respond differently to treatment. Genome-wide expression profiling of tumors has become an important tool to identify gene sets and gene signatures that can be used to predict clinical endpoints, such as survival and therapy response. A number of tumor classification algorithms based on gene expression profiles have been proposed using clinical data or known biological class labels to build predictive models for outcome: the 70-gene signature MammaPrint, the 16-gene signature of Oncotype Dx, and the Genomic Grade Index.

In a peer-reviewed publication in *PLoS One* in March 2011, a statistical framework to explore whether combination of the information from such sets may improve prediction of recurrence and breast cancer specific death in early-stage breast cancers was established. Microarray data from two clinically similar cohorts of breast cancer patients are used as training (n = 123) and test set (n = 81), respectively. Gene sets from eleven previously published gene signatures are included in the study.

Combining the predictive strength of multiple gene signatures improved prediction of breast cancer survival.

Monitoring Recurrence and Assisting Treatment Decisions from Analysis of Circulating Tumor Cells

Among women with early breast cancer, the presence of circulating tumor cells (cancer cells in the bloodstream, which are also called CTCs) increased the risk of cancer recurrence and shortened survival. Among women with metastatic breast cancer (cancer that has spread to other sites in the body), detection of cancer cells in the bloodstream has been linked with shorter time to cancer progression and shorter survival.

To evaluate the impact of CTCs among women with early breast cancer, researchers evaluated more than 2,000 patients. The test to detect CTCs was performed after surgery and before the start of chemotherapy. CTCs were detected in 21.5% of patients. Women with CTCs were more likely to have node-positive breast cancer than women without CTCs. Compared with women with no CTCs, women with one to four CTCs were almost twice as likely to experience cancer recurrence and death. The presence of five or more CTCs was linked with a fourfold increase in recurrence risk and a threefold increase in risk of death. These results suggest that detection of CTCs may provide information about recurrence risk and prognosis among women with early breast cancer.

CTCs may also be an indicator for therapeutic efficacy. During chemotherapy the continuous appearance of CTCs in blood would only occur if there was a persistent proliferation process. This may be halted with a successful therapy (stable disease) or might even be reduced (remission). There, the source of CTCs and their dissemination would have been removed, which is then associated with the disappearance of CTCs from blood.

BUSINESS

Overview

We are a healthcare company focused on the prevention of breast cancer through the commercialization of diagnostic tests that can detect precursors to invasive breast cancer, and through the research, development, and ultimate commercialization of treatments for pre-cancerous lesions.

Our diagnostic tests consist of FDA-cleared and patented medical devices that can collect fluid and tissue samples from the breast milk ducts, where, according to the National Cancer Institute, over 95% of breast cancers arise. These samples are processed at our CLIA-certified laboratory, the National Reference Laboratory for Breast Health, which examines the specimens by microscopy for the presence of normal, pre-malignant, or malignant changes as determined by cytopathology and biomarkers that distinguish "usual" ductal hyperplasia, a benign condition, from atypical ductal hyperplasia, which may lead to cancer. These cytopathological results provide patients and physicians with information about the care path that should be followed, depending on the individual risk of future cancer as determined by the results.

Additionally, we are conducting research on the treatment of these pre-cancerous cells by using our patented and FDA-cleared microcatheters to deliver, directly into the milk ducts, pharmaceutical formulations that can be used to treat these pre-cancerous lesions. By using this localized delivery method, patients are expected to receive high local concentrations of these drugs at the site of the pre-cancerous lesions, potentially promoting efficacy of the treatment while limiting systemic exposure, which has the potential to lower the overall toxicity of these treatments.

Our Diagnostic Tests

We currently offer two diagnostic tests and plan to offer two additional tests by the end of 2012 or beginning of 2013. The tests that we currently offer and that are in development consist of the following:

ForeCYTE The ForeCYTE Breast Health Test, launched in December 2011, provides personalized information about the 10-year and lifetime risk of breast cancer for women between ages 18 and 65. It involves collecting a specimen of nipple aspirate fluid, or NAF, using our patented, FDA-cleared *Mammary Aspirate Specimen Cytology Test*, or MASCT, System (our MASCT System received 510(k) clearance from the FDA in 2003). The NAF specimen is collected by a physician and returned to our CLIA-certified laboratory. We study the patient's NAF specimen and use a proprietary molecular and cellular biomarker test that detects basal or luminal cells to identify the presence of atypical ductal hyperplasia, or ADH, which is considered a precursor to breast cancer. We then input these cytopathological test results, together with the patient's personal medical and reproductive history and family history, into a clinically-validated risk assessment algorithm that calculates 10-year and lifetime risk of breast cancer and presents these results in one of three risk tiers developed by The National Comprehensive Cancer Network: Normal (<15% lifetime risk), Intermediate (15 – 20% lifetime risk), or High (>20% lifetime risk). The ForeCYTE Test results contain recommendations for care paths in each risk group and personalized information so that patients and healthcare providers can make more informed treatment decisions. The algorithm was developed from a Swedish registry of 158,041 individuals, in whom 3,257 cancers occurred, and was validated by E. Amir, D.G. Evans, A. Shenton, and others in an independent study of 3,150 women, 64 of whom developed breast cancer. The algorithm incorporates family history, personal reproductive history, and the presence or absence of usual ductal hyperplasia, or UDH (which is benign), ADH (which is pre-malignant), or malignant changes.

ArgusCYTE The ArgusCYTE Breast Health Test, launched in December 2011, provides information to help inform breast cancer treatment options and to help monitor potential recurrence. It can monitor breast cancer distant recurrence by obtaining a "liquid biopsy" or blood sample, and analyzing it for the presence of circulating tumor cells, which can then be analyzed to determine the expression of ER/PR and Her2 in those cells, a predictor of the cancer's sensitivity to existing treatment options. The presence of circulating tumor cells in the blood sample may serve as an early indicator of the recurrence of breast cancer and the data obtained from the ArgusCYTE sensitivity analysis may help physicians better select which treatment options to use with a particular patient. The ArgusCYTE test uses a proprietary blood collection tube to obtain a blood sample for shipment and analysis at our CLIA-certified laboratory. The supplier of the blood collection tube owns patents with respect to the tube, while we own patents concerning laboratory features utilized in the testing process.

FullCYTE The FullCYTE Breast Health Test, which we intend to launch in late 2012 or early 2013 and is currently in development, is designed to assess the individual breast ducts for pre-cancerous changes in women previously identified to be at high risk for breast cancer. It involves collecting ductal lavage samples from each of the 5 to 7 individual breast milk ducts using our patented and FDA-cleared Mammary Ductal Microcatheter System (our Microcatheter System received 510(k) clearances from the FDA in 1999 and 2000) and analyzing the samples by molecular and cellular biomarkers, in a fashion similar to the ForeCYTE test described above. From these tests, we are able to ascertain the individual duct that contains the pre-malignant or malignant changes, which may allow the physician to better target treatment.

NextCYTE The NextCYTE Breast Cancer Test, which is in the prevalidation phase and which we intend to launch in late 2012 or early 2013, is designed to profile breast cancer specimens for prediction of treatment outcomes and distant recurrence in women newly diagnosed with breast cancer. It involves using surgery specimens and advanced genome sequencing techniques to quantify and analyze the entire tumor genetic transcriptome, which represents all genes that are being actively expressed within the tumor. We expect that physicians will be able to use the information provided by the NextCYTE test to better customize treatment options for women, based on the genetic composition of the individual tumor. We are currently conducting research to verify the superiority of the technology regarding NextCYTE and have an option through February 2013 to license this technology from the University of Oslo in Norway.

We may not, however, achieve commercial market acceptance of any of our products and services. We must first demonstrate to physicians and other healthcare professionals the benefits of our tests and the MASCT System for their practice and these physicians and healthcare professionals may be reluctant to introduce new services into their practice due to uncertainty regarding reliability of the results of a new product or the learning curve associated with adoption of new services and techniques. Moreover, if third-party payors continue to refuse to cover the cost of collection of the NAF sample, whether from our MASCT System or competitors' NAF collection devices, physicians may be less likely to recommend or use our products and services if the cost of performing a particular test will not be reimbursed. Even if we are successful in convincing physicians and other healthcare professionals to utilize our tests and services, we must obtain adequate capital to fund our operations until we become profitable and we may not be able to do so. Additionally, we have no prior experience with commercializing any products or services and will need to create an infrastructure to scale operations for commercialization, including hiring experienced personnel (including anatomic pathologists, cytologists, histotechnologists, skilled laboratory and information technology staff, and sales representatives) and building a network of regional, specialty distributors, each with a staff of independent sales representatives who have experience in women's health products to target physicians and mammography clinics in the United States.

Intraductal Treatment Research

Our Intraductal Treatment Research Program comprises our patented microcatheter-delivery technology and our patented pharmaceutical formulations for the intraductal treatment of breast pre-cancerous changes, DCIS, and breast cancers. The method uses our Mammary Ductal Microcatheter System, invented by Dr. Susan Love, President of the Dr. Susan Love Research Foundation, and her colleagues, to administer proprietary pharmaceutical formulations into milk ducts that display pre-cancerous changes, with high local concentrations of the drugs in order to promote greater efficacy and limited systemic exposure, potentially lowering the overall toxicity of the treatment.

An October 2011 peer-reviewed paper published in *Science Translational Medicine* documented a study conducted at the Johns Hopkins Medical School demonstrating the prevention of breast cancer in rats with intraductal non-systemic chemotherapy, and a proof-of-principle Phase 1 clinical trial involving 17 women with breast cancer who subsequently received surgery. An accompanying editorial commented that “intraductal treatment could be especially useful for women with premalignant lesions or those at high risk of developing breast cancer, thus drastically improving upon their other, less attractive options of breast-removal surgery or surveillance (termed ‘watch and wait’)”. We intend to build on these academic studies with a research program targeted initially at neoadjuvant therapy in DCIS and to begin preclinical studies during 2012. We have not yet begun the process of applying for FDA approval of our Intraductal Treatment Research Program.

Intellectual Property and FDA Marketing Clearances

As of February 8, 2012, we own more than 120 issued patents (31 in the United States and at least 90 in foreign countries), and 6 pending patent applications (4 in the United States, 1 pending foreign application and 1 pending International Patent Cooperation Treaty (PCT) application) directed to our products, services, and technologies.

Clinical Development and FDA-clearance of the MASCT System

Under the direction of Steven Quay, a clinical trial of the MASCT System was conducted at the State University of New York, Stony Brook, New York in 2003 to test the efficiency of NAF collection in normal women. Thirty-one healthy, non-pregnant, pre-menopausal female volunteer subjects were tested with the MASCT System device for the ability to collect NAF samples and to observe the morphology of breast gland cells in the NAF (cytological examination), using the NAF cytology classification system of the College of American Pathologists, or CAP, as described in the table below.

Category	Interpretation	Cytology Characteristics
Category 0	Scant ductal epithelial cells and negative for atypical or malignant cells	No or <10 ductal cells.
Category I	Normal ductal cytology	Normal ductal epithelial cells.
Category II	Usual ductal hyperplasia	Cell groups with >10 – 50 cells.
Category III	Atypical ductal hyperplasia	Distinct large nuclei with irregular nuclear borders.
Category IV	Suspicious for malignancy	Single cells and groups of cells suspicious for cancer.

Of the 31 subjects, 30, or 97%, had measurable NAF; 24 from both breasts and six from only one breast. NAF samples ranged from less than one to 37 microliters, and all samples collected were deemed to be clinically useful. 58 of 60 NAF samples were reported as cytology Category I, and two of 60 were reported as cytology Category II under the CAP’s classification system for NAF cytology. No adverse events were reported in the study. Based on the results of the study, a premarket notification for the intended use of the MASCT System for the collection of NAF for cytological testing was submitted to the FDA and subsequently cleared by the FDA, indicating that the NAF collected using the MASCT System can be used in the determination and/or differentiation of normal versus premalignant versus malignant cells.

The ForeCYTE Breast Health Test

The ForeCYTE Test uses the patented, FDA-cleared MASCT System medical device for the collection, shipment and clinical laboratory analysis of NAF. The ForeCYTE test involves cytopathology and five biomarkers of hyperplasia and one biomarker of sample integrity and has been validated to CLIA standards. The product components of the MASCT System consist of a reusable hand-held pump for the collection of NAF, single-use patient kits that include two NAF sample collection tools per kit, and shipment boxes for the transportation of NAF samples to the National Reference Laboratory for Breast Health, our wholly-owned, CLIA-certified specialized cytology and molecular diagnostics laboratory in Seattle, Washington. Through our laboratory we provide the ForeCYTE Test, which consists of receiving and accessioning the two NAF samples from each patient, preparing routine and immunohistochemistry, or IHC, staining of slides from the NAF samples, and generating a report of the findings. The NAF is analyzed by microscopy for cytological abnormalities and by a patent-pending IHC staining technique for five biomarkers of hyperplasia and a sample integrity marker.

We offer each component of the MASCT System for sale separately. We currently price our NAF sample collection device at approximately $250 per device and our patient kits at approximately $30 per kit, and the cytology and molecular diagnostics testing and analysis services are billed to federal and/or state health plans at the 2012 Medicare reimbursement rates of either $384 or $1,275 per patient, depending on the complexity of the analysis performed. We expect that the substantial majority of patients will be billed at the $384 rate and that we would perform the more complex tests, corresponding with a reimbursement rate of $1,275, for only those patients who have an initial test result that requires further analysis. We have billed the testing and analysis regarding the 276 ForeCYTE samples processed through March 31, 2012 (which is equivalent to 138 patients) at the 2012 Medicare reimbursement rate of $384 per patient. We bill third-party payors at higher rates, as is customary for our industry. Currently, Medicare and certain insurance carriers do not reimburse for the NAF collection procedure by our MASCT System or for other NAF collection device systems similar to our MASCT System, although Medicare and certain insurance carriers do reimburse for the laboratory analysis of the NAF sample. We have received reimbursement from insurance carriers and Medicare for our ForeCYTE test.

The ArgusCYTE Breast Health Test

The ArgusCYTE test has been tested and validated and provides information to help inform breast cancer treatment options and to help monitor potential recurrence. It uses a proprietary blood collection tube to obtain a blood sample for shipment and analysis at the NRLBH. In June 2011, we entered into a non-exclusive supply agreement with Biomarkers LLC for the blood collection tubes and laboratory reagents and supplies for the ArgusCYTE test. The agreement provides for fixed purchase prices which decrease as we place larger orders. The ArgusCYTE test consists of a two-step “Combination-of-Combinations-Principle” involving (1) cell isolation, whereby tumor cells are enriched by a three antibody-mix linked to magnetic particles and mRNA is isolated from the selected tumor cells, and (2) molecular biological detection and analysis, whereby the isolated mRNA is transcribed into cDNA and a multiplex PCR is carried out for the analysis of epithelial cell related transcripts and tumor associated gene expression. Due to the combination of different selection and tumor markers, both the heterogeneity of the tumor cells and possible individual or therapy-induced deviations in the expression patterns are taken into account.

As far as we know, the ArgusCYTE is the only CLIA-certified circulating breast tumor cell test available that identifies mRNA expression levels for estrogen receptors (ER), progesterone receptors (PR), and HER-2 antigen in a single blood draw to help guide treatment selection by determining which of the most commonly used therapies may be effective for the individual patient. The test can identify circulating tumor cells immediately after a woman begins breast cancer therapy or at the time of diagnosis or biopsy so that she and her healthcare provider can make better-informed decisions about effective treatment options. Analytical validation studies demonstrated a sensitivity of 94% and specificity of 100% at the 5 cancer cell/5 mL blood sample level (n=106). Clinical validation has been performed by unaffiliated research institutions in breast cancer patients in trials in Europe and the United States over the last eight years.

We provide the proprietary, blood collection tube free of charge and currently charge approximately $1,500 for the ArgusCYTE test. Because we do not currently have a sufficiently reliable prior history of

reimbursement with respect to the ArgusCYTE test, we currently do not recognize revenue until we have received reimbursement. As of March 31, 2012, we have not received reimbursement for any ArgusCYTE tests. We have received reimbursement from insurance carriers and Medicare for the ArgusCYTE test.

The FullCYTE Breast Health Test

The FullCYTE Breast Health Test uses our patented, FDA-cleared Mammary Duct Microcatheter System, invented by Dr. Susan Love, author, breast surgeon, and founder of the Dr. Susan Love Research Foundation, Santa Monica, California to lavage, or irrigate, each of the five to seven breast ducts and to collect the lavage fluid for analysis of biomarkers of hyperplasia by immunohistochemistry for protein biomarkers, Next Generation Sequencing for somatic DNA mutations, and transcriptome microarray analysis for mRNA expression patterns.

In April 2011 we acquired from Hologic, Inc. all of the ownership rights to the U.S. trademark, FirstCYTE, the 23 U.S. issued patents and 84 issued foreign counterparts (in Europe, France, Germany, Ireland, United Kingdom, Australia, Canada, Israel, Italy, The Netherlands, Spain, and Switzerland) covering the manufacture, use, and sale of the FirstCyte™ Breast Aspirator, the Micro-Stylet Dilator, and the FullCYTE Microcatheter for ductal lavage, the related manufacturing documentation, and the related regulatory documentation, including the FDA marketing authorization for these medical devices. We also paid an up-front fee and are obliged to pay patent-based royalties on aggregate net sales in the countries with issued patents. The FDA-cleared indications for use of the Breast Aspirator are to elicit fluid from multiple ductal orifices for subsequent cytological evaluation and/or to identify ductal orifices for subsequent cannulation with the microcatheter. The FDA-cleared indication for use of the Micro-Stylet Dilator is to dilate breast milk ducts prior to enhanced radiography (i.e., ductography) or ductal lavage procedures. The FDA-cleared indication for use of the microcatheter is to perform contrast enhanced radiography of breast milk ducts; it may also be used for the collection of cells and/or fluid for cytological analysis.

This project is in the research and development phase, and the Company has studied the use of the FullCYTE microcatheter in six patients to establish the feasibility of performing next-generation tests on samples taken with the microcatheters. The Company intends to launch the FullCYTE test in late 2012 or early 2013.

In August 2011, we entered into an agreement with Accellent to perform development work to re-establish the supply chain for the FullCYTE microcatheter and manufacture the microcatheter for commercialization. The agreement divided the development work into three phases with a fixed time and budget for each phase. The agreement also contains a fixed price schedule for manufacturing the microcatheter following commercial launch. The price schedule contains a volume-based reduction in the cost per microcatheter.

The NextCYTE Breast Cancer Test

The NextCYTE Breast Cancer Test uses surgical biopsy specimens that have been routinely processed into formalin-fixed, paraffin embedded tissue blocks to extract RNA and analyze the whole-genome mRNA expression profiles of the extracted RNA to predict breast cancer 10-year survival. The method combines eleven published gene signatures, including over 900 breast cancer-related genes. In a March 2011 publication of the technology, training (n=123) and test (n=81) cohorts of breast cancer patients were analyzed by the method and the resulting algorithm outperformed all individual gene signatures, including a 16-gene test and a 70-gene test, in predicting 10-year recurrence. We are conducting research to verify the superiority of the technology and have a one-year option to license this technology from the University of Oslo in Norway. In February 2012 we signed a term sheet with Inven2 AS for an option to acquire and commercialize intellectual property from the University of Oslo and a term sheet containing the principal terms of a definitive license agreement. The definitive agreement contains signing and milestone payments as well as royalties on the service revenue from the NextCYTE test as a percent of net income. If we exercise this option and license the technology, we would be required to pay the University of Oslo an up front fee, milestone payments, and an annual royalty on the service revenue from the NextCYTE test as a percent of net income.

Our operations began in December 2008 around acquiring the MASCT System patent rights and assignments and the FDA clearance for marketing, which was completed in January 2009. We were

incorporated in Delaware in April 2009. Our operations to date have consisted primarily of securing manufacturing for the MASCT and the Mammary Duct Microcatheter Systems, establishing our CLIA-certified laboratory, validating the Laboratory Developed Tests we use in the ForeCYTE and ArgusCYTE tests, conducting research and development on the FullCYTE and NextCYTE tests, and preparing for the commercialization of our products.

The Market

United States Market for ForeCYTE Test

Testing in Women at High Risk for Breast Cancer

The Company expects that the MASCT System will initially be adopted by physicians and other healthcare professionals for use in women at high risk for breast cancer.

Women Undergoing Diagnostic Mammograms. Breast cancer screening by mammography involves performing a screening mammogram and typically reviewing the mammogram while the patient is still present in the clinic. If the screening mammogram shows suspicious changes, a more extensive diagnostic mammogram is performed, usually on the same day. In an audit of 46,857 consecutive mammograms performed in the radiology department at the University of California, San Francisco between 1997 and 2000, 10,007, or 21%, were diagnostic mammograms. The audit also documented an increased incidence of future cancer in those women who underwent a diagnostic mammogram, regardless of the diagnosis at the time. Applying this frequency to the estimated 39.0 million total mammograms performed each year in the United States yields approximately 8.1 million diagnostic mammograms. The Company believes all women undergoing a diagnostic mammogram, who may be at higher risk of developing breast cancer in the future, would be candidates for MASCT System testing.

Breast Cancer Survivors. Women who have had breast cancer are at a higher risk for the recurrence of cancer or for a new malignancy. The American Cancer Society, or ACS, has estimated that in 2010, there were more than 2.5 million breast cancer survivors in the United States. The Company believes these women would be candidates for regular MASCT System screening.

High Risk Women. The Breast Cancer Risk Assessment Tool (based on the Gail model) has been established by the NCI and the National Surgical Adjuvant Breast and Bowel Project, or NSABP, to identify women with an increased risk of breast cancer. The risk factors included in the test are: personal history of breast abnormalities, age, age at first menarche, age at first live birth, breast cancer among first-degree relatives (sisters, mother, or daughters), breast biopsies, obesity and race. Approximately 12 million women in the United States are in the high risk group. A study of 6,904 women for an average follow up of 14.6 years demonstrated that NAF cytology may be most useful for women at highest absolute risk by the Risk Assessment Tool because modest differences in relative risk are amplified. In this group, the incidence of breast cancer detected by NAF cytology ranged from 5.3 to 10.3 per 1,000 women (non-yielder to hyperplasia/atypia).

Breast cancer risk stratification

The Company believes that if it is able to develop, produce and successfully market the MASCT System for use as an additional test in conjunction with all mammography and all cervical cancer screenings (Pap smear), the potential annual U.S. market size for breast cancer risk stratification would be between 39.3 million and 55 million women. This conclusion is based on the following data:

MASCT System in conjunction with mammography, all ages. According to the Mammography Quality Standards Act (MQSA) National Statistics, the total annual mammography procedures in the United States, as of January 1, 2012, was 39,311,535.

MASCT System in conjunction with cervical cancer screening (Pap smear), all ages. According to the National Cancer Institute as of December 2011, approximately 55 million Pap smear examinations are performed annually in the United States.

United States Market for ArgusCYTE Test

Breast Cancer Survivors. The ACS has estimated that in 2010 there were more than 2.5 million breast cancer survivors, who we believe would be potential candidates for a blood test for circulating tumor cells.

Newly diagnosed breast cancer patients. According to the National Cancer Institute, 210,000 women are diagnosed with breast cancer each year. These women would be candidates for a blood test for circulating tumor cells during the staging of their tumor and as a method to monitor treatment effects.

United States Laboratory Testing Market

Anatomic Pathology. Anatomic pathology involves the diagnosis of cancer and other medical conditions through the examination of tissues (biopsies) and the analysis of cells (cytology) taken from patients. Generally, the anatomic pathology process involves the preparation of slides by trained histo-technologists or cytologists and the review of those slides by anatomic pathologists. Although anatomic pathologists do not treat patients, they establish a definitive diagnosis and may also consult with the referring physician. As a result of the greater degree of complexity and sophistication in anatomic pathology services, 2012 Medicare reimbursement rates for the anatomic pathology services of the type that the Company expects to perform are either $384 or $1,275 per patient. The patient fee schedule for self-pay or private payors for these tests is typically higher.

Molecular Diagnostics. Molecular diagnostics typically involve unique and complex genetic and molecular tests performed by skilled personnel using sophisticated instruments. As a result, molecular diagnostics are typically offered by a limited number of commercial laboratories. According to PriceWaterhouseCoopers, molecular diagnostics represents one of the fastest growing segments of the $37 billion market for *in vitro* diagnostics, which includes test tube diagnostics such as glucose monitoring for diabetes care but excludes diagnostics for research use. The Medicare reimbursement rate in 2011 for microarray-based molecular diagnostics tests is $1,250, while the reimbursement rate for fluorescent cellular probe-based tests is $479 per probe. According to PriceWaterhouseCoopers, this market segment is expected to grow 14% annually between 2007 and 2012, from $2.6 billion to $5.0 billion.

Commercialization Strategy

The Company's commercialization strategy is based on creating two main revenue sources: (i) product sales-based revenue from the sale of the MASCT System, including the NAF specimen collection kits, to physicians, breast health clinics, and mammography clinics and (ii) service-based revenue for the preparation and interpretation of the NAF samples sent to the Company's laboratory. This is intended to result in revenue from both the sale and the use of the MASCT System.

In order to achieve its two-pronged revenue base, the Company manufactures, through medical device suppliers, the MASCT System components (i.e., the collection device and patient NAF specimen kits) and will establish a network of independent sales representatives to call on physicians and breast health and mammography clinics to market and sell the MASCT System. The collection device is reusable when sanitized between patients. The kit contains the patient contact materials, preservative fluid for the collected samples, and bar-coded patient identification labeling. The kit components are designed to work properly with the collection device and the Company is not aware of any commercially available parts or components which could be substituted for the Company's kits.

The Company's product- and service-based income plan is intended to provide revenue from multiple, different sources with different timing in the procedure cycle. The Company expects to generate product revenue from the sale of kits in bulk to clinics and physicians for the testing of their patients, and laboratory service revenue after its laboratory analyzes the results of these tests and renders a diagnosis.

Specialty Sales Team

To market the MASCT System and its related laboratory diagnostic services, the Company will need to hire independent sales representatives with technical knowledge in, for example, molecular diagnostics, mammography, obstetrics/gynecology office practices, and women's health clinics. As a result, the Company will expect its sales representatives to develop long-lasting, consultative relationships with the referring physicians they serve.

The Company will focus its marketing and sales efforts on encouraging physicians and breast health and mammography clinics to use the MASCT System in conjunction with other health screening examinations, including annual physical examinations and regularly scheduled cervical Pap smears and mammograms. The

sales representatives will concentrate on a geographic area based on the number of physician clients and prospects, which will be identified using several national physician databases that provide physician address information, patient demographic information, and other data. The Company also expects to use the FDA website containing contact information on the approximately 8,600 MQSA-certified clinics to identify potential clients.

The National Reference Laboratory for Breast Health

The Company has established the National Reference Laboratory for Breast Health, a wholly-owned CLIA-certified clinical laboratory for the cytology and molecular diagnostics testing and reading of results of collected NAF samples and ArgusCYTE blood samples. The Company believes that by maintaining its own clinical laboratory, it will be positioned to generate substantial additional service revenue through cytology and molecular diagnostic testing, in addition to the sale of the MASCT System pumps and specimen collection kits.

The Company has established a comprehensive quality assurance program for its laboratory, designed to drive accurate and timely test results and to ensure the consistent high quality of its testing services. In addition to the compulsory proficiency programs and external inspections required by CMS and other regulatory agencies, the Company intends to develop a variety of internal systems and procedures to emphasize, monitor, and continuously improve the quality of its operations. The Company also participates in externally administered quality surveillance programs.

Growth Strategy

The Company launched the ForeCYTE and ArgusCYTE Tests at the end of the fourth quarter of 2011. The Company markets to both mammography clinics and physicians' offices. The Company is conducting a field experience trial to collect information about the ease or difficulty of adoption of the products in each location, the number of sales calls needed to receive the first orders, and the growth of sales of specimen collection kits on a monthly basis. The outcome of the Company's initial marketing efforts in this region will impact the Company's national marketing strategies, for example, we may decide to emphasize physicians' offices over mammography clinics.

The Company plans to market the MASCT System nationally after its field experience trial, which provides the Company with feedback on the patient and physician experiences, as well as with information relating to the issues and problems that may arise as the Company continues to market its products.

Research and Development

Our Intraductal Treatment Research

Our Intraductal Treatment Research Program comprises our patented microcatheter-delivery technology and our patented pharmaceutical formulations for the intraductal treatment of breast pre-cancerous changes, DCIS, and cancers. The method uses our Mammary Ductal Microcatheter System, invented by Dr. Susan Love, President of the Dr. Susan Love Research Foundation, and colleagues, to administer proprietary pharmaceutical formulations into a milk duct displaying pre-cancerous changes, with high local concentrations that promote efficacy and limited systemic exposure, potentially lowering toxicity.

An October 2011 peer-reviewed paper in Science Translational Medicine from the Johns Hopkins Medical School demonstrated the prevention of breast cancer in rats with intraductal but not systemic chemotherapy and a proof-of-principle Phase 1 clinical trial involving 17 women with breast cancer who subsequently received surgery. An accompanying editorial commented that "intraductal treatment could be especially useful for women with premalignant lesions or those at high risk of developing breast cancer, thus drastically improving upon their other, less attractive options of breast-removal surgery or surveillance (termed 'watch and wait')". We intend to build on these academic studies with a research program targeted initially at neoadjuvant therapy in DCIS and to begin preclinical studies using our Microcatheter delivery technology during 2012. We have not yet begun the process of applying for FDA approval of our Intraductal Treatment Research Program.

Billing and Reimbursement

Billing for the MASCT System Medical Device and Patient Kits and the NAF Collection Procedure

Medicare and certain insurance carriers do not currently cover the cost of collecting the NAF sample. The Company intends to work with physicians and other interest groups to attempt to obtain coverage for the procedures but this process can be lengthy, costly, and might not be successful. Failure to receive reimbursement could limit the adoption and utilization of the MASCT System. Because the process can be done by a nurse or physician's assistant, takes less than five minutes, and the MASCT System supplies will contain everything to obtain, label, and ship the NAF samples, the charge for collecting NAF samples should be below the average cost of a mammogram.

Billing for Diagnostic Services

Although Medicare and certain insurance carriers do not currently cover the cost of collecting the NAF sample, Medicare and certain insurance carriers do reimburse for the laboratory analysis of the NAF sample. We have received reimbursement from insurance carriers and Medicare for both the ForeCYTE and ArgusCYTE tests. Billing for diagnostic services is generally complex. As a result, the Company relies on a third-party billing company to perform all of its billing and collection services. Laboratories must bill various payors, such as private insurance companies, managed care companies, governmental payors such as Medicare and Medicaid, physicians, hospitals, and employer groups, each of whom may have different billing requirements. The Company expects to be obligated to bill in the specific manner prescribed by the various payors. Additionally, the audit requirements that must be met to ensure compliance with applicable laws and regulations, as well as internal compliance policies and procedures, add further complexity to the billing process. Other factors that complicate billing include:

- additional billing procedures required by government payor programs;
- variability in coverage and information requirements among various payors;
- missing, incomplete or inaccurate billing information provided by referring physicians;
- billings to payors with whom the Company does not have contracts;
- disputes with payors as to who is responsible for payment;
- disputes with payors as to the appropriate level of reimbursement;
- training and education of employees and clients;
- compliance and legal costs; and
- cost related to, among other factors, medical necessity denials and the absence of advance beneficiaries' notices.

In general, the Company performs the requested tests and reports test results even if the billing information is incorrect or missing. The Company will subsequently attempt to obtain any missing information and correct incomplete or erroneous billing information received from the healthcare provider. Missing or incorrect information on requisitions adds complexity to and slows the billing process, creates backlogs of unbilled requisitions, and generally increases the aging of accounts receivable and the length of time to recognize revenue. When all issues relating to the missing or incorrect information are not resolved in a timely manner, the related receivables will be written off to the allowance for doubtful accounts.

Reimbursement

Depending on the billing arrangement and applicable law, the party that reimburses the Company for its services will be (i) a third party who provides coverage to the patient, such as an insurance company, managed care organization, or a governmental payor program; (ii) the physician or other authorized party (such as another laboratory) who ordered the test or otherwise referred the test to us; or (iii) the patient.

The National Reference Laboratory for Breast Health, the Company's wholly-owned subsidiary, bills Medicare for the laboratory services provided for the ForeCYTE and ArgusCYTE testing.

Reimbursement for services under the Medicare program is based principally on two sets of fee schedules. Generally, anatomic pathology services, including most of the services the Company provides, are paid based on the Medicare physician fee schedule. The physician fee schedule is designed to set compensation rates for those medical services provided to Medicare beneficiaries that require a degree of physician supervision. Outpatient diagnostic laboratory tests are typically paid according to the laboratory fee schedule.

For the anatomic pathology services that the Company will provide, it will be reimbursed under the Medicare physician fee schedule, and beneficiaries are responsible for applicable coinsurance and deductible amounts. The physician fee schedule is based on assigned relative value shares for each procedure or service, and an annually determined conversion factor is applied to the relative value shares to calculate the reimbursement. The formula used to calculate the fee schedule conversion factor has resulted in significant decreases in payment levels in recent years.

Future decreases in the Medicare physician fee schedule are expected unless Congress acts to change the fee schedule methodology or mandates freezes or increases each year. Because the vast majority of the Company's laboratory services will be reimbursed based on the physician fee schedule, changes to the physician fee schedule could result in a greater impact on the Company's revenue than changes to the Medicare laboratory fee schedule.

The Company expects to bill the Medicare program directly. Generally, it will be permitted to directly bill the Medicare beneficiary for clinical laboratory tests only when the service is considered not medically necessary and the patient has signed an Advanced Beneficiary Notice, or ABN, reflecting acknowledgment that Medicare is likely to deny payment for the service. In most situations, the Company is required to rely on physicians to obtain an ABN from the patient. When the Company is not provided an ABN, it is generally unable to recover payment for a service for which Medicare has denied payment for lack of medical necessity.

In billing Medicare, the Company is required to accept the lowest of: its actual charge, the fee schedule amount for the state or local geographical area, or a national limitation amount, as payment in full for covered tests performed on behalf of Medicare beneficiaries. Payment under the laboratory fee schedule has been limited by Congressional action such as freezes on the otherwise applicable annual Consumer Price Index, or CPI, update to the fee schedule amount. The CPI update of the laboratory fee schedule for 2010 was minus 1.9%.

The Medicare statute permits Federal Health and Human Services Centers for Medicare and Medicaid Services, or CMS, to adjust statutorily prescribed fees for some medical services, including clinical laboratory services, if the fees are "grossly excessive." Medicare regulations provide that if CMS or a carrier determines that an overall payment adjustment of less than 15% is needed to produce a realistic and equitable payment amount, then the payment amount is not considered "grossly excessive or deficient." However, if a determination is made that a payment adjustment of 15% or more is justified, CMS could provide an adjustment of 15% or less, but not more than 15%, in any given year. The Company cannot provide any assurance that fees payable by Medicare for clinical laboratory services could not be reduced as a result of the application of this rule or that the government might not assert claims for recoupment of previously paid amounts by retroactively applying these principles.

The payment amounts under the Medicare fee schedules are important not only for reimbursement under Medicare, but also because the schedule is often used as a reference for the payment amounts set by other third-party payors. For example, state Medicaid programs are prohibited from paying more than the Medicare fee schedule limit for laboratory services furnished to Medicaid recipients, and insurance companies and managed care organizations typically reimburse at a percentage of the Medicare fee schedule.

The Company's reimbursement rates also vary depending on whether it is considered an "in-network," or participating, provider. If it enters into a contract with an insurance company, the Company's reimbursement will be governed by its contractual relationship, and it will typically be reimbursed on a fee-for-service basis at a discount from the patient fee schedule. If the Company does not have a contract with an insurance company, it will be classified as "out-of-network," or as a non-participating provider. In such instances, it would have no contractual right to reimbursement for services.

Reimbursement Strategy

CPT Code for MASCT System NAF Collection Procedure

The NAF collection procedure of the MASCT System does not currently have a procedure-specific Category I CPT code, which is important for reimbursement by Medicare for eligible patients, and which is part of the basis by which insurance companies make reimbursement decisions. A non-specific Category I CPT code, 19499 (unlisted procedure, breast), can be used initially by physicians and insurance carriers will often pay for such procedures with proper documentation. Medicare does not typically reimburse for CPT 19499 procedures.

CPT Code for ForeCYTE Cytology and IHC Biomarker Testing

Category I laboratory procedure codes for cytology and IHC biomarker tests currently exist and reimbursement for these codes by Medicare has been established for 2012 at either $384 or $1,275, depending on the complexity of the test.

Laboratories typically set patient fee schedules at higher rates for the same procedure.

Intellectual Property

As of February 8, 2012, we own more than 120 issued patents (31 in the United States and at least 90 in foreign countries), and 6 pending patent applications (4 in the United States, 1 pending foreign application and 1 pending International Patent Cooperation Treaty (PCT) application) directed to our products, services, and technologies.

	United States			Foreign / PCT		
Description	**Issued[1]**	**Expiration**	**Pending[1]**	**Issued[1]**	**Expiration**	**Pending**
MASCT (ForeCYTE) Test	6	2016 – 2031	1	11	2016 – 2031	1
Microcatheter (FullCYTE) Test	19	2019 – 2031	2	56	2019 – 2031	0
NextCYTE Test	0	2031	0	0	2031	1
ArgusCYTE Test	1	2020	0	1	2031	0
Intraductal Treatment Program	11	2030	1	35	2030	1
Carbohydrate biomarkers	1	2022	2	3	2022	0

(1) The total patents issued or pending, as applicable, exceed the totals in the respective columns because some patents and applications contain claims directed to more than one technology.

We have applied with the United States Patent and Trademark Office for registration of the use of the marks Atossa (word and design), ForeCYTE, FullCYTE, NextCYTE, ArgusCYTE, MASCT, and Oxy-MASCT.

Competition

We believe that the MASCT System for NAF collection will compete in the medical device product industry with Neomatrix and with academic scientists and physicians who use “homemade” NAF fluid collection systems for research purposes. The Neomatrix device is automated and provides warmth and nipple aspiration simultaneously and is the only non-”homemade” NAF collection system of which we are currently aware. The advantages of the MASCT System compared to the Neomatrix device include a lower acquisition cost and portability. The disadvantages of the MASCT System compared to the Neomatrix device include the requirement that a nurse or other healthcare provider manually operate the device, which may result in increased risks of human error and improper sample collection, and the reduced availability of experience with the device among the medical community.

We believe we will compete in the anatomic pathology laboratory industry based on the patent portfolio for the MASCT System, the technical expertise provided by our focus on diagnoses utilizing NAF, service-focused relationships with referring physicians, and our advanced technology. Based on the scope of our patent claims and the terms of use accompanying the MASCT System, we do not believe that our competitors can transport or process NAF samples collected with the MASCT System without infringing our patent estate and the contractual terms of use.

Laboratories that could process NAF samples not collected with the MASCT System include thousands of local and regional pathology groups, national laboratories, hospital pathologists, and academic laboratories. The largest such competitors include Laboratory Corporation of America and Quest Diagnostics Incorporated.

Characteristics of each source of competition include:

Local and Regional Pathology Groups. Local and regional pathology groups focus on servicing hospitals, often maintaining a staff of pathologists on site that can provide support in the interpretation of certain results. The business models of these laboratories tend to be focused on the efficient delivery of individual tests for a multitude of diseases rather than the comprehensive assessment of only NAF samples, and their target groups tend to be hospital pathologists as opposed to community physicians.

National Laboratories. National laboratories typically offer a full suite of tests for a variety of medical professionals, including general practitioners, hospitals, and pathologists. Their emphasis on providing a broad product portfolio of commoditized tests at the lowest possible price often limits such laboratories' ability to handle difficult or complex specimens requiring special attention, such as NAF samples. In addition, national laboratories typically do not provide ready access to a specialized pathologist for interpretation of test results.

Hospital Pathologists. Pathologists working in a hospital traditionally provide most of the diagnostic services required for hospital patients and sometimes also serve non-hospital patients. Hospital pathologists typically have close interaction with treating physicians, including face-to-face contact. However, hospital pathologists often do not have the depth of experience, specialization, and expertise necessary to perform the specialized services needed for NAF samples.

Academic Laboratories. Academic laboratories generally offer advanced technology and know-how. In fact, the vast majority of NAF sample processing over the last several years has been in academic laboratories primarily for research purposes. These laboratories typically pursue multiple activities and goals, such as research and education, or are generally committed to their own hospitals. Turn-around time for specimen results reporting from academic laboratories is often slow. This limits the attractiveness of academic laboratories to outside physicians who tend to have focused specialized needs and require results to be reported in a timely manner.

Alternative Diagnostic Tools. We also anticipate that the MASCT System will face challenges in market adoption due to the reliance of physicians and other medical professionals on existing diagnostic tools for breast cancer, including mammograms, ultrasound examinations, magnetic resonance imaging, or MRI, fine needle aspiration and core biopsies, among others. These methods are currently more widely used and accepted by physicians, and may continue to be more widely used than our proposed products and services because they are currently reimbursed by third-party payors. In addition, physicians and other medical professionals may view the MASCT System as a screening tool for existing breast cancer, like mammography, rather than as an adjunctive procedure to mammography. As a result, the MASCT System could be deemed to compete directly with mammography, an established procedure, which could impair market adoption of the MASCT System. The advantages of the MASCT System compared to ultrasound, mammography, or magnetic resonance imaging include obtaining cytology and molecular information, the ease and simplicity of the procedure, and the cost, especially compared to MRI. The disadvantages of the MASCT System compared to ultrasound, mammography, and MRI include a lower sensitivity to detection of cancer. The advantage of the MASCT System compared to fine needle aspiration and core biopsies include the ease and simplicity of the procedure, the cost, and the patient comfort. The disadvantages of the MASCT System compared to fine needle aspiration and core biopsies include the reduced sample size and the consequent limitation of the range of molecular studies that can be conducted.

In addition to facing competition with respect to our MASCT System and the processing of collected NAF samples, we also face competition regarding our ArgusCYTE diagnostic test. The detection and analysis of circulating tumor cells, or CTCs, in the blood of patients with breast cancer is an active area of medical research, and many companies and academic research institutes that have substantially greater financial and research resources than we do are involved in such detection and analysis. For example, The Massachusetts General Hospital, Harvard Medical School, received a multimillion dollar grant from Stand Up To Cancer in

2009 for a CTC chip to diagnose cancer. Additionally, Johnson & Johnson markets an FDA-cleared test for breast cancer CTCs and Clariant Laboratories, a GE Healthcare company, also markets a breast cancer CTC test.

Information Systems

We have acquired and implemented a third-party pathology laboratory report management system that supports our operations and physician services. Our information systems, to the extent such systems hold or transmit patient medical information, are believed to operate in compliance with state and federal laws and regulations relating to the privacy and security of patient medical information, including a comprehensive federal law and regulations referred to as HIPAA. While we have endeavored to establish our information systems to be compliant with such laws, including HIPAA, such laws are complex and subject to interpretation.

Government Regulation

United States Medical Device Regulation

The Federal Food, Drug, and Cosmetic Act, or FDCA, and the FDA's implementing regulations, govern registration and listing, manufacturing, labeling, storage, advertising and promotion, sales and distribution, and post-market surveillance. Medical devices and their manufacturers are also subject to inspection by the FDA. The FDCA, supplemented by other federal and state laws, also provides civil and criminal penalties for violations of its provisions. We manufacture and market a medical device that is regulated by the FDA, comparable state agencies and regulatory bodies in other countries. We also operate a clinical and diagnostic laboratory which uses reagents and test kits some of which are regulated medical devices.

The FDA classifies medical devices into one of three classes (Class I, II or III) based on the degree of risk the FDA determines to be associated with a device and the extent of control deemed necessary to ensure the device's safety and effectiveness. Devices requiring fewer controls because they are deemed to pose lower risk are placed in Class I or II. Class I devices are deemed to pose the least risk and are subject only to general controls applicable to all devices, such as requirements for device labeling, premarket notification, and adherence to the FDA's current good manufacturing practice requirements, as reflected in its QSR. Most pathology staining kits, reagents, and routine antibody-based immunohistochemistry protocols which the Company intends to use initially are Class I devices. Class II devices are intermediate risk devices that are subject to general controls and may also be subject to special controls such as performance standards, product-specific guidance documents, special labeling requirements, patient registries or postmarket surveillance. The MASCT System is a Class II device. Class III devices are those for which insufficient information exists to assure safety and effectiveness solely through general or special controls, and include life-sustaining, life-supporting, or implantable devices, and devices not "substantially equivalent" to a device that is already legally marketed.

Most Class I devices, including the laboratory staining kits and reagents the Company uses, and some Class II devices are exempted by regulation from the 510(k) clearance requirement and can be marketed without prior authorization from FDA. Class I and Class II devices that have not been so exempted are eligible for marketing through the 510(k) clearance pathway. By contrast, devices placed in Class III generally require premarket approval, or PMA, approval prior to commercial marketing. To obtain 510(k) clearance for a medical device, an applicant must submit a premarket notification to the FDA demonstrating that the device is "substantially equivalent" to a predicate device legally marketed in the United States. A device is substantially equivalent if, with respect to the predicate device, it has the same intended use and (i) the same technological characteristics, or (ii) has different technological characteristics and the information submitted demonstrates that the device is as safe and effective as a legally marketed device and does not raise different questions of safety or effectiveness. A showing of substantial equivalence sometimes, but not always, requires clinical data. In the case of the MASCT System, a clinical trial was conducted. Generally, the 510(k) clearance process can exceed 90 days and may extend to a year or more. After a device has received 510(k) clearance for a specific intended use, any modification that could significantly affect its safety or effectiveness, such as a significant change in the design, materials, method of manufacture or intended use, will require a new 510(k) clearance or (if the device as modified is not substantially equivalent to a legally marketed

predicate device) PMA approval. While the determination as to whether new authorization is needed is initially left to the manufacturer, the FDA may review this determination and evaluate the regulatory status of the modified product at any time and may require the manufacturer to cease marketing and recall the modified device until 510(k) clearance or PMA approval is obtained. The manufacturer may also be subject to significant regulatory fines or penalties.

All clinical trials must be conducted in accordance with regulations and requirements collectively known as Good Clinical Practice, or GCP. GCPs include the FDA's Investigational Device Exemption, or IDE, regulations, which describe the conduct of clinical trials with medical devices, including the recordkeeping, reporting and monitoring responsibilities of sponsors and investigators, and labeling of investigation devices. They also prohibit promotion, test marketing, or commercialization of an investigational device, and any representation that such a device is safe or effective for the purposes being investigated. GCPs also include FDA's regulations for institutional review board approval and for protection of human subjects (informed consent), as well as disclosure of financial interests by clinical investigators.

Required records and reports are subject to inspection by the FDA. The results of clinical testing may be unfavorable or, even if the intended safety and effectiveness success criteria are achieved, may not be considered sufficient for the FDA to grant approval or clearance of a product. The commencement or completion of clinical trials, if any, that the Company may sponsor, may be delayed or halted, or be inadequate to support approval of a PMA application or clearance of a premarket notification for numerous reasons, including, but not limited to, the following:

- the FDA or other regulatory authorities do not approve a clinical trial protocol or a clinical trial (or a change to a previously approved protocol or trial that requires approval), or place a clinical trial on hold;
- patients do not enroll in clinical trials or follow up at the rate expected;
- institutional review boards and third-party clinical investigators may delay or reject the Company's trial protocol or changes to its trial protocol;
- third-party clinical investigators decline to participate in a trial or do not perform a trial on the Company's anticipated schedule or consistent with the clinical trial protocol, investigator agreements, good clinical practices or other FDA requirements;
- third-party organizations do not perform data collection and analysis in a timely or accurate manner;
- regulatory inspections of clinical trials or manufacturing facilities, which may, among other things, require the Company to undertake corrective action or suspend or terminate its clinical trials;
- changes in governmental regulations or administrative actions;
- the interim or final results of the clinical trial are inconclusive or unfavorable as to safety or effectiveness; and
- the FDA concludes that the Company's trial design is inadequate to demonstrate safety and effectiveness.

After a device is approved and placed in commercial distribution, numerous regulatory requirements apply. These include:

- establishment registration and device listing;
- the QSR, which requires manufacturers to follow design, testing, control, documentation and other quality assurance procedures;
- labeling regulations, which prohibit the promotion of products for unapproved or "off-label" uses and impose other restrictions on labeling;
- medical device reporting regulations, which require that manufacturers report to the FDA if a 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 malfunctions were to recur; and

- corrections and removal reporting regulations, which require that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA caused by the device that may present a risk to health.

The FDA enforces regulatory requirements by conducting periodic, announced and unannounced inspections and market surveillance. Inspections may include the manufacturing facilities of our subcontractors. Failure to comply with applicable regulatory requirements, including those applicable to the conduct of our clinical trials, can result in enforcement action by the FDA, which may lead to any of the following sanctions:

- warning letters or untitled letters;
- fines and civil penalties;
- unanticipated expenditures;
- delays in clearing or approving or refusal to clear or approve products;
- withdrawal or suspension of FDA clearance;
- product recall or seizure;
- orders for physician notification or device repair, replacement, or refund;
- production interruptions;
- operating restrictions;
- injunctions; and
- criminal prosecution.

The Company and its contract manufacturers, specification developers and suppliers are also required to manufacture the MASCT and Microcatheter Systems in compliance with current Good Manufacturing Practice requirements set forth in the QSR. The QSR requires a quality system for the design, manufacture, packaging, labeling, storage, installation and servicing of marketed devices, and includes extensive requirements with respect to quality management and organization, device design, buildings, equipment, purchase and handling of components, production and process controls, packaging and labeling controls, device evaluation, distribution, installation, complaint handling, servicing and record keeping. The FDA enforces the QSR through periodic announced and unannounced inspections that may include the manufacturing facilities of our subcontractors. If the FDA believes the Company or any of its contract manufacturers or regulated suppliers is not in compliance with these requirements, it can shut down the Company's manufacturing operations, require recall of the MASCT System, refuse to clear or approve new marketing applications, institute legal proceedings to detain or seize products, enjoin future violations, or assess civil and criminal penalties against the Company or its officers or other employees. Any such action by the FDA would have a material adverse effect on the Company's business.

CLIA and State Regulation

As a provider of cytology and molecular diagnostic services, the Company is required to hold certain federal, state and local licenses, certifications, and permits. Under CLIA, it is required to hold a certificate applicable to the type of work it performs and to comply with certain CLIA-imposed standards. CLIA regulates all laboratories by requiring they be certified by the federal government and comply with various operational, personnel, facilities administration, quality, and proficiency requirements intended to ensure that laboratory testing services are accurate, reliable, and timely. CLIA does not preempt state laws that are more stringent than federal law.

To obtain and renew its CLIA certificates, which it is required to renew every two years, the Company will be regularly subject to survey and inspection to assess compliance with program standards and may be subject to additional random inspections. Standards for testing under CLIA are based on the level of complexity of the tests performed by the laboratory. Laboratories performing high complexity testing are

required to meet more stringent requirements than laboratories performing less complex tests where a CLIA certificate is required. Both NAF cytology and molecular diagnostic testing are high complexity tests. CLIA certification is a prerequisite to be eligible for reimbursement under Medicare and Medicaid.

In addition to CLIA requirements, the Company is subject to various state laws. CLIA provides that a state may adopt laboratory regulations that are more stringent than those under federal law, and a number of states, including Washington, where the Company is located, have done so. The Washington State Medical Test Site, or MTS, Licensure law was passed in May 1989 to allow the state to regulate clinical laboratory testing. In October 1993, Washington became the first state to have its clinical laboratory licensure program judged by the CMS as equivalent to CLIA and was granted an exemption. In addition, New York, Maryland, Pennsylvania, Rhode Island, and California have implemented their own laboratory regulatory schemes. State laws may require that laboratory personnel meet certain qualifications, specify certain quality controls, or prescribe record maintenance requirements.

Privacy and Security of Health Information and Personal Information; Standard Transactions

The Company is subject to state and federal laws and implementing regulations relating to the privacy and security of the medical information of the patients it treats. The principal federal legislation is part of HIPAA. Pursuant to HIPAA, the Secretary of the Department of Health and Human Services, or HHS, has issued final regulations designed to improve the efficiency and effectiveness of the healthcare system by facilitating the electronic exchange of information in certain financial and administrative transactions, while protecting the privacy and security of the patient information exchanged. These regulations also confer certain rights on patients regarding their access to and control of their medical records in the hands of healthcare providers such as the Company.

Four principal regulations have been issued in final form: privacy regulations, security regulations, standards for electronic transactions, and the National Provider Identifier regulations. The HIPAA privacy regulations, which fully came into effect in April 2003, establish comprehensive federal standards with respect to the uses and disclosures of an individual's personal health information, referred to in the privacy regulations as "protected health information," by health plans, healthcare providers, and healthcare clearinghouses. The Company is a healthcare provider within the meaning of HIPAA. The regulations establish a complex regulatory framework on a variety of subjects, including:

- the circumstances under which uses and disclosures of protected health information are permitted or required without a specific authorization by the patient, including but not limited to treatment purposes, activities to obtain payment for services, and healthcare operations activities;
- a patient's rights to access, amend, and receive an accounting of certain disclosures of protected health information;
- the content of notices of privacy practices for protected health information; and
- administrative, technical and physical safeguards required of entities that use or receive protected health information.

The federal privacy regulations, among other things, restrict the Company's ability to use or disclose protected health information in the form of patient-identifiable laboratory data, without written patient authorization, for purposes other than payment, treatment, or healthcare operations (as defined by HIPAA) except for disclosures for various public policy purposes and other permitted purposes outlined in the privacy regulations. The privacy regulations provide for significant fines and other penalties for wrongful use or disclosure of protected health information, including potential civil and criminal fines and penalties. Although the HIPAA statute and regulations do not expressly provide for a private right of damages, the Company could incur damages under state laws to private parties for the wrongful use or disclosure of confidential health information or other private personal information.

The Company has implemented policies and practices that it believes brings it into compliance with the privacy regulations. However, the documentation and process requirements of the privacy regulations are complex and subject to interpretation. Failure to comply with the privacy regulations could subject the Company to sanctions or penalties, loss of business, and negative publicity.

The HIPAA privacy regulations establish a “floor” of minimum protection for patients as to their medical information and do not supersede state laws that are more stringent. Therefore, the Company is required to comply with both HIPAA privacy regulations and various state privacy laws. The failure to do so could subject it to regulatory actions, including significant fines or penalties, and to private actions by patients, as well as to adverse publicity and possible loss of business. In addition, federal and state laws and judicial decisions provide individuals with various rights for violation of the privacy of their medical information by healthcare providers such as the Company.

The final HIPAA security regulations, which establish detailed requirements for physical, administrative, and technical measures for safeguarding protected health information in electronic form, became effective on April 21, 2005. The Company has employed what it considers to be a reasonable and appropriate level of physical, administrative and technical safeguards for patient information. Failure to comply with the security regulations could subject the Company to sanctions or penalties and negative publicity.

The final HIPAA regulations for electronic transactions, referred to as the transaction standards, establish uniform standards for certain specific electronic transactions and code sets and mandatory requirements as to data form and data content to be used in connection with common electronic transactions, such as billing claims, remittance advices, enrollment, and eligibility. The Company has outsourced to a third-party vendor the handling of its billing and collection transactions, to which the transaction standards apply. Failure of the vendor to properly conform to the requirements of the transaction standards could, in addition to possible sanctions and penalties, result in payors not processing transactions submitted on our behalf, including claims for payment.

The HIPAA regulations on adoption of national provider identifiers, or NPI, required healthcare providers to adopt new, unique identifiers for reporting on claims transactions submitted after May 23, 2007. The Company intends to obtain NPIs for its laboratory facilities and pathologists so that it can report NPIs to Medicare, Medicaid, and other health plans.

The healthcare information of the Company’s patients includes social security numbers and other personal information that are not of an exclusively medical nature. The consumer protection laws of a majority of states now require organizations that maintain such personal information to notify each individual if their personal information is accessed by unauthorized persons or organizations, so that the individuals can, among other things, take steps to protect themselves from identity theft. The costs of notification and the adverse publicity can both be significant. Failure to comply with these state consumer protection laws can subject a company to penalties that vary from state to state, but may include significant civil monetary penalties, as well as to private litigation and adverse publicity. California recently enacted legislation that expanded its version of a notification law to cover improper access to medical information generally, and other states may follow suit.

Federal and State Fraud and Abuse Laws

The federal healthcare Anti-Kickback Statute prohibits, among other things, knowingly and willfully offering, paying, soliciting, or receiving remuneration to induce referrals or in return for purchasing, leasing, ordering, or arranging for the purchase, lease, or order of any healthcare item or service reimbursable under a governmental payor program. The definition of “remuneration” has been broadly interpreted to include anything of value, including gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash, waivers of payments, ownership interests, opportunity to earn income, and providing anything at less than its fair market value. The Anti-Kickback Statute is broad, and it prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry. Recognizing that the Anti-Kickback Statute is broad and may technically prohibit many innocuous or beneficial arrangements within the healthcare industry, HHS has issued a series of regulatory “safe harbors.” These safe harbor regulations set forth certain provisions that, if met, will provide healthcare providers and other parties with an affirmative defense against prosecution under the federal Anti-Kickback Statute. Although full compliance with these provisions ensures against prosecution under the federal Anti-Kickback Statute, the failure of a transaction or arrangement to fit within a specific safe harbor does not necessarily mean that the transaction or arrangement is illegal or that prosecution under the federal Anti-Kickback Statute will be pursued.

From time to time, the Office of Inspector General, or OIG, issues alerts and other guidance on certain practices in the healthcare industry. In October 1994, the OIG issued a Special Fraud Alert on arrangements for the provision of clinical laboratory services. The Fraud Alert set forth a number of practices allegedly engaged in by some clinical laboratories and healthcare providers that raise issues under the "fraud and abuse" laws, including the Anti-Kickback Statute. These practices include: (i) laboratories providing employees to furnish valuable services for physicians (other than collecting patient specimens for testing for the laboratory) that are typically the responsibility of the physicians' staff; (ii) providing free testing to a physician's managed care patients in situations where the referring physicians benefit from such reduced laboratory utilization; (iii) providing free pick-up and disposal of bio-hazardous waste for physicians for items unrelated to a laboratory's testing services; (iv) providing general-use facsimile machines or computers to physicians that are not exclusively used in connection with the laboratory services; and (v) providing free testing for healthcare providers, their families, and their employees (professional courtesy testing).

The OIG emphasized in the Special Fraud Alert that when one purpose of an arrangement is to induce referrals of program-reimbursed laboratory testing, both the clinical laboratory and the healthcare provider, or physician, may be liable under the Anti-Kickback Statute, and may be subject to criminal prosecution and exclusion from participation in the Medicare and Medicaid programs.

Another issue about which the OIG has expressed concern involves the provision of discounts on laboratory services billed to customers in return for the referral of more lucrative federal healthcare program business. In a 1999 Advisory Opinion, the OIG concluded that a proposed arrangement whereby a laboratory would offer physicians significant discounts on non-federal healthcare program laboratory tests might violate the Anti-Kickback Statute. The OIG reasoned that the laboratory could be viewed as providing such discounts to the physician in exchange for referrals by the physician of business to be billed by the laboratory to Medicare at non-discounted rates. The OIG indicated that the arrangement would not qualify for protection under the discount safe harbor because Medicare and Medicaid would not get the benefit of the discount. Subsequently, in a year 2000 correspondence, the OIG stated that the Anti-Kickback Statute may be violated if there were linkage between the discount offered to the physician and the physician's referrals of tests covered under a federal healthcare program that would be billed by the laboratory directly. Where there was evidence of such linkage, the arrangement would be considered "suspect" if the charge to the physician was below the laboratory's "average fully loaded costs" of the test.

Generally, arrangements that would be considered suspect, and possible violations under the Anti-Kickback Statute, include arrangements between a clinical laboratory and a physician (or related organizations or individuals) in which the laboratory would (1) provide items or services to the physician or other referral source without charge, or for amounts that are less than their fair market value; (2) pay the physician or other referral source amounts that are in excess of the fair market value of items or services that were provided; or (3) enter into an arrangement with a physician or other entity because it is a current or potential referral source. HIPAA also applies to fraud and false statements. HIPAA created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment, or exclusion from governmental payor programs such as the Medicare and Medicaid programs. The false statements statute prohibits 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, as well as the retention of any overpayment. A violation of this statute is a felony and may result in fines or imprisonment or exclusion from governmental payor programs.

Physician Referral Prohibitions

Under a federal law directed at "self-referral," commonly known as the Stark Law, prohibitions exist, with certain exceptions, on Medicare and Medicaid payments for laboratory tests referred by physicians who personally, or through a family member, have an investment interest in, or a compensation arrangement with, the laboratory performing the tests. A person who engages in a scheme to circumvent the Stark Law's referral prohibition may be fined up to $100,000 for each such arrangement or scheme. In addition, any person who presents or causes to be presented a claim to the Medicare or Medicaid programs in violation of the Stark Law is subject to civil monetary penalties of up to $15,000 per bill submission, an assessment of up to

three times the amount claimed, and possible exclusion from participation in federal governmental payor programs. Bills submitted in violation of the Stark Law may not be paid by Medicare or Medicaid, and any person collecting any amounts with respect to any such prohibited bill is obligated to refund such amounts.

Any arrangement between a laboratory and a physician or physicians' practice that involves remuneration will prohibit the laboratory from obtaining payment for services resulting from the physicians' referrals, unless the arrangement is protected by an exception to the self-referral prohibition or a provision stating that the particular arrangement would not result in remuneration. Among other things, a laboratory's provision of any item, device, or supply to a physician would result in a Stark Law violation unless it was used only to collect, transport, process, or store specimens for the laboratory, or was used only to order tests or procedures or communicate related results. This may preclude a laboratory's provision of fax machines and computers that may be used for unrelated purposes. Most arrangements involving physicians that would violate the Anti-Kickback Statute would also violate the Stark Law. Many states also have "self-referral" and other laws that are not limited to Medicare and Medicaid referrals. These laws may prohibit arrangements which are not prohibited by the Stark Law, such as a laboratory's placement of a phlebotomist in a physician's office to collect specimens for the laboratory. Finally, recent amendments to these laws require self-disclosure of violations by providers.

Discriminatory Billing Prohibition

In response to competitive pressures, the Company will be increasingly required to offer discounted pricing arrangements to managed care payors and physicians and other referral services. Discounts to referral sources raise issues under the Anti-Kickback Statute. Any discounted charge below the amount that Medicare or Medicaid would pay for a service also raises issues under Medicare's discriminatory billing prohibition. The Medicare statute permits the government to exclude a laboratory from participation in federal healthcare programs if it charges Medicare or Medicaid "substantially in excess" of its usual charges in the absence of "good cause." In 2000, the OIG stated in informal correspondence that the prohibition was violated only if the laboratory's charge to Medicare was substantially more than the "median non-Medicare/ — Medicaid charge." On September 15, 2003, the OIG issued a notice of proposed rulemaking addressing the statutory prohibition. Under the proposed rule, a provider's charge to Medicare or Medicaid would be considered "substantially in excess of [its] usual charges" if it was more than 120% of the provider's mean or median charge for the service. The proposed rule was withdrawn in June 2007. At that time, the OIG stated that it would continue to evaluate billing patterns of individuals and entities on a case-by-case basis.

Corporate Practice of Medicine

The Company's contractual relationships with the licensed healthcare providers are subject to regulatory oversight, mainly by state licensing authorities. In certain states, for example, limitations may apply to the relationship with the pathologists that the Company intends to employ or engage, particularly in terms of the degree of control that the Company exercises or has the power to exercise over the practice of medicine by those pathologists. A number of states, including New York, Texas, and California, have enacted laws prohibiting business corporations, such as the Company, from practicing medicine and employing or engaging physicians to practice medicine. These requirements are generally imposed by state law in the states in which the Company operates, vary from state to state, and are not always consistent among states. In addition, these requirements are subject to broad powers of interpretation and enforcement by state regulators. Some of these requirements may apply to the Company even if it does not have a physical presence in the state, based solely on the employment of a healthcare provider licensed in the state or the provision of services to a resident of the state. The Company believes that it operates in material compliance with these requirements. However, failure to comply can lead to action against the Company and the licensed healthcare professionals that it employs, fines or penalties, receipt of cease and desist orders from state regulators, loss of healthcare professionals' licenses or permits, the need to make changes to the terms of engagement of those professionals that interfere with the Company's business, and other material adverse consequences.

State Laboratory Licensure

The Company is certified by CLIA and has been licensed in the states of California, Florida, Maryland, Rhode Island, and Washington. The Company is in the process of obtaining a license to accept testing samples from New York, which requires out-of-state laboratories to hold a state license, and is currently processing

samples from New York under recognized exemption provisions. All other states do not have specific state licensing requirements and/or recognize our Federal CLIA certification as an out-of-state laboratory. Similarly, many of the states from which the Company will solicit specimens require that a physician interpreting specimens from that state be licensed by that particular state, irrespective of where the services are to be provided. In the absence of such a state license, the physician may be considered to be engaged in the unlicensed practice of medicine.

The Company may become aware from time to time of other states that require out-of-state laboratories or physicians to obtain licensure in order to accept specimens from the state, and it is possible that other states do have such requirements or will have such requirements in the future. The Company intends to follow instructions from the state regulators as how to comply with such requirements.

Referrals after Becoming a Public Company

Once the Company's stock is publicly traded, it will not be able to accept referrals from physicians who own, directly or indirectly, shares of its stock unless it complies with the Stark Law exception for publicly traded securities. This requires, among other things, $75 million in stockholders' equity (total assets minus total liabilities). The parallel safe harbor requires, among other things, $50 million in undepreciated net tangible assets, in order for any distributions to such stockholders to be protected under the Anti-Kickback Statute.

Other Regulatory Requirements

The Company's laboratory is subject to federal, state, and local regulations relating to the handling and disposal of regulated medical waste, hazardous waste, and biohazardous waste, including chemical, biological agents and compounds, and human tissue. The Company uses outside vendors who are contractually obligated to comply with applicable laws and regulations to dispose of such waste. These vendors are licensed or otherwise qualified to handle and dispose of such waste.

The Occupational Safety and Health Administration, or OSHA, has established extensive requirements relating to workplace safety for healthcare employers, including requirements mandating work practice controls, protective clothing and equipment, training, medical follow-up, vaccinations, and other measures designed to minimize exposure to, and transmission of, blood-borne pathogens. Pursuant to its authority under the FDCA, the FDA has regulatory responsibility over instruments, test kits, reagents, and other devices used to perform diagnostic testing by laboratories such as ours. Specifically, the manufacturers and suppliers of analyte specific reagents, or ASRs, which we will obtain for use in diagnostic tests, are subject to regulation by the FDA and are required to register their establishments with the FDA, to conform manufacturing operations to the FDA's Quality System Regulation and to comply with certain reporting and other record keeping requirements. The FDA also regulates the sale or distribution, in interstate commerce, of products classified as medical devices under the FDCA, including *in vitro* diagnostic test kits. Such devices must undergo premarket review by the FDA prior to commercialization unless the device is of a type exempted from such review by statute or pursuant to the FDA's exercise of enforcement discretion.

The FDA maintains that it has authority to regulate the development and use of LDTs or "home brews" as medical devices, but to date has not exercised its authority with respect to "home brew" tests as a matter of enforcement discretion. The FDA regularly considers the application of additional regulatory controls over the sale of ASRs and the development and use of "home brews" by laboratories such as the Company's.

The FDA has conducted public hearings to discuss oversight of LDTs. While the outcome of those hearings is unknown, it is probable that some form of pre-market notification or approval process will become a requirement for certain LDTs. Pre-market notification or approval of the Company's future LDTs would be costly and delay the ability of the Company to commercialize such tests.

Compliance Program

Compliance with government rules and regulations is a significant concern throughout the industry, in part due to evolving interpretations of these rules and regulations. The Company seeks to conduct its business in compliance with all statutes and regulations applicable to its operations. To this end, it has established a compliance program that reviews for regulatory compliance procedures, policies, and facilities throughout its business.

Legal Proceedings

On June 30, 2011, Robert Kelly, our former President, filed a counterclaim against us in an arbitration proceeding, alleging breach of contract in connection with the termination of a consulting agreement between Mr. Kelly (d/b/a Pitslayer LLC) and us. The consulting agreement was terminated by us in September 2010. Mr. Kelly seeks $450,000 in compensatory damages, which is the amount he claims would have been earned had the consulting agreement been fulfilled to completion. We are reasonably confident in our defenses to Mr. Kelly's claims. Consequently, no provision or liability has been recorded for Mr. Kelly's claims as of March 31, 2012. However, it is at least reasonably possible that our estimate of our liability may change in the near term. Any payments by reason of an adverse determination in this matter will be charged to earnings in the period of determination.

Employees

As of March 31, 2012, we employed three executive officers, one of whom serves in such capacity part-time, and five other full-time employees. We expect that we will hire more employees as we expand.

Property

We lease approximately 9,800 square feet of office and laboratory space in Seattle, Washington, which includes space rented from Sanders Properties, LLC, CompleGen, Inc., and the Fred Hutchinson Cancer Research Center, as described elsewhere in this prospectus. We believe that our current facilities will be adequate to meet our needs for the next 24 months.

Insurance

We currently maintain director's and officer's insurance, commercial general and office premises liability insurance, and product errors and omissions liability insurance for our products and services.

MANAGEMENT

The following table sets forth information regarding the members of the Board of Directors of the Company and its executive officers as of March 31, 2012:

Executive Officers and Directors

Name	Age	Position(s)
Steven C. Quay, M.D., Ph.D.	61	Chairman of the Board of Directors, Chief Executive Officer and President
Christopher Benjamin	38	Chief Financial Officer
Shu-Chih Chen, Ph.D.	50	Director, Chief Scientific Officer
John Barnhart	55	Director
Stephen J. Galli, M.D.	65	Director
Alexander Cross, Ph.D.	80	Director
H. Lawrence Remmel, Esq.	60	Director

The Company's bylaws provide that the number of directors authorized to serve on the Board of Directors of the Company may be established, from time to time, by action of the Board of Directors of the Company. Vacancies in the existing Board of Directors of the Company are filled by a majority vote of the remaining directors on the Board of Directors of the Company. Directors currently serve for a one-year term until each subsequent annual meeting of stockholders and until their respective successors have been elected and qualified or until death, resignation or removal. Effective upon the completion of this offering, our Board of Directors will be divided into three classes and directors will serve for a three-year term until the third annual meeting following their election and until their respective successors have been elected and qualified or until death, resignation or removal. Effective upon the completion of this offering, Dr. Quay and Mr. Barnhart will be Class I directors (whose terms will expire on the date of the 2013 annual meeting), Dr. Cross and Dr. Galli will be Class II directors (whose terms will expire on the date of the 2014 annual meeting), and Dr. Chen and Mr. Remmel will be Class III directors (whose terms will expire on the date of the 2015 annual meeting). The Company's executive officers are appointed by and serve at the discretion of the Board of Directors of the Company.

Dr. Quay is the Chief Executive Officer and Chairman of the Board of Directors of the Company. Dr. Shu-Chih Chen is the Chief Scientific Officer and a director. Drs. Quay and Chen are husband and wife. They currently beneficially own a substantial minority of the outstanding voting securities of the Company. Following the completion of this offering they will remain substantial minority stockholders.

Steven C. Quay, M.D., Ph.D. Dr. Quay has served as Chief Executive Officer and Chairman of the Board of Directors of the Company since the Company was incorporated in April 2009. Prior to his work at the Company, Dr. Quay served as Chairman of the Board, President and Chief Executive Officer of MDRNA, Inc., a biotechnology company focused on the development and commercialization of RNAi-based therapeutic products, from August 2000 to May 2008, and as its Chief Scientific Officer until November 30, 2008 (MDRNA, Inc. was formerly known as Nastech Pharmaceutical Company Inc. and is currently known as Marina Biotech, Inc.). From December 2008 to April 2009, Dr. Quay was involved in acquiring the Company's assets and preparing the Company's business plan. Dr. Quay is certified in Anatomic Pathology with the American Board of Pathology, completed both an internship and residency in anatomic pathology at the Massachusetts General Hospital, a Harvard Medical School teaching hospital, is a former faculty member of the Department of Pathology, Stanford University School of Medicine, and is a named inventor on 14 U.S. and foreign patents covering the MASCT System. He oversaw the clinical testing and regulatory filing of the MASCT device with the FDA that led to its ultimate marketing clearance. Including the patents for the MASCT System, Dr. Quay has a total of 76 U.S. patents, 98 pending patent applications and is a named inventor on patents covering five pharmaceutical products that have been approved by the FDA. Dr. Quay received an M.D. in 1977 and a Ph.D. in 1975 from the University of Michigan Medical School. He also received his B.A. degree in biology, chemistry and mathematics from Western Michigan University in 1971. Dr. Quay is a member of the American Society of Investigative Pathology, the Association of Molecular Pathology, the Society for Laboratory Automation and Screening and the Association of Pathology Informatics. He was selected to serve on the Company's Board of Directors because of his role as the founder

of the Company and the inventor of the MASCT System, as well as his qualifications as a physician and the principal researcher overseeing the clinical and regulatory development of the MASCT System.

Christopher Benjamin. Mr. Benjamin has served as Chief Financial Officer of the Company since July 2010. His experience includes both public and private company financial reporting expertise. Based in Phoenix, Arizona, Mr. Benjamin has served as President of Rogue CFO Consulting since November 2007, as well as serving as the interim Chief Financial Officer for Quantum Materials Corporation, a manufacturer of quantum dots, and Paradise Publishers, a company focused on the marketing of electronic books. In the past, he held the position of Controller for NexTec Group, a company that consults with other companies regarding enterprise resource planning and customer relationship management solutions, from March 2007 through November 2007, Redfin Corporation, an online real estate agent company, from September 2006 to March 2007, and was the Accounting Manager and Assistant Controller for the Bsquare Corporation, a company focused on software development, from September 2005 to September 2006. His responsibilities at these companies included monthly financial reporting and analysis, audit and cash management, forecasting, oversight of the General Ledger, as well as ensuring compliance with GAAP, FASB and SEC reporting standards. From February 2003 to November 2005, Mr. Benjamin worked at Cascade Natural Gas Corporation, where his responsibilities included serving as Manager of Financial Reporting and Fixed Assets, along with Sarbanes Oxley process documentation, process flow creation and SEC reporting support. He received his M.B.A. from the University of Washington in Seattle in 2006 and a B.A. in accounting from the University of the Fraser Valley in Abbotsford, British Columbia, Canada in 1997.

Shu-Chih Chen, Ph.D. Dr. Chen has served as Chief Scientific Officer and director of the Company since the Company was incorporated in April 2009. Prior to joining the Company, Dr. Chen served as President of Ensisheim beginning in 2008, was founder and President of SC2Q Consulting Company from 2006 to 2008, and served as Head, Cell Biology, Nastech Pharmaceuticals Company, Inc. from 2002 to 2006. During 1995 and 1996, she was an Associate Professor at National Yang Ming University, Taipei, Taiwan, and served as the principal investigator of an NIH RO1 grant studying tumor suppression by gap junction protein connexin 43 at the Department of Molecular Medicine at Northwest Hospital before working in the research department at Nastech Pharmaceutical Company. She is named as an inventor on four patent applications related to cancer therapeutics. Dr. Chen received her Ph.D. degree in microbiology and public health from Michigan State University in 1992 and has published extensively on Molecular Oncology. She received her B.S. degree in medical technology from National Yang Ming University, Taipei, Taiwan in 1984. Dr. Chen was selected to serve on the Company's Board of Directors because of her qualifications in medical technology and as a professor and researcher in the field of cancer therapeutics.

John Barnhart. Mr. Barnhart has served as a director of the Company since July 2009. He is the founder and has been the Managing Director of the Visconti Group, a management consulting group in Seattle, Washington, since November 2003. He held prior executive positions at The Walt Disney Company, Sony Pictures Entertainment, and Walt Disney Imagineering. He received a B.S. degree in engineering from California State University, Long Beach in 1983. Mr. Barnhart was selected to serve on the Company's Board of Directors because of his understanding and experience with development and marketing of consumer-oriented products and services.

Stephen J. Galli, M.D. Dr. Galli has served as a director of the Company since July 2011. Dr. Galli is Chair of the Department of Pathology, Professor of Pathology and of Microbiology & Immunology and the Mary Hewitt Loveless, M.D., Professor, Stanford University School of Medicine, Stanford, California, and has served in these capacities since February 1999. Before joining Stanford, he was on the faculty of Harvard Medical School. He holds 13 U.S. patents and has over 340 publications. He is past president of the American Society for Investigative Pathology and current president of the Collegium Internationale Allergologicum. In addition to receiving awards for his research, he was recently recognized with the 2010 Stanford University President's Award for Excellence Through Diversity for his recruitment and support of women and underrepresented minorities at Stanford University. He received his B.A. degree in biology, magna cum laude, from Harvard College in 1968 and his M.D. degree from Harvard Medical School in 1973 and completed a residency in anatomic pathology at the Massachusetts General Hospital in 1977. Dr. Galli has been selected to serve on the Company's Board of Directors because of his qualifications as a professor and physician, and his specialized expertise as a pathologist.

Alexander D. Cross, Ph.D. Dr. Cross has served as a director of the Company since July 2011. Dr. Cross has served on the board and as a member of the Audit, Compensation, and Nominating and Governance Committees of a number of public companies, including Marina Biotech, Inc. (formerly MDRNA, Inc. and, before that, Nastech Pharmaceutical Company Inc. from July 2005 through May 2009). Dr. Cross also served as Chairman of the Board and CEO of CytoPharm, Inc., a company engaged in the development of protein-based drugs for the treatment of various diseases, until August 2006. Dr. Cross has been a consultant in the fields of pharmaceuticals and biotechnology since January 1986 and has served as a principal of NDA Partners, LLC, a consulting firm that provides strategic advisory services for the development of medical products, since 2003. Previously, Dr. Cross served as President and CEO of Zoecon Corporation, a biotechnology company, from April 1983 to December 1985, and Executive Vice President and Chief Operating Officer from 1979 to 1983. Dr. Cross also previously held several corporate management positions at Syntex Corporation from 1961 through 1979. Dr. Cross holds 109 issued U.S. patents and is the author of 90 peer-reviewed publications. Dr. Cross received his B.Sc., Ph.D. and D.Sc. degrees from the University of Nottingham, England, and is a Fellow of the Royal Society of Chemistry. Dr. Cross has been selected to serve on the Company's Board of Directors because of his qualifications as a scientist, business executive and audit committee financial expert, and his prior experience as a director and committee member of public companies.

H. Lawrence Remmel, Esq. Mr. Remmel served as a director of the Company since February 2012. He is currently a partner of the law firm Pryor Cashman LLP, located in New York City, where he chairs the Banking and Finance practice group. Mr. Remmel joined Pryor Cashman in 1988. His practice includes corporate and banking financings, issues relating to the Investment Company Act of 1940, and intellectual property and licensing issues, in particular in the biotechnology and biocosmeceutical areas. He was an associate of the law firm Reboul, MacMurray, Hewitt, Maynard & Kristol from 1984 to 1988, and began his legal career at Carter, Ledyard & Milburn, where he was an associate from 1979 to 1984. He was admitted to the New York bar in 1980 and is a member of the New York State Bar Association. He received his J.D. from the Washington & Lee University School of Law in 1979 and his B.A. from Princeton University in 1975. Mr. Remmel has been selected to serve on the Company's Board of Directors because of his substantial experience as a corporate attorney advising biotechnology companies and his familiarity with the fiduciary duties and the regulatory requirements affecting publicly traded companies.

Scientific Advisory Board

The Company has established a Scientific Advisory Board to provide strategic resources to the Company's management and its Board of Directors. It is intended that the Company's scientific advisory board has knowledge in breast cancer, NAF, breast cancer biomarkers, and Next Generation Sequencing technologies. The Company expects to expand the size of the advisory board in the future. The members of the Scientific Advisory Board work individually with the Company to advise the Company on matters of research interest to the Company and which are within the expertise of the advisor. Accordingly, the Scientific Advisory Board does not meet as a full board and the Company does not anticipate having a need for such meetings in the future. The initial Scientific Advisory Board currently consists of:

Dr. Edward Sauter, M.D., Ph.D. Dr. Sauter is the Associate Dean for Research and Professor of Surgery at the University of North Dakota School of Medicine & Health Sciences and has served in this position since Fall 2008. He received his M.D. from the Louisiana State School of Medicine and his Ph.D. from the University of Pennsylvania. He completed his general surgery residency at the Ochsner Clinic, in New Orleans, Louisiana. Dr. Sauter also completed a Surgical Oncology Fellowship at Fox Chase Cancer Center in Philadelphia, Pennsylvania. Dr. Sauter was Vice-Chair for Research in the Department of Surgery and Professor at the University of Missouri-Columbia from 2002 to 2008. He also completed his MHA while at the University of Missouri. Dr. Sauter is widely recognized for his research and clinical experience in breast cancer. Among his many accomplishments, Dr. Sauter and a team of researchers pioneered noninvasive and minimally invasive techniques to predict breast cancer risk using NAF. Dr. Sauter is the co-author of over 100 peer-reviewed publications on breast cancer, the majority of which pertain to cytology and molecular diagnostic biomarkers in NAF.

Dr. Sauter and the Company entered into a consulting agreement on February 18, 2010 which provides a $5,000 signing fee and $1,000 per month for up to four hours per month of Dr. Sauter's time. The agreement

also provides reasonable travel expenses in connection with his work for the Company. The agreement currently extends through December 31, 2012. This is the only compensation received for being a member of the Scientific Advisory Board.

Dr. Timothy Hunkapiller, Ph.D.

Dr. Hunkapiller has been a pioneering presence in computational biotechnology since its infancy 30 years ago and is co-inventor of the largest selling analytical research instrument in the world: the Perkin Elmer/Applied Biosystems DNA sequencer. Through his Seattle, Washington-based company, DiscoveryBiosciences, he provides technical consulting and commercialization services to both established and upcoming biotech companies.

Dr. Hunkapiller earned a Ph.D. from California Institute of Technology and was Research Assistant Professor in the Department of Molecular Biotechnology at the University of Washington from 1992 until 1999. As a scientist, Dr. Hunkapiller's research focus included molecular immunology, evolution, computational genetics and comparative genomics. He is considered a leading expert on the genetics, genomic organization and functional diversity of the immune system. For the last 20 years, he has also been involved in bioinformatics, algorithm and database development and experimental process optimization.

While at Caltech, Dr. Hunkapiller originated the model for the automated, fluorescent DNA sequencer. The manifestation of this idea in products such as the ABI 3700™ and the MD Megabase™ sequencers catalyzed and enabled the completion of the first drafts of the Human Genome and helped to revolutionize the field of genomics. He continues to work with Applied Biosystems today on improving the throughput and quality of data from these instruments and their associated chemistry.

Dr. Hunkapiller has been an advisor to a number of biotechnology companies as well as technology companies servicing the biotechnology and pharmaceutical industry. These efforts range from helping with SNP association studies for target discovery in breast cancer to the application of novel computer technologies in intelligently searching very large, unstructured text sources to improve intellectual property analysis.

In April 2011, Dr. Hunkapiller received options to purchase up to 45,000 shares of our common stock at an exercise price of $5.00 per share, the then fair market value. This is the only compensation received for being a member of the Scientific Advisory Board.

DIRECTOR COMPENSATION

The non-employee directors of the Company receive the following:

- upon joining the Board, an initial director compensation fee of $50,000, paid in shares of the Company's common stock and that vests ratably over one year from the date of grant;
- an annual director retainer of $50,000, paid in shares of the Company's common stock and that vests ratably over one year from the date of grant; and
- a fee of $2,000 for the chairperson for each Board or committee meeting attended in person, a fee of $1,500 for the members for each Board or committee meeting attended in person, a fee of $1,500 for the chairperson for each Board or committee meeting attended via telephone and a fee of $1,000 for the members for each Board or committee meeting attended via telephone.

In addition to the above, annual compensation for service on the Audit Committee is $12,000 for the Chair and $8,000 for each member, paid in fully vested shares of the Company's common stock or options, payable quarterly in arrears; and annual compensation for service on the Compensation Committee and Nominating/Governance Committee is $10,000 for the Chair and $6,000 for each member, paid in fully vested shares of the Company's common stock or options, payable quarterly in arrears.

The employee directors receive no compensation for their board service. Pursuant to the policies of Pryor Cashman, the law firm of which Mr. Remmel is a partner, the compensation Mr. Remmel receives for his services as a director (other than expense reimbursement) is paid to the firm directly. All directors receive reimbursement for reasonable travel expenses. The following table sets forth information regarding compensation earned by our non-employee directors during the fiscal year ended December 31, 2011:

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)[1]	Total ($)
John Barnhart[2]	$ 28,000	$ 42,948	$ 70,948
Stephen J. Galli, M.D.[3]	$ 20,000	$ 14,316	$ 34,316
Alexander Cross, Ph.D.[4]	$ 22,500	$ 14,316	$ 36,816
H. Lawrence Remmel, Esq.[5]	—	—	—

(1) This column reflects the aggregate grant date fair value of equity awards granted in the applicable year and calculated in accordance with FASB ASC 718, excluding the effect of estimated forfeitures. Assumptions used in the calculations for these amounts are included elsewhere in this prospectus.

(2) Fees earned or paid in cash consists of (a) $4,000 in meeting attendance fees; (b) $8,000 paid in fully vested options, payable quarterly in arrears, for service as a member of the Audit Committee; (c) $6,000 paid in fully vested options, payable quarterly in arrears, for service as a member of the Compensation Committee; and (d) $10,000 paid in fully vested options, payable quarterly in arrears, for service as chairperson of the Nominating/Governance Committee. During the fiscal year ended December 31, 2011, in lieu of an annual director retainer of $50,000 paid in shares of the Company's common stock for each of the years 2009, 2010 and 2011, Mr. Barnhart was granted options to purchase 120,000 shares of our common stock at an exercise price per share of $1.25. 80,000 options were fully vested on September 1, 2011, 10,000 options were fully vested on December 1, 2011 and 10,000 options will vest on each of March 1, 2012, June 1, 2012 and September 1, 2012.

(3) Fees earned or paid in cash consists of (a) $2,000 in meeting attendance fees; (b) $8,000 paid in fully vested options, payable quarterly in arrears, for service as a member of the Audit Committee; and (c) $10,000 paid in fully vested options, payable quarterly in arrears, for service as chairperson of the Nominating/Governance Committee. During the fiscal year ended December 31, 2011, in lieu of an annual director grant of $50,000 paid in shares of the Company's common stock for 2011, Dr. Galli was granted options to purchase 40,000 shares of our common stock at an exercise price per share of $1.25. 10,000 options were fully vested on December 1, 2011 and 10,000 options vest on each of March 1, 2012, June 1, 2012 and September 1, 2012.

(4) Fees earned or paid in cash consists of (a) $4,500 in meeting attendance fees; (b) $12,000 paid in fully vested options, payable quarterly in arrears, for service as chairperson of the Audit Committee; and (c) $6,000 paid in fully vested options, payable quarterly in arrears, for service as a member of the Compensation Committee. During the fiscal year ended December 31, 2011, in lieu of an annual director grant of $50,000 paid in shares of the Company's common stock for 2011, Dr. Cross was granted options to purchase 40,000 shares of our common stock at an exercise price per share of $1.25. 10,000 options were fully vested on December 1, 2011 and 10,000 options vest on each of March 1, 2012, June 1, 2012 and September 1, 2012.

(5) Mr. Remmel was appointed to our Board of Directors on February 8, 2012 and thus did not receive compensation for service as a director during the fiscal year ended December 31, 2011.

Director Independence

The Board of Directors of the Company has reviewed the materiality of any relationship that each of our directors has with the Company, either directly or indirectly. Based on this review, the Board of Directors of the Company has determined that John Barnhart, Stephen J. Galli, M.D., Alexander Cross, Ph.D. and Lawrence Remmel, Esq. are "independent directors" as defined under the applicable rules of the NASDAQ Capital Market.

Committees of the Board of Directors of the Company

The Board of Directors of the Company has established an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. The composition and function of each of these committees is described below.

Audit Committee

Upon the completion of this offering, the Audit Committee will be comprised of Dr. Cross (chair), Mr. Barnhart and Mr. Remmel. The Board of Directors of the Company has determined that Dr. Cross is an "Audit Committee Financial Expert," as defined by the rules of the SEC. The Audit Committee is authorized to:

- approve and retain the independent registered public accounting firm to conduct the annual audit of the Company's financial statements;
- review the proposed scope and results of the annual audit;
- review and pre-approve audit and non-audit fees and services;
- review proposed changes in the Company's financial and accounting standards and principles;
- review the Company's policies and procedures with respect to its internal accounting, auditing and financial controls;
- review and approve transactions between the Company and its directors, officers and affiliates; and
- establish procedures for complaints received by the Company regarding accounting matters.

The Company believes that the composition of its Audit Committee meets the independence requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the NASDAQ Capital Market.

Compensation Committee

Upon the completion of this offering, the Compensation Committee will be comprised of Mr. Barnhart (chair), Dr. Cross, and Dr. Galli. All members of the Compensation Committee qualify as independent directors under the current definition promulgated by the NASDAQ Capital Market. The Compensation Committee is authorized to:

- review and recommend the compensation arrangements for management, or approve such arrangements, if directed by the board;
- establish and review general compensation policies with the objective to attract and retain superior talent, to reward individual performance and to achieve corporate goals;
- administer stock incentive and purchase plans; and
- review and recommend to the board the compensation paid to non-employee directors for their service on the Board of Directors.

Nominating and Governance Committee

Upon the completion of this offering, the Nominating and Governance Committee will be comprised of Dr. Galli (chair), Mr. Barnhart, and Mr. Remmel. All members of the Nominating and Governance Committee qualify as independent directors under the current definition promulgated by the NASDAQ Capital Market. The Nominating and Governance Committee is authorized to:

- identify and nominate candidates for election to the Board of Directors of the Company;
- establish policies under which stockholders may recommend a candidate for consideration for nomination as a director;
- annually review and evaluate the performance, operations, size and composition of the Board; and
- periodically assess and review the Company's Corporate Governance Guidelines and recommend any changes deemed appropriate to the Board for its consideration.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee has at any time been an employee of ours. None of our executive officers serves as a member of the Board of Directors or Compensation Committee of any other entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Code of Ethics

The Company has adopted a Code of Ethical Conduct that applies to all its employees, officers and directors, including those officers responsible for financial reporting. The Code of Ethical Conduct is available on the Company's website. The Company expects that any amendments to the code, or any waivers of its requirements, will be disclosed on its website.

Limitation of Directors' and Officers' Liability and Indemnification

The Delaware General Corporation Law authorizes corporations to limit or eliminate, subject to specified conditions, the personal liability of directors to corporations and their stockholders for monetary damages for breach of their fiduciary duties. The Company's certificate of incorporation and amended and restated bylaws limit the liability of its directors to the fullest extent permitted by Delaware law.

The Company has obtained director and officer liability insurance to cover liabilities the Company's directors and officers may incur in connection with their services to the Company. The Company's certificate of incorporation and amended and restated bylaws also provide that it will indemnify and advance expenses to any of its directors and officers who, by reason of the fact that he or she is an officer or director, is involved in a legal proceeding of any nature. The Company will repay certain expenses incurred by a director or officer in connection with any civil, criminal, administrative or investigative action or proceeding, including actions by the Company or in its name. Such indemnifiable expenses include, to the maximum extent permitted by law, attorney's fees, judgments, fines, settlement amounts and other expenses reasonably incurred in connection with legal proceedings. A director or officer will not receive indemnification if he or she is found not to have acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the Company's best interest.

Such limitation of liability and indemnification does not affect the availability of equitable remedies. In addition, the Company has been advised that in the opinion of the SEC, indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, is against public policy as expressed in the Securities Act and is therefore unenforceable.

There is no pending litigation or proceeding involving any of the Company's directors, officers, employees or agents in which indemnification will be required or permitted. The Company is not aware of any threatened litigation or proceeding that may result in a claim for such indemnification.

EXECUTIVE COMPENSATION

Remuneration of Officers

The Company did not accrue or pay any remuneration or compensation to any officer, director or employee in 2009. In 2010, the Company accrued salary payments to Dr. Steven C. Quay and Dr. Shu-Chih Chen commencing as of May 19, 2010, which is the date that the employment agreement for each of Dr. Quay and Dr. Chen, repectively, became effective, in the amounts and on the terms as defined below. In July 2011, the Company paid accrued salary amounts of $154,762 and $123,810 to Drs. Quay and Chen, respectively. The accrued salary amounts were calculated on a pro rated basis for the period served during fiscal 2010 (i.e., May 19, 2010 through December 31, 2010) for each of Dr. Quay and Dr. Chen, on the basis of an annual salary of $250,000 for Dr. Quay and $200,000 for Dr. Chen, respectively.

The Company's Compensation Committee is responsible for reviewing and evaluating key executive employee base salaries, setting goals and objectives for executive bonuses and administering benefit plans. The Compensation Committee provides advice and recommendations to the Board of Directors of the Company on such matters. See "Committees of the Board of Directors — Compensation Committee" for further details on the role of the Compensation Committee.

Summary Compensation Table

The following table sets forth the compensation earned by the Company's Chief Executive Officer, Chief Scientific Officer and Chief Financial Officer (collectively, the "Named Executive Officers") for fiscal 2011:

Name and Position	Year	Salary	Bonus	Option Awards[1]	Total
Steven C. Quay, M.D., Ph.D. President and Chief Executive Officer	2011	$ 250,000	$ 61,905	$ —	$ 311,905
Christopher Benjamin[2] Chief Financial Officer	2011	$ 38,968	$ —	$ —	$ 38,968
Shu-Chi Chen, Ph.D. Chief Scientific Officer	2011	$ 200,000	$ 37,143	$ —	$ 237,143

(1) This column reflects the aggregate grant date fair value of equity awards granted in the applicable year and calculated in accordance with FASB ASC 718, excluding the effect of estimated forfeitures. Assumptions used in the calculations for these amounts are included elsewhere in this prospectus.

(2) Mr. Benjamin serves as a part-time employee and is compensated pursuant to a consulting agreement, as described below.

Outstanding Equity Awards at Fiscal Year-End

The following table shows information regarding our outstanding equity awards at December 31, 2011 for the Named Executive Officers:

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Steven C. Quay, M.D., Ph.D.	125,000	125,000	$ 5.00	7/22/2015
Christopher Benjamin	—	—	—	—
Shu Chi Chen, Ph.D.	50,000	50,000	$ 5.00	7/22/2015

Employment Agreements

Employment Agreement with Steven Quay, M.D., Ph.D.

The Company has entered into an employment agreement with Dr. Quay to act as the Company's Chief Executive Officer. The agreement provides for an initial base salary of $250,000 per year and an annual target bonus of up to 40% of Dr. Quay's then-current base salary, payable upon the achievement of performance

goals to be established annually by the Compensation Committee. The goals for fiscal 2011 included the MASCT System manufacturing scale-up and launch, filling additional key senior management positions in marketing and sales, finance, and laboratory management, establishing laboratory registration and certification, and launching the ForeCYTE Test.

Under the employment agreement, Dr. Quay received an option to purchase up to 250,000 shares of common stock at an exercise price of $5.00 per share, the fair market value of the common stock on the date of grant, as determined by the Board of Directors. One-quarter of the shares of common stock underlying the option, or 62,500 shares, vested on December 31, 2010, and the remaining 75%, or 187,500 shares, vest in equal quarterly installments over the next three years, so long as Dr. Quay remains employed with the Company.

During the employment term, the Company will make available to Dr. Quay employee benefits provided to other key employees and officers of the Company. To the extent these benefits are based on length of service with the Company, Dr. Quay will receive full credit for prior service with the Company. Participation in health, hospitalization, disability, dental and other insurance plans that the Company may have in effect for other executives, all of which shall be paid for by the Company with contribution by Dr. Quay as set for the other executives, as and if appropriate.

Dr. Quay will be entitled to six weeks of paid vacation per year for each full year of employment, pro-rated for each partial year. Vacation time not taken during a calendar year will not be accrued to the next calendar year.

Dr. Quay has also agreed that, for the period commencing on the date of his employment agreement with the Company and during the term of his employment and for a period of 12 months following voluntary termination of his employment with the Company that he will not compete with the Company in the United States. The employment agreement also contains provisions relating to confidential information and assignment of inventions, which require Dr. Quay to refrain from disclosing any proprietary information and to assign to the Company any inventions which directly concern the MASCT System, Oxy-MASCT System, or future products, research, or development, or which result from work they perform for the Company or using its facilities.

Consulting Agreement with Christopher Benjamin

The Company has entered into an agreement with Christopher Benjamin to act as the Company's interim Chief Financial Officer. The agreement provides a monthly retainer fee of $2,250 for up to 25 hours of work per month and $100 per hour beyond that level. The agreement may be terminated by the Company upon 30 days' written notice.

Employment Agreement with Shu-Chih Chen, Ph.D.

The Company has entered into an employment agreement with Dr. Chen to act as the Company's Chief Scientific Officer. The agreement provides for an initial base salary of $200,000 per year and an annual target bonus of up to 30% of Dr. Chen's then-current base salary, payable upon the achievement of performance goals to be established annually by the Compensation Committee. The goals for fiscal 2011 included filling additional key positions in research and development as well as laboratory management, and establishing laboratory registration and certification.

Under the employment agreement, Dr. Chen received an option to purchase up to 100,000 shares of common stock at an exercise price of $5.00 per share, the fair market value of the common stock on the date of grant, as determined by the Board of Directors. One quarter of the shares of common stock underlying the option, or 25,000 shares, vested on December 31, 2010, and the remaining 75%, or 75,000 shares, vest in equal quarterly installments over the next three years, so long as Dr. Chen remains employed with the Company.

During the employment term, the Company will make available to Dr. Chen employee benefits provided to other key employees and officers of the Company. To the extent these benefits are based on length of service with the Company, Dr. Chen will receive full credit for prior service with the Company. Participation

in health, hospitalization, disability, dental and other insurance plans that the Company may have in effect for other executives, all of which shall be paid for by the Company with contribution by Dr. Chen as set for the other executives, as and if appropriate.

Dr. Chen will be entitled to six weeks of paid vacation per year for each full year of employment, pro rated for each partial year. Vacation time not taken during a calendar year will not be accrued to the next calendar year.

Dr. Chen has also agreed that, for the period commencing on the date of her employment agreement with the Company and during the term of her employment and for a period of 12 months following voluntary termination of her employment with the Company that she will not compete with the Company in the United States. The employment agreement also contains provisions relating to confidential information and assignment of inventions, which require Dr. Chen to refrain from disclosing any proprietary information and to assign to the Company any inventions that directly concern the MASCT System, Oxy-MASCT System, or future products, research, or development, or that result from work she performs for the Company or using its facilities.

Severance Benefits and Change in Control Arrangements

The Company has agreed to provide the severance benefits and change in control arrangements described below to its named executive officers.

Dr. Steven Quay

Pursuant to his employment agreement, if (i) the Company terminates the employment of Dr. Quay without cause, or (ii) Dr. Quay terminates his employment for good reason, then Dr. Quay will be entitled to receive all accrued but unpaid compensation, plus a severance payment equal to 12 months of base salary. In addition, upon such event, the vesting of all shares of common stock underlying options then held by Dr. Quay will accelerate, and the options will remain exercisable for the remainder of their terms. The cash severance payment is required to be paid in substantially equal installments over a period of six months beginning on the Company's first payroll date that occurs following the 30th day after the effective date of termination of Dr. Quay's employment, subject to certain conditions. The Company will not be required, however, to pay any severance pay for any period following the termination date if Dr. Quay materially violates certain provisions of his employment agreement and the violation is not cured within 30 days following receipt of written notice from the Company containing a description of the violation and a demand for immediate cure.

In addition, under the terms of his employment agreement, in the event of a "change in control" of the Company (as defined in the employment agreement) during Dr. Quay's employment term, Dr. Quay will be entitled to receive a one-time payment equal to 2.9 times his base salary, and the vesting of all outstanding equity awards then held by Dr. Quay will accelerate such that they are fully vested as of the date of the change in control.

Dr. Shu-Chih Chen

Pursuant to her employment agreement, if (i) the Company terminates the employment of Dr. Chen without cause, or (ii) Dr. Chen terminates her employment for good reason, then Dr. Chen will be entitled to receive all accrued but unpaid compensation, plus a severance payment equal to 12 months of base salary. In addition, upon such event, the vesting of all shares of common stock underlying options then held by Dr. Chen will accelerate, and the options will remain exercisable for the remainder of their terms. The cash severance payment is required to be paid in substantially equal installments over a period of six months beginning on the Company's first payroll date that occurs following the 30th day after the effective date of termination of Dr. Chen's employment, subject to certain conditions. The Company will not be required, however, to pay any severance pay for any period following the termination date if Dr. Chen materially violates certain provisions of her employment agreement and the violation is not cured within 30 days following receipt of written notice from the Company containing a description of the violation and a demand for immediate cure.

In addition, under the terms of her employment agreement, in the event of a "change in control" of the Company (as defined in the employment agreement) during Dr. Chen's employment term, Dr. Chen will be

entitled to receive a one-time payment equal to 2.9 times her base salary, and the vesting of all outstanding equity awards then held by Dr. Chen will accelerate such that they are fully vested as of the date of the change in control.

2010 Stock Option and Incentive Plan

The Company's 2010 Stock Option and Incentive Plan, or the 2010 Plan, provides for the grant of equity-based awards to employees, officers, non-employee directors and other key persons providing services to the Company. Awards of incentive options may be granted under the 2010 Plan until September 2020. No other awards may be granted under the 2010 Plan after the date that is 10 years from the date of stockholder approval.

Plan Administration. The 2010 Plan may be administered by the full board or the Compensation Committee. It is the current intention of the Company that the 2010 Plan be administered by the Compensation Committee. The Compensation Committee has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2010 Plan. The Compensation Committee may delegate to our Chief Executive Officer the authority to grant stock options to employees who are not subject to the reporting and other provisions of Section 16 of the Exchange Act and not subject to Section 162(m) of the Code, subject to certain limitations and guidelines.

Eligibility. Persons eligible to participate in the 2010 Plan will be those full or part-time officers, employees, non-employee directors and other key persons (including consultants and prospective officers) of the Company and its subsidiaries as selected from time to time by the Compensation Committee in its discretion.

Plan Limits. Initially, the total number of shares of common stock available for issuance under the 2010 Plan is 1,000,000 shares (or 2,263,320 shares prior to the reverse stock-split on September 28, 2010). On January 1, 2012 and each January 1 thereafter, the number of shares of common stock reserved and available for issuance under the 2010 Plan will be cumulatively increased by 4% of the number of shares of common stock issued and outstanding on the immediately preceding December 31. Subject to these overall limitations, the maximum aggregate number of shares of Stock that may be issued in the form of incentive stock options or stock appreciation rights to any one individual will not exceed 50% of the initial 2010 Plan limit of 1,000,000, cumulatively increased on January 1, 2012 and each January 1 thereafter by the lesser of (i) the 4% annual increase applicable to the 2010 Plan for such year or (ii) 500,000 shares.

Stock Options. The 2010 Plan permits the granting of (i) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code and (ii) options that do not so qualify. Options granted under the 2010 Plan will be non-qualified options if they fail to qualify as incentive options or exceed the annual limit on incentive stock options. Incentive stock options may only be granted to employees of the Company and its subsidiaries. Non-qualified options may be granted to any persons eligible to receive incentive options and to non-employee directors and key persons. The option exercise price of each option will be determined by the Compensation Committee but may not be less than 100% of the fair market value of the common stock on the date of grant. Fair market value for this purpose will be the last reported sale price of the shares of common stock on the NASDAQ Capital Market on the date of grant; provided, that if the date of grant is the first day on which trading prices for our common stock are reported on the NASDAQ Capital Market, the fair market value will be the price to the public of shares of our common stock in this offering. The exercise price of an option may not be reduced after the date of the option grant, other than to appropriately reflect changes in our capital structure.

The term of each option will be fixed by the Compensation Committee and may not exceed 10 years from the date of grant. The Compensation Committee will determine at what time or times each option may be exercised. Options may be made exercisable in installments and the exercisability of options may be accelerated by the Compensation Committee. In general, unless otherwise permitted by the Compensation Committee, no option granted under the 2010 Plan is transferable by the optionee other than by will or by the laws of descent and distribution, and options may be exercised during the optionee's lifetime only by the optionee, or by the optionee's legal representative or guardian in the case of the optionee's incapacity.

Upon exercise of options, the option exercise price must be paid in full either in cash, by certified or bank check or other instrument acceptable to the Compensation Committee or by delivery (or attestation to the ownership) of shares of common stock that are beneficially owned by the optionee for at least six months or were purchased in the open market. Subject to applicable law, the exercise price may also be delivered to the Company by a broker pursuant to irrevocable instructions to the broker from the optionee. In addition, the Compensation Committee may permit non-qualified options to be exercised using a net exercise feature which reduces the number of shares issued to the optionee by the number of shares with a fair market value equal to the exercise price.

To qualify as incentive options, options must meet additional federal tax requirements, including a $100,000 limit on the value of shares subject to incentive options that first become exercisable by a participant in any one calendar year.

Stock Appreciation Rights. The Compensation Committee may award stock appreciation rights subject to such conditions and restrictions as the Compensation Committee may determine. Stock appreciation rights entitle the recipient to shares of common stock equal to the value of the appreciation in the stock price over the exercise price. The exercise price is the fair market value of the common stock on the date of grant. The term of a stock appreciation right will be fixed by the Compensation Committee and may not exceed 10 years.

Restricted Stock. The Compensation Committee may award shares of common stock to participants subject to such conditions and restrictions as the Compensation Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with us through a specified restricted period.

Restricted Stock Shares. The Compensation Committee may award restricted stock shares to any participants. Restricted stock shares are generally payable in the form of shares of common stock, although restricted stock shares granted to the chief executive officer may be settled in cash. These shares may be subject to such conditions and restrictions as the Compensation Committee may determine. These conditions and restrictions may include the achievement of certain performance goals (as summarized above) and/or continued employment with the Company through a specified vesting period. In the Compensation Committee's sole discretion, it may permit a participant to make an advance election to receive a portion of his or her future cash compensation otherwise due in the form of a restricted stock unit award, subject to the participant's compliance with the procedures established by the Compensation Committee and requirements of Section 409A of the Code. During the deferral period, the deferred stock awards may be credited with dividend equivalent rights.

Adjustments for Stock Dividends, Stock Splits, Etc. The 2010 Plan requires the Compensation Committee to make appropriate adjustments to the number of shares of common stock that are subject to the 2010 Plan, to certain limits in the 2010 Plan, and to any outstanding awards to reflect stock dividends, stock splits, extraordinary cash dividends and similar events.

Tax Withholding. Participants in the 2010 Plan are responsible for the payment of any federal, state or local taxes that the Company is required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. Subject to approval by the Compensation Committee, participants may elect to have the minimum tax withholding obligations satisfied by authorizing the Company to withhold shares of common stock to be issued pursuant to the exercise or vesting.

Amendments and Termination. The Board of Directors of the Company may at any time amend or discontinue the 2010 Plan and the Compensation Committee may at any time amend or cancel any outstanding award for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may adversely affect any rights under any outstanding award without the holder's consent. To the extent required under the NASDAQ Capital Market rules, any amendments that materially change the terms of the 2010 Plan will be subject to approval by our stockholders. Without approval by our stockholders, the Compensation Committee may not reduce the exercise price of options or stock appreciation rights or effect repricing through cancellation or re-grants, including any cancellation in exchange for cash. Amendments shall also be subject to approval by our stockholders if and to the extent determined by the

Compensation Committee to be required by the Code to preserve the qualified status of incentive options or to ensure that compensation earned under the 2010 Plan qualifies as performance-based compensation under Section 162(m) of the Code.

Other Benefits

The Company offers health, dental, disability, and life insurance to its full-time employees. All employees pay a portion of health, dental, and disability insurance premiums and pay all life insurance premiums.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Dr. Quay is the President, Chief Executive Officer and Chairman of the Board of Directors of the Company. Dr. Chen is the Chief Scientific Officer and a director of the Company. Drs. Quay and Chen are husband and wife. Prior to the completion of this offering, Drs. Quay and Chen were significant minority stockholders of the Company. After the completion of this offering Drs. Quay and Chen will remain significant minority stockholders. Ensisheim Partners, LLC, which holds 35.3% of the outstanding common stock of the Company prior to this offering, is wholly owned by Drs. Quay and Chen, and they are the beneficial owners of the shares of the Company's stock owned by that entity.

Ensisheim was the original owner of the patents covering the MASCT System, which were acquired by the Company in June 2010. Ensisheim has no further interest or right to the U.S. patents and foreign counterparts that cover the manufacture, use, and sale of the MASCT System, the pending patent applications for improvements, or the FDA marketing authorization for the MASCT System that was transferred to the Company. Ensisheim did not receive any monetary compensation in connection with the transfer and assignment to the Company of the patents, patent applications and FDA marketing authorization but received shares of common stock of the Company in consideration for its contribution of these assets. Ensisheim holds patents and patent applications for inventions created by the owners in fields unrelated to the Company's business and provides a corporate structure for consulting activities of the owners in fields unrelated to the Company's business. Drs. Quay and Chen currently devote substantially all of their professional efforts to the business of the Company.

Loans from Officer

On May 26, 2009, the Company borrowed $5,000 from its Chairman of the Board and Chief Executive Officer as a short-term, unsecured loan via an oral agreement and did not bear any interest. Commencing June 30, 2010, the loan was converted into a written Promissory Note bearing an annual interest rate of 10%, with a maturity date of December 31, 2010. This note was repaid in full on May 16, 2011, including approximately $439 in accrued interest.

On June 30, 2010, the Company borrowed an additional $100,000 from its Chairman of the Board and Chief Executive Officer pursuant to a promissory note. The loan under the note was funded to the Company on July 12, 2010. The note bore interest at a rate of 10% per annum and carried a $4,000 loan origination fee, which accreted to the loan balance over the life of the loan. The $4,000 loan origination fee was fully accreted to the loan balance as of March 31, 2011 and December 31, 2010, and recorded as interest expense for the year ended December 31, 2010. This note (including the $4,000 origination fee) was repaid in full on May 19, 2011, including approximately $8,959 in accrued interest.

On November 3, 2010, the Company entered into a line of credit for borrowing up to $500,000 from its Chairman of the Board and Chief Executive Officer pursuant to a promissory note. The note bore interest at a rate of 10% per annum. An aggregate of $140,000 was funded to the Company under the line of credit through March 31, 2011, which was repaid on May 31, 2011, including approximately $6,093 in accrued interest. As of December 31, 2011, the unpaid principal balance drawn from the line of credit was $10,000. The note is payable in full on or before December 31, 2011 for the outstanding balance borrowed. The $10,000 was repaid to the Chairman of the Board and the Chief Executive Officer on March 31, 2012, as well as $822.74 in interest.

Exclusive License Agreement

On July 27, 2009, the Company entered into an exclusive license agreement with Ensisheim Partners LLC ("Ensisheim"), an entity solely owned by the Chairman and Chief Executive Officer of the Company and the Chief Scientific Officer of the Company, who is also the Company's Chairman and CEO's wife. Pursuant to that agreement, Ensisheim granted the Company an exclusive, worldwide, perpetual, irrevocable, royalty-bearing, license to the MASCT System, with the right to grant and authorize sublicenses. The license agreement provided that the Company would pay Ensisheim a royalty equal to 2% of net sales revenue, with a minimum royalty of $12,500 per fiscal quarter during the term of the agreement, which would have increased to a minimum royalty of $25,000 per fiscal quarter beginning in the quarter in which the first commercial sale of a licensed product would have taken place. As of December 31, 2009, a total of $12,500 was payable to Ensisheim under the minimum royalty provisions. From inception through December 31, 2010,

the Company had incurred $16,250 in patent-related expenses under the license agreement with Ensisheim. The $16,250 in patent-related expenses relates to legal fees in connection with filing and prosecuting the related patent applications and has been paid in full by the Company.

On June 17, 2010, the Company and Ensisheim entered into an Assignment Agreement whereby Ensisheim assigned to the Company all rights to the patents and patent applications underlying the MASCT System. Pursuant to the assignment, the Company will have all responsibility for prosecution, maintenance, and enforcement and will indemnify Ensisheim from any and all claims against the patent estate. Ensisheim retained no residual rights with respect to the patents and patent applications. In conjunction with the assignment, the Company terminated the exclusive license agreement between the Company and Ensisheim dated July 27, 2009. As a result of the termination, the Company has no further obligations with respect to royalty payments to Ensisheim due under the old licensing agreement. As a result, the $12,500 of patent royalty payable to Ensisheim recorded as accrued royalty payable at December 31, 2009 has been reversed through royalty expense during the second quarter of 2010. Ensisheim did not receive further cash or equity consideration under the Assignment Agreement other than the shares of common stock it had already received in April 2009 as a result of its contribution of intellectual property rights and FDA marketing authorization for the MASCT System. Neither the Chief Executive Officer nor the Chief Technology Officer of the Company received consideration under the Assignment Agreement. However, since Ensisheim has at all times held a substantial equity position in the Company, the potential increased profits of the Company as a result of the removal of this royalty payment obligation may provide more potential economic value to Ensisheim than the royalty payment would have provided.

Commercial Lease Agreement

On December 24, 2009, the Company entered into a commercial lease agreement with Ensisheim for office space located in Seattle, Washington. The lease provided for annual rent of $13,200, plus applicable sales tax. From inception through December 31, 2009, the Company incurred $248 of rent expense for the lease. As of December 31, 2009, the security deposit for the lease amounted to $1,100. For the period of January 1, 2010 through June 30, 2010, the Company incurred $6,600 of rent expense for the lease. On July 15, 2010 the Company and Ensisheim terminated the lease, effective July 1, 2010, and the Company commenced use of the facility rent free until April 1, 2011 when the commercial lease agreement the Company entered into with Sanders Properties, LLC became effective. The $1,100 security deposit paid to Ensisheim remained outstanding and was recorded as Due from Related Party as of March 31, 2012.

Executive Compensation

On May 19, 2010, the Company entered into employment agreements with three executives, including its Chief Executive Officer, its former President, and its Chief Scientific Officer. The annual base salaries under each agreement were calculated based on combined consideration of the success of capital raise and the operating results of the Company, and capped at $360,000, $350,000, and $250,000, respectively for the three executives.

On July 22, 2010, in connection with the resignation and departure of Robert L. Kelly, the President and a director, the Company entered into a consulting agreement with a limited liability company controlled by Mr. Kelly. Under the agreement, the Company was to receive consulting services relating to capital raising and investor relations. The agreement was terminated by the Company in September 2010, through which time a total of $30,000 consulting expense had been paid.

On July 22, 2010, the Company amended and restated the employment agreements with its Chief Executive Officer and Chief Scientific Officer. The agreements modified the annual base salary amounts to $250,000 and $200,000, respectively, effective retroactively to May 19, 2010. These salaries were accrued and amounted to $391,071 and $278,571 as of March 31, 2011 and December 31, 2010, respectively, and paid in full in April 2011. For the twelve-month periods ended December 31, 2011 and 2010, salaries and bonuses of the Chief Executive Officer and Chief Scientific Officer amounted to $610,000 and $377,620, of which $435,000 and $0 was recorded to research and development expense, respectively. For the three months ended March 31, 2012, salaries and bonuses of CEO and CTO amounted to $66,850 and $89,811, of which $51,850 and $32,406 were recorded to research and development expense, respectively.

Share-Based Compensation

The amended and restated employment agreement with the Chief Executive Officer granted options to purchase 250,000 shares (or 565,830 shares prior to the reverse stock split on September 28, 2010) at a price of $5.00 per share (or $2.64 per share prior to the reverse stock split on September 28, 2010), in consideration of his service to the Company. Of these options, 25% (or 62,500 shares) vested on December 31, 2010 with the remaining 75% (or 187,500 shares) to vest in equal quarterly installments over the next three years so long as the executive remains employed with the Company. These options have five-year contractual terms.

The amended employment agreement with the Chief Scientific Officer granted options to purchase 100,000 shares (or 226,332 shares prior to the reverse stock split on September 28, 2010) at a price of $5.00 per share (or $2.64 per share prior to the reverse stock split on September 28, 2010) in consideration of her service to the Company. Of these options, 25% (or 25,000 shares) vested on December 31, 2010 with the remaining 75% (or 75,000 shares) to vest in equal quarterly installments over the next three years so long as the executive remains employed with the Company. These options have five-year contractual terms.

On April 4, 2011, 45,000 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to Dr. Tim Hunkapiller for being a member of the Company's Scientific Advisory Board and consulting services to be provided to the Company, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest as follows:

(i) 11,250 option shares vest ninety (90) days after the date of grant;

(ii) 11,000 option shares vest one hundred and eighty (180) days after the date of grant;

(iii) 11,500 option shares vest two hundred and seventy (270) days after the date of grant; and

(iv) 11,250 option shares vest three hundred and sixty (360) days after the date of grant.

On September 1, 2011, 219,000 incentive stock options were granted under the 2010 Stock Option and Incentive Plan to employees and officers as part of their employment agreements, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest and become exercisable as follows:

(i) twenty-five percent (25%) of the underlying shares on the first anniversary of the date of grant; and

(ii) one-forty eighth (1/48) of the underlying shares monthly thereafter.

On September 1, 2011, 200,000 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to non-employee directors for services to be provided to the Company, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest and become exercisable as follows:

(i) 80,000 option shares vest on September 1, 2011;

(ii) 30,000 option shares vest on December 1, 2011;

(iii) 30,000 option shares vest on March 1, 2012;

(iv) 30,000 option shares vest on June 1, 2012; and

(v) 30,000 option shares vest on September 1, 2012.

On April 30, 2012, 19,757 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to non-employee directors for serving as directors of the Company, at an exercise price of $6.00 per share. These options have a ten-year term and shall vest and become exercisable in full immediately as of the grant date.

Sales of Unregistered Securities

In connection with the formation of the Company, the Company sold securities, which were not registered under the Securities Act, to certain related parties. The Company issued 4,899,888 shares of its common stock pursuant to an exemption from registration under Section 4(2) of the Securities Act, as a transaction by an issuer not involving any public offering to the following related parties:

	Shares	Date	Consideration
Steven Quay	883,662	April 30, 2009	$ 12,000
Ensisheim Partners LLC	1,767,316	April 30, 2009	(1)
Ensisheim Partners LLC	883,658	December 28, 2009	$ 100,000
John Barnhart	39,765	July 28, 2009	$ 540

(1) The 1,767,316 shares of common stock issued to Ensisheim Partners LLC at the Company's inception were issued in consideration for $24,000 in cash and this entity's contribution to the Company of intellectual property rights and FDA marketing authorization for the MASCT System.

Indemnification Agreements

The Company has entered into indemnification agreements with each of its directors and certain of its executive officers. These agreements require the Company to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to the Company, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

Related Party Transaction Policies

Related party transactions to be entered into after the completion of this offering and that the Company is required to disclose publicly under the federal securities laws will require prior approval of the Company's independent directors without the participation of any director who may have a direct or indirect interest in the transaction in question. Related parties include directors, nominees for director, principal stockholders, executive officers and members of their immediate families. For these purposes, a "transaction" will include all financial transactions, arrangements or relationships, ranging from extending credit to the provision of goods and services for value and will include any transaction with a company in which a director, executive officer immediate family member of a director or executive officer, or principal stockholder (that is, any person who beneficially owns five percent or more of any class of the Company's voting securities) has an interest by virtue of a 10% or greater equity interest. The Company's policies and procedures regarding related party transactions are not expected to be a part of a formal written policy, but rather, will represent a course of practice determined to be appropriate by the Board of Directors of the Company.

PRINCIPAL STOCKHOLDERS

The following table sets forth information as of March 31, 2012 regarding the beneficial ownership of our common stock by each of our executive officers and directors, individually and as a group and by each person who beneficially owns in excess of five percent of the common stock after giving effect to any exercise of warrants or options held by that person within 60 days after March 31, 2012. Unless indicated otherwise, the address for the beneficial holders is c/o Atossa Genetics Inc., 4105 East Madison Street, Suite 320, Seattle, Washington.

Name of Beneficial Owner	Shares Beneficially Owned	Percentage of Common Stock Beneficially Owned	
		Before Offering[1]	After Offering[2]
Steven C. Quay, M.D., Ph.D.[3]	4,701,629	41.3%	37.9%
Shu-Chih Chen, Ph.D.[4]	4,032,711	35.6%	32.8%
John Barnhart[5]	157,439	1.4%	1.3%
Christopher Benjamin	—	—	—
Stephen J. Galli, M.D.[6]	37,674	*	*
Alexander D. Cross, Ph.D.[7]	108,366	*	*
H. Lawrence Remmel, Esq.	—	—	—
All Current Officers and Directors as a Group (7 persons)	5,061,358	43.7%	40.2%

* Less than 1%

(1) Based on 11,256,867 shares of common stock issued and outstanding as of March 31, 2012.

(2) Assumes the sale of 1,000,000 shares of common stock pursuant to this prospectus.

(3) Consists of (i) 584,543 shares of common stock directly owned by Dr. Quay, (ii) 3,976,461 shares of common stock owned by Ensisheim and (iii) 140,625 shares of common stock issuable upon the exercise of stock options held by Dr. Quay and exercisable within 60 days after March 31, 2012. Drs. Quay and Chen share voting and investment power over the securities held by Ensisheim. Ensisheim is solely owned and controlled by Drs. Quay and Chen, and, as a result, Drs. Quay and Chen are deemed to be beneficial owners of the shares held by this entity.

(4) Consists of (i) 3,976,461 shares of common stock owned by Ensisheim and (ii) 56,250 shares of common stock issuable upon the exercise of stock options held by Dr. Chen and exercisable within 60 days after March 31, 2012. Drs. Quay and Chen share voting and investment power over the securities held by Ensisheim. Ensisheim is solely owned and controlled by Drs. Quay and Chen, and, as a result, Drs. Quay and Chen are deemed to be beneficial owners of the shares held by this entity.

(5) Consists of (i) 39,765 shares of common stock held by Mr. Barnhart (ii) 17,674 shares of common stock held by certain family members and for which Mr. Barnhart is the beneficial owner and (iii) 100,000 shares of common stock issuable upon the exercise of stock options held by Mr. Barnhart and exercisable within 60 days of March 31, 2012.

(6) Consists of 17,674 shares of common stock held by Dr. Galli and 20,000 shares of common stock issuable upon the exercise of stock options held by Dr. Galli and exercisable within 60 days of March 31, 2012.

(7) Consists of 88,366 shares of common stock held by the Alexander D. Cross Family Trust (Mr. Alexander D. Cross has sole voting and investment power over the securities held by the trust and as such, is deemed to be the beneficial owner of the shares held by this entity) and 20,000 shares of common stock issuable upon the exercise of stock options held by Dr. Cross and exercisable within 60 days of March 31, 2012.

DESCRIPTION OF SECURITIES

Capitalization

The Company is authorized to issue 75,000,000 shares of common stock, par value $0.001 per share, of which 11,256,867 shares were outstanding as of March 31, 2012, and 10,000,000 shares of undesignated preferred stock, par value $0.001 per share, none of which have been designated or issued. Warrants exercisable for 6,833,840 shares of common stock at a weighted-average exercise price of $1.56 per share were outstanding at March 31, 2012.

As of March 31, 2012, there were 208 record holders of the Company's common stock.

Common Stock

Voting Rights. Holders of shares of common stock are entitled to one vote for each share on all matters to be voted on by the stockholders. Holders of common stock do not have cumulative voting rights.

Dividend and Distribution Rights. Dividends, if any, may be declared from time to time by the Board of Directors of the Company or any authorized committee of the Board of Directors in its discretion from funds legally available therefor. In the event of a liquidation, dissolution or winding up, the holders of common stock are entitled to share pro rata all assets remaining after payment in full of all liabilities and all amounts due to holders of preferred stock that may have a liquidation preference that is senior to the common stock.

No Preemptive Rights. Holders of common stock have no preemptive rights to purchase additional shares of the Company's common stock.

Other Rights. There are no conversion or redemption rights or sinking fund provisions with respect to the common stock.

Listing of Common Stock. The common stock is expected to be listed for trading on the NASDAQ Capital Market under the symbol "ATOS".

Preferred Stock

The Board of Directors of the Company is authorized to provide for the issuance of any or all of the shares of preferred stock in series and, by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board of Directors of the Company with respect to each series of preferred stock includes determination of the following characteristics:

- The number of shares constituting that series and the distinctive designation of that series;
- The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;
- Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors of the Company shall determine;
- Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;
- Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

- The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the relative rights of priority, if any, of payment of shares of that series; and
- Any other relative rights, preferences and limitations of that series.

Warrants

Warrants exercisable for 6,833,840 shares of common stock at a weighted-average exercise price of $1.56 per share were outstanding at March 31, 2012. The Company's outstanding warrants entitle the holders to acquire one share of common stock during the exercise period. The warrants are exercisable for five years, starting on the earliest of the following: (a) six months after the closing of the Company's initial public offering of its common stock, if successful, the (b) the closing of a "significant private financing" (as defined in the warrants), or (c) the closing of a "fundamental transaction" (as defined in the warrants). As a result of the amount of money raised in the private placement discussed elsewhere in this prospectus, the private placement constituted a "significant private financing" as defined in the warrants. Accordingly, the warrants became exercisable on June 23, 2011 and remain exercisable through June 23, 2016. The warrants have a net exercise feature whereby a holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of the Company's common stock at the time of exercise of the warrant after deduction of the aggregate exercise price. The warrants also contain a provision for the adjustment of the exercise price and the aggregate number of shares issuable upon the exercise of the warrant in the event of stock splits, stock dividends, reorganizations, reclassifications, and consolidations.

Registration Rights

The Company has granted the investors in the private placement completed in April 2011 through July 2011 the right to have the resale of their shares of common stock (including common stock issuable upon exercise of the warrants) registered with the SEC beginning 180 days after completion of the Company's initial public offering (the "IPO"). Pursuant to these resale registration rights, the Company must file a resale registration statement within 180 days after the closing of the IPO. The Company must then use commercially reasonable efforts to have this registration statement declared effective within that 180-day period. If the resale registration statement is declared effective and remains effective, then investors will be able to sell the common stock underlying the units purchased in the private placement (including the common stock issuable upon exercise of the warrants) pursuant to the prospectus contained in the registration statement. These registration rights terminate if the Company does not complete an IPO within five years from the initial closing of the private placement.

Anti-Takeover Devices

The Company's certificate of incorporation and bylaws that will be effective upon completion of this offering will include a number of provisions that may have the effect of delaying, deferring or preventing another party from acquiring control of us and encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our Board of Directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

Board Composition and Filling Vacancies. In accordance with the Company's certificate of incorporation, our Board of Directors is divided into three classes serving staggered three-year terms, with one class being elected each year. The Company's certificate of incorporation also provides that directors may only be removed from office for cause and only by the affirmative vote of holders of 75% or more of the outstanding shares of capital stock then entitled to vote at an election of directors. Furthermore, any vacancy on the Company's Board of Directors, however occurring, including any vacancy resulting from an increase in the size of the board, may only be filled by the affirmative vote of a majority of our directors then in office, even if less than a quorum. The classification of directors, together with the limitations on removal of directors and treatment of vacancies, has the effect of making it more difficult for stockholders to change the composition of our Board of Directors.

Undesignated Preferred Stock. The Company's certificate of incorporation authorizes "blank-check" preferred stock, which means that the Board of Directors of the Company has the authority to designate one or more series of preferred stock without stockholder approval. These series of preferred stock may have superior rights, preferences and privileges over our common stock, including dividend rights, voting rights and liquidation preferences. The ability of the Board of Directors of the Company to issue shares of the Company's preferred stock without stockholder approval could deter takeover offers and make it more difficult or costly for a third party to acquire the Company without the consent of the Board of Directors of the Company.

Section 203 of the Delaware General Corporation Law. In addition, the Company's certificate of incorporation does not opt out of Section 203 of the Delaware General Corporation Law, which protects a corporation against an unapproved takeover by prohibiting a company from engaging in any business combination with any interested stockholder (defined as a stockholder owning more than 15% of the outstanding shares) for a period of three years from the time such stockholder became a 15% holder unless approved by the Board of Directors of the Company.

No Trading Market

There is currently no established public trading market for the Company's securities. A trading market in the securities may never develop. The Company has applied for listing of its common stock on the NASDAQ Capital Market under the symbol "ATOS". If for any reason the Company's common stock is not so listed or a public trading market does not develop, purchasers of the shares may have difficulty selling their securities.

Dividends

The Company does not anticipate declaring dividends but anticipates that it will use any funds for further development and growth of the Company.

Transfer Agent

VStock Transfer, LLC, 150 West 46th Street, New York, New York (Telephone: (212) 828-8136; Facsimile (646) 536-3179) will serve as transfer agent for the common stock of the Company.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of substantial amounts of our common stock in the public market, including shares issued upon exercise of outstanding options and warrants or in the public market after this offering, or the anticipation of these sales, could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of equity securities in the future.

Upon the completion of this offering, we will have outstanding an aggregate of 12,256,867 shares of common stock, assuming no exercise by the placement agent of its over-allotment option and no exercise of options or warrants outstanding as of March 31, 2012. None of our shares of common stock outstanding as of the date of this prospectus are being registered for sale under this prospectus.

Of the shares to be outstanding immediately after the closing of this offering, we expect that 1,000,000 shares will be freely tradable without restriction under the Securities Act unless purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act (1,150,000 shares if the placement agent's overallotment option is exercised in full). The remaining 11,256,867 shares of our common stock outstanding after this offering will be "restricted securities" under Rule 144 of the Securities Act. "Restricted securities" as defined under Rule 144 were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. As a result of the lock-up agreements described below and the provisions of Rule 144 and Rule 701, summarized below, as of May 1, 2012, these restricted shares may be sold in the public market as follows:

Date of Availability of Sale	Aggregate Number of Shares
Immediately upon completion of the offering	2,896,421
90 days after completion of offering	3,644,800
Six months after completion of the offering	4,715,646

Up to an additional 6,833,840 shares of common stock issuable upon exercise of warrants will be available for resale, as described below.

Rule 144

Sales by Affiliates. In general, under Rule 144 as currently in effect, beginning 90 days after the consummation of this offering, a person who is one of our affiliates (as defined below) and who has beneficially owned the shares proposed to be sold for at least six months is entitled to sell in the public market, within any three-month period, a number of shares of common stock that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately 122,568 shares of common stock immediately after consummation of this offering; or
- the average weekly trading volume of our common stock on the NASDAQ Capital Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such a sale.

Such sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about us. An "affiliate" is a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with an issuer.

Notwithstanding the availability of Rule 144, our affiliates holding a total of 4,715,646 shares of common stock have entered into six month lock-up agreements as referenced above and their restricted securities will become eligible for sale (subject to the above limitations under Rule 144) upon the expiration of the restrictions set forth in those agreements.

Sales by Non-Affiliates. In general, under Rule 144, beginning 90 days after the consummation of this offering, a person who is not deemed to have been an affiliate of ours at any time during the 90 days preceding a sale, and who has beneficially owned restricted securities, within the meaning of Rule 144, proposed to be sold for at least six months (including the holding period of any prior owner other than one of our affiliates), would be entitled to sell those shares in the public market without complying with the manner of sale, volume limitations or notice provisions of Rule 144, but subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than one of our affiliates, then such person is entitled to sell such shares in the public market immediately upon the closing of this offering without complying with any of the requirements of Rule 144.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who acquired shares of common stock from us in connection with a compensatory stock or option plan or other written agreement in compliance with Rule 701 under the Securities Act before the effective date of the registration statement of which this prospectus is a part, or who purchased shares of common stock from us after that date upon the exercise of options granted before such date, is entitled to rely on Rule 701 to resell such shares 90 days after the effective date of this offering in reliance upon Rule 144. Subject to the lock-up agreements described below, if such person is not an affiliate, such sale may be made without complying with the minimum holding period or public information requirements of Rule 144. If such a person is an affiliate, such sale may be made under Rule 144 without compliance with its minimum holding period requirements, but subject to the other Rule 144 restrictions and the lock-up agreements described above.

Stock Options

As of March 31, 2012, options to purchase a total of 608,000 shares of common stock were outstanding 550,000 of which are subject to the terms of the lock-up agreements with the placement agent. Upon completion of this offering, an additional 842,274 shares of common stock will be available for future option grants under our stock plan (which amount includes 450,274 shares added to the number of shares reserved for issuance pursuant to the evergreen feature of our 2010 Plan on January 1, 2012). Upon completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act covering all shares of common stock subject to outstanding options or issuable pursuant to our stock plans. Accordingly, shares registered under such registration statement will be available for sale in the open market following the effective date, subject to vesting restrictions with us, Rule 144 restrictions applicable to our affiliates or the lock-up restrictions described above.

Warrants

As of March 31, 2012, we had outstanding warrants to purchase an aggregate of 6,833,840 shares of our common stock, with a weighted-average exercise price of $1.56 per share. See “Description of Capital Stock — Warrants.” Any shares acquired upon the net exercise or cash exercise of these warrants may be sold in the public market pursuant to Rule 144, subject to the lock-up restrictions described above. In addition, these shares are entitled to registration rights as described under “Description of Securities — Registration Rights.”

Lock-Up Agreements

As of the effective date of this prospectus, certain of the holders of the Company’s outstanding shares of common stock and warrants have entered into lock-up agreements with the placement agent restricting the sale of such securities, including all the securities owned directly and beneficially by affiliates of the Company.

The lock-up agreements restrict the sale of such securities from the effective date of the registration statement of which this prospectus is a part for a period of six months, after which time the provisions of the lock-up agreement expire. However, such securities cannot be sold publicly even after the expiration of the lock-up period unless registered under the Securities Act or sold pursuant to provisions of Rule 144 described above.

The lock-up agreements are more fully described under the caption “Plan of Distribution” in this prospectus.

PLAN OF DISTRIBUTION

We are offering up to 1,000,000 shares of common stock at an offering price of $ per share not including the over-allotment option described below. Pursuant to a placement agent agreement to be entered into between us and Dawson James Securites, Inc., we engaged Dawson James as our placement agent for this offering. Dawson James is not purchasing or selling any shares, nor are they required to arrange for the purchase and sale of any specific number or dollar amount of shares, other than to use their "best efforts" to arrange for the sale of shares by us. Therefore, we may not sell the entire amount of shares being offered.

Placement Agent Fees and Expenses

The placement agent fees are 7% of the initial public offering price. In addition, we have agreed to pay to Dawson James Securities a non-accountable expense reimbursement fee of 3% of the gross proceeds of this offering. We have agreed to reimburse Dawson James for up to $100,000 of the legal fees incurred by Dawson James in connection with the offering, plus up to an additional $15,000 in legal fees for blue sky matters up to $25,000 for legal fees related to filings with FINRA and up to $15,000 for reimbursement of travel expenses of one representative of Dawson James to attend road show and diligence meetings. These expenses, which are in addition to the 3% expense reimbursement fee described above, will be paid from the proceeds of this offering.

Over-Allotment Option

We have granted to the placement agent an option, exercisable not later than 45 days after the effective date of the registration statement, to arrange for the sale of up to 150,000 additional shares at the public offering price less the placement agent fees and non-accountable expense allowance set forth on the cover of this prospectus and otherwise on the same terms as those on which the other shares are being offered under this prospectus. The placement agent may exercise this option only to cover over-subscriptions made in connection with the sale of the shares offered by this prospectus.

Price Stabilization; Penalty Bids

The placement agent may be deemed to be an underwriter within the meaning of Section 2(a)(11) of the Securities Act and any commissions received by it and any profit realized on the sale of the securities by it while acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. The placement agent will be required to comply with the requirements of the Securities Act and the Securities Exchange Act of 1934, as amended, or the Exchange Act, including, without limitation, Rule 10b-5 and Regulation M under the Exchange Act. These rules and regulations may limit the timing of purchases and sales of shares of common stock by the placement agent. Under these rules and regulations, the placement agent may not (i) engage in any stabilization activity in connection with our securities; and (ii) bid for or purchase any of our securities or attempt to induce any person to purchase any of our securities, other than as permitted under the Exchange Act, until they have completed their participation in the distribution.

We estimate that the total expenses of the offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding placement agent fees, will be approximately $500,000, all of which are payable by us.

Lock-Up Agreements

We and each of our officers and directors and certain of our warrant holders are bound by agreements providing that we and these persons may not offer, issue, sell, contract to sell, encumber, grant any option for the sale of or otherwise dispose of any shares of our common stock or other securities convertible into or exercisable or exchangeable for shares of our common stock for a period of six months from the effective date of the registration statement of which this prospectus is a part without the prior written consent of Dawson James.

Dawson James may in its sole discretion and at any time without notice release some or all of the securities subject to lock-up agreements prior to the expiration of the lock-up period. When determining whether or not to release securities from the lock-up agreements, the representative will consider, among other factors, the security holder's reasons for requesting the release, the number of securities for which the release is being requested and market conditions at the time.

Pricing of this Offering

Prior to this offering there has been no public market for any of our securities. The public offering price of the shares was negotiated between us and the investors. Factors considered in determining the price and terms of the shares include:

- the history and prospects of companies in our industry;
- prior offerings of those companies;
- our prospects for developing and commercializing our products;
- our capital structure;
- an assessment of our management and their experience;
- general conditions of the securities markets at the time of the offering; and
- other factors as were deemed relevant.

However, although these factors were considered, the determination of our offering price is more arbitrary than the pricing of securities for an operating company in a particular industry since the placement agent is unable to compare our financial results and prospects with those of public companies operating in the same industry.

Indemnification

We have agreed to indemnify the placement agent against liabilities relating to the offering arising under the Securities Act, liabilities arising from breaches of some or all of the representations and warranties contained in the placement agent agreement, and to contribute to payments that the placement agent may be required to make for these liabilities.

Electronic Distribution

A prospectus in electronic format may be made available on a website maintained by the representatives of the placement agent and may also be made available on a website maintained by other placement agents. In connection with the offering, the placement agents or syndicate members may distribute prospectuses electronically. No forms of electronic prospectus other than prospectuses that are printable as Adobe® PDF will be used in connection with this offering.

Other than the prospectus in electronic format, the information on any placement agent's website and any information contained in any other website maintained by a placement agent is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any placement agent in its capacity as placement agent and should not be relied upon by investors.

Relationships

The placement agent or its affiliates have provided from time to time and may in the future provide investment banking, financial advisory and other related services to us and our affiliates for which they have received and may continue to receive customary fees and commissions.

Foreign Regulatory Restrictions on Purchase of Shares

We have not taken any action to permit a public offering of the shares outside the United States or to permit the possession or distribution of this prospectus outside 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 this offering of shares and the distribution of the prospectus outside the United States.

LEGAL MATTERS

The validity of the securities offered by this prospectus will be passed upon for us by Ropes & Gray LLP, San Francisco, California. Baker Botts LLP, Palo Alto, California, is acting as legal counsel for Dawson James Securities, Inc. in this offering.

EXPERTS

KCCW Accountancy Corp., an independent PCAOB registered public accounting firm, has audited the Company's balance sheets as of December 31, 2010 and 2011 and the related statements of operations, stockholders' equity, and cash flows, which are included in this prospectus. The financial statements are included in reliance on the report of KCCW Accountancy Corp., given their authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares offered by this prospectus. This prospectus does not contain all of the information included in the registration statement, portions of which are omitted as permitted by the rules and regulations of the SEC. For further information pertaining to us and the shares to be sold in this offering, you should refer to the registration statement and its exhibits.

In this prospectus, whenever reference is made to contracts, agreements or other documents, the references are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document filed as an exhibit to the registration statement or such other document, each such statement being qualified in all respects by such reference.

Upon the completion of this offering, we will be subject to the informational requirements of the Exchange Act and will be required to file annual, quarterly and current reports, proxy statements and other information with the SEC. We anticipate making these documents publicly available, free of charge, on its website as soon as reasonably practicable after filing such documents with the SEC. The information contained in, or that can be accessed through, our website is not part of this prospectus.

You can read the registration statement and future filings, as they are filed with the SEC, over the Internet at the SEC's website at *www.sec.gov*. Copies of filings may be requested, at no cost, from us. You may also read and copy any document filed with the SEC at its public reference facility at 100 F Street, N.E., Washington, D.C. 20549 and copies may be requested at prescribed rates at such address or at 1-800-SEC-0330.

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ATOSSA GENETICS INC.
(A Development Stage Company)

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ATOSSA GENETICS INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

	March 31, 2012 (Unaudited)	December 31, 2011 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 899,494	$ 1,910,821
Restricted cash	250,000	1,000,000
Accounts receivable	45,334	1,224
Due from related party	1,100	—
Prepaid expense	17,125	31,184
Rental deposits	2,200	2,200
Total Current Assets	1,215,253	2,945,429
Fixed Assets		
Furniture and Equipment, net	76,144	80,467
Total Fixed Assets	76,144	80,467
Other Assets		
Security deposit	37,946	5,157
Intangible assets, net	36,635	40,841
Total Other Assets	74,581	45,998
Total Assets	$ 1,365,979	$ 3,071,894
Liabilities and Stockholders' Equity		
Current Liabilities		
Line of Credit	$ 250,000	$ 1,000,000
Accounts payable	96,717	64,766
Accrued expenses	432,575	442,329
Note payable – related party	—	5,078
Total Current Liabilities	779,292	1,512,173
Stockholders' Equity		
Preferred stock – $.001 par value; 10,000,000 shares authorized, 0 shares issued and outstanding	—	—
Common stock – $.001 par value; 75,000,000 shares authorized, 11,256,867 shares issued and outstanding	11,257	11,257
Additional paid-in capital	6,290,402	6,200,520
Accumulated deficit	(5,714,972)	(4,652,056)
Total Stockholders' Equity	586,687	1,559,721
Total Liabilities and Stockholders' Equity	$ 1,365,979	$ 3,071,894

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

ATOSSA GENETICS INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For The Three Months Ended March 31,		From April 30, 2009 (Inception) Through March 31, 2012
	2012	2011	
Net Revenue	$ 54,713	$ —	$ 56,213
Cost of Goods Sold	(12,277)	—	(17,441)
Loss on Reduction of Inventory to LCM	(16,047)	—	(108,073)
Gross Profit (Loss)	26,390	—	(69,300)
Selling expenses	(69,115)	—	(242,170)
General and Administrative expenses	(1,019,442)	(225,423)	(5,380,741)
Total operating expenses	(1,088,557)	(225,423)	(5,622,910)
Operating Loss	(1,062,167)	(225,423)	(5,692,210)
Interest Income	864	—	6,232
Interest Expense	(1,613)	(4,968)	(28,744)
Net Loss before Income Taxes	(1,062,917)	(230,391)	(5,714,722)
Income Taxes	—	—	250
Net Loss	$ (1,062,917)	$ (230,391)	$(5,714,972)
Loss per common share – basic and diluted	$ (0.09)	$ (0.04)	$ (0.81)
Weighted average shares outstanding, basic & diluted	11,256,867	6,000,067	7,039,480

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

ATOSSA GENETICS INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For The Three Months Ended March 31, 2012	For The Three Months Ended March 31, 2011	For The Period From April 30, 2009 (Inception) to March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(1,062,917)	$ (230,391)	$ (5,714,972)
Common shares issued for services	—	—	71,000
Compensation cost for stock options granted	44,882	—	215,334
Loss on reduction of inventory to LCM	16,047	—	108,073
Loan initiation fee accrued for notes payable	—	—	2,000
Depreciation and amortization	8,529	—	24,151
Adjustments to reconcile net loss to net cash provided by operating activities:			
Increase in accounts receivable	(44,110)	—	(45,334)
Increase in inventory	(16,047)	—	(108,073)
Decrease (Increase) in prepaid expenses	14,059	—	(17,125)
Increase in security deposits	(32,789)	—	(40,146)
Increase in accounts payable	31,951	9,760	96,717
Increase in accrued payroll	—	116,955	—
Increase in accrued expenses	35,246	36,929	477,575
Increase in royalty payable – related party	—	60,000	—
Net cash used in operating activities	(1,005,149)	(6,748)	(4,930,800)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of furniture & fixtures	—	—	(86,465)
Purchase of software	—	—	(50,466)
Net cash used in investing activities	—	—	(136,931)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of common stocks	—	—	5,970,325
(Repayments of) Proceeds from bank line of credit	(750,000)	—	250,000
(Repayments of) Proceeds from loans from related parties	(6,178)	—	(3,100)
Cash released from (restricted for) commercial line of credit	750,000	—	(250,000)
Net cash (used in) provided by financing activities	(6,178)	—	5,967,225
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(1,011,327)	(6,748)	899,494
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	1,910,821	10,263	—
CASH & CASH EQUIVALENTS, ENDING BALANCE	$ 899,494	$ 3,515	$ 899,494
SUPPLEMENTAL DISCLOSURES:			
Interest paid	$ 1,613	$ —	$ 1,613
Income taxes paid	$ —	$ 250	$ 250

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

ATOSSA GENETICS INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

The Company's operations began in December 2008 with the negotiations for the acquisition of the Mammary Aspirate Specimen Cytology Test System, or the MASCT System, patent rights and assignments and the FDA clearance for marketing, which acquisition was completed in January 2009. Atossa Genetics Inc. (the "Company") was incorporated on April 30, 2009 in the State of Delaware. The Company was formed to develop and market the MASCT System, a cellular and molecular diagnostic risk assessment product for the detection of pre-cancerous changes that could lead to breast cancer. The Company's fiscal year ends on December 31st.

In December 2011 the Company established the National Reference Laboratory for Breast Health, or NRLBH, as a wholly-owned subsidiary. NRLBH is the Company's CLIA-certified laboratory where the ForeCYTE and ArgusCYTE test samples are screened for the presence of normal, pre-malignant, or malignant changes as determined by cytopathology and biomarkers that distinguish "usual" ductal hyperplasia, a benign condition, from atypical ductal hyperplasia, which may lead to cancer. These screening results provide patients and physicians with information about the care path that should be followed, depending on the individual risk of future cancer as determined by the results.

Development Stage Risk

Through March 31, 2012, the Company has earned $56,213 in revenue from the sale of its MASCT System and laboratory services. Accordingly, the Company's activities have been accounted for as those of a "Development Stage Enterprise" as set forth in Accounting Standards Codification ("ASC") 915 "Development Stage Entities", which was previously Statement of Financial Accounting Standards No. 7 ("SFAS 7"). Among the disclosures required by ASC 915 are that the Company's financial statements be identified as those of a development stage company, and that the statements of operations, stockholders' equity and cash flows disclose activity since the date of the Company's inception.

Since its inception, the Company has been dependent upon the receipt of capital investment to fund its continuing activities. In addition to the normal risks associated with a new business venture, there can be no assurance that the Company's business plan will be successfully executed. The Company's ability to execute its business plan will depend on its ability to obtain additional financing and achieve a profitable level of operations. There can be no assurance that sufficient financing will be obtained. Further, the Company cannot give any assurance that it will generate substantial revenue or that its business operations will prove to be profitable.

NOTE 2: GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management's Plan to Continue as a Going Concern

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plans to obtain such resources for the Company include (1) obtaining capital from the sale of its securities, (2) sales of the MASCT System and laboratory service revenue, and (3) short-term borrowings from stockholders or other related party(ies) when needed. However, management cannot provide any assurance that the Company will be successful in accomplishing any of its plans.

ATOSSA GENETICS INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: GOING CONCERN – (continued)

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually to secure other sources of financing and attain profitable operations.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES

The unaudited consolidated financial statements of Atossa Genetics Inc. have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. However, the information included in these interim consolidated financial statements reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for the fair presentation of the consolidated financial position and the results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full year. The consolidated balance sheet information as of December 31, 2011 was derived from the Company's audited consolidated financial statements. These interim consolidated financial statements should be read in conjunction with that report. Certain comparative amounts have been reclassified to conform to the current period's presentation.

Basis of Presentation:

The accompanying consolidated financial statements include the financial statements of Atossa Genetics Inc. and its wholly-owned subsidiary NRLBH. All significant intercompany account balances and transactions have been eliminated in consolidation. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition:

Overview

The Company will recognize product and service revenue in accordance with GAAP when the following overall fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or the service has been performed, (iii) the Company's price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured.

Product Revenue

The Company will recognize revenue for sales of the MASCT kits and devices upon receipt of cash during the initial three to six month period as the company has no sales history on which to determine the collectability. Shipping documents and the completion of any customer acceptance requirements, when applicable, will be used to verify product delivery. The Company will assess whether a price is fixed or determinable based upon the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. Once a history of sales and collectability has been established, the company will recognize revenue on an accrual basis with an offsetting reserve for doubtful accounts based on the history during the initial sales period.

Service Revenue

The Company will record revenue for diagnostic testing on an accrual basis at the Medicare allowed and invoiced amount. Amounts invoiced above the Medicare amount, namely non-Medicare, are not recognized on an accrual basis and instead are recognized on a cash basis as received. Diagnostic testing revenue at the Medicare rate is recognized upon completion of the test, communication of results to the patient's physician, and when collectability is reasonably assured. Customer purchase orders and/or contracts will generally be used to determine the existence of an arrangement. Once the Company has historical sales and can determine the proper amount to recognize as uncollectible, it will then begin to recognize the entire amount, both

ATOSSA GENETICS INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: SUMMARY OF ACCOUNTING POLICIES – (continued)

Medicare and non-Medicare billing on an accrual basis, with an offsetting allowance for doubtful accounts recorded based on history. The Company estimates it will take between 3 to 6 months of sales history to determine a proper allowance.

Cash and Cash Equivalents:

Cash and cash equivalents include cash and all highly liquid instruments with original maturities of three months or less.

As of March 31, 2012 and December 31, 2011, $250,000 and $1,000,000 of cash was restricted as collateral for a commercial line of credit obtained from JPMorgan Chase Bank in September 2011 (see Note 8). These amounts were designated as restricted cash under current assets on our consolidated balance sheets.

Use of Estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management 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 and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Accounts Receivable:

Accounts receivable are recorded at net realizable value consisting of the carrying amount less allowance for doubtful accounts, as needed. We assess the collectability of accounts receivable based primarily upon the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends, and changes in customer payment patterns to evaluate the adequacy of these reserves.

Inventories:

The Company's inventories are stated at lower of cost or market. Cost is determined on a moving-average basis. Costs of inventories include purchase and related costs incurred in delivering the products to their present location and condition. Market value is determined by reference to selling prices after the balance sheet date or to management's estimates based on prevailing market conditions. Because the sales price of the MASCT System was substantially lower than its cost for the three months ended March 31, 2012 and for the year ended December 31, 2011, a $16,047 and $92,026 loss on reduction of inventory to the lower of cost or market was assessed and recorded as of and for the period and for the year then ended, respectively. Additionally, management periodically evaluates the composition of its inventories at least quarterly to identify slow-moving and obsolete inventories to determine if valuation allowance is required. As of March 31, 2012 and December 31, 2011, management had identified no slow moving or obsolete inventory.

Property, plant, and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property, plant and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations.

ATOSSA GENETICS INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: SUMMARY OF ACCOUNTING POLICIES – (continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Useful Life (in years)
Machinery and equipment	5

Intangible assets:

For intangible assets subject to amortization, an impairment loss is recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. Intangible assets as of March 31, 2012 and December 31, 2011 were mainly software acquired for the purpose of managing laboratory results (see Note 7).

Research and Development Expenses:

Research and development costs are generally expensed as incurred. The Company's research and development expenses consist of costs incurred for internal and external research and development.

Share Based Payments:

In December 2004, the Financial Accounting Standards Board, or the FASB, issued the Statement of Financial Accounting Standards, or SFAS, No. 123(R), "Share-Based Payment", which replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123(R) is now included in the FASB's ASC Topic 718, "Compensation — Stock Compensation." Under SFAS No. 123(R), companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees or independent contractors are required to provide services. Share-based compensation arrangements include stock options and warrants, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. In March 2005, the SEC issued Staff Accounting Bulletin No. 107, or SAB 107, which expresses views of the staff regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides the staff's views regarding the valuation of share-based payment arrangements for public companies. SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods. On April 14, 2005, the SEC adopted a new rule amending the compliance dates for SFAS No. 123(R). Companies may elect to apply this statement either prospectively, or on a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods under SFAS No. 123.

The Company has fully adopted the provisions of FASB ASC 718 and related interpretations as provided by SAB 107. As such, compensation cost is measured on the date of grant as the fair value of the share-based payments. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

Recently Issued Accounting Pronouncements:

The Company has adopted all recently issued accounting pronouncements that management believes to be applicable to the Company. The adoption of these accounting pronouncements, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

ATOSSA GENETICS INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: PREPAID EXPENSES

Prepaid expenses consisted of the following:

	March 31, 2012	December 31, 2011
Prepaid hardware/software maintenance and support service fee	$ 11,279	$ 12,850
Prepaid insurances	5,846	14,146
Prepaid rent	—	4,188
	$ 17,125	$ 31,184

NOTE 5: RENTAL DEPOSITS

Rental deposits amounted to $2,200 as of March 31, 2012 and December 31, 2011, respectively, mainly consisted of security deposits for two office leases. The lease terms are from July 11, 2011 through July 31, 2012 and from October 1, 2011 to March 31, 2012, respectively (see Note 13). The latter one was terminated on March 31, 2012 and was not renewed, while the security deposit of $1,000 was expected to be received within one year.

NOTE 6: PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment consisted of the following:

	March 31, 2012	December 31, 2011
Machinery and equipment	$ 86,465	$ 86,465
Less: Accumulated depreciation	(10,321)	(5,998)
Property, plant, and equipment, net	$ 76,144	$ 80,467

Depreciation expense for the three months ended March 31, 2012 and 2011 was $4,323 and $0, respectively.

NOTE 7: INTANGIBLE ASSET

Intangible asset amounted to $36,635 and $40,841 as of March 31, 2012 and December 31, 2011, respectively, and mainly consisted of the acquired software for the purpose of managing laboratory results pursuant to a software installation agreement entered into on June 8, 2011. The amortization period for the purchased software is 3 years. Amortization expense for the three months ended March 31, 2012 and 2011 was $4,206 and $0, respectively.

Future estimated amortization expenses as of March 31, 2012 for the five succeeding years is as follows:

As of March 31,	Amounts
2013	$ 16,822
2014	16,822
2015	2,991
2016	—
2017	—
	$ 36,635

NOTE 8: LINE OF CREDIT

In June 2011, the Company entered into a commercial line of credit agreement with JPMorgan Chase Bank. The term of the loan started on June 28, 2011 and has a maturity date of June 28, 2012. The line of credit agreement provides for borrowings up to $1,000,000. The adjustable interest rate is a rate per annum

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: LINE OF CREDIT – (continued)

equal to the sum of an index, which is the LIBOR Rate plus 1.914 percentage point(s). The outstanding balance of the line of credit was $250,000 and $1,000,000 as of March 31, 2012 and December 31, 2011, respectively. The adjustable interest rate for the line of credit was 2.9243% and 2.2070% as of March 31, 2012 and December 31, 2011, respectively.

As of March 31, 2012 and December 31, 2011, $250,000 and $1,000,000 of cash was restricted as collateral for the commercial line of credit, respectively.

NOTE 9: ACCRUED EXPENSES

Accrued expenses consisted of the following:

	March 31, 2012	December 31, 2011
Accrued expenses	$ 392,076	$ 201,113
Accrued bonus payable	$ 37,181	$ 153,830
Accrued payroll tax liabilities	3,318	87,386
	$ 432,575	$ 442,329

NOTE 10: STOCKHOLDERS' EQUITY

The Company is authorized to issue a total of 85,000,000 shares of stock consisting of 75,000,000 shares of Common Stock, par value $0.001 per share, and 10,000,000 shares of Preferred Stock, par value $0.001 per share.

Reverse Stock-Split

On September 28, 2010, the Board of Directors approved a 1-for-2.26332 reverse share split for all issued and outstanding shares of Common Stock, with no change to the par value of the Common Stock.

Prior Issuances of Common Stock

On April 30, 2009 (inception), the Company issued 1,767,316 shares (or 4,000,000 shares prior to the reverse stock-split on September 28, 2010) to Ensisheim Partners LLC, a related party to the Company through common ownership, for cash in the amount of $24,000, or $0.014 per share (or $0.006 per share prior to the reverse stock-split on September 28, 2010); 1,325,487 shares (or 3,000,000 shares prior to the reverse stock-split on September 28, 2010) to Manistee Ventures LLC, a related party to the Company through common ownership, for cash in the amount of $18,000, or $0.014 per share (or $0.006 per share prior to the reverse stock-split on September 28, 2010); and 883,662 shares (or 2,000,000 shares prior to the reverse stock-split on September 28, 2010) to the Chairman, CEO and President of the Company at that time for cash in the amount of $12,000, or $0.014 per share (or $0.006 per share prior to the reverse stock-split on September 28, 2010).

On July 28, 2009, the Company issued 39,765 shares (or 90,000 shares prior to the reverse stock-split on September 28, 2010) to a director of the Company for cash in the amount of $540, or $0.014 per share (or $0.006 per share prior to the reverse stock-split on September 28, 2010).

On December 28, 2009, the Company issued 883,658 shares (or 2,000,000 shares prior to the reverse stock-split on September 28, 2010) to Ensisheim Partners LLC for cash in the amount of $100,000, or $0.11 per share (or $0.05 per share prior to the reverse stock-split on September 28, 2010).

On January 21, 2010, the Company issued 866,007 shares (or 1,960,000 shares prior to the reverse stock-split on September 28, 2010) to forty-four (44) investors for cash in the amount of $98,000, or $0.11 per share (or $0.05 per share prior to the reverse stock-split on September 28, 2010).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: STOCKHOLDERS' EQUITY – (continued)

On January 21, 2010, the Company issued 132,549 shares (or 300,000 shares prior to the reverse stock-split on September 28, 2010) to a servicer for effecting transactions intended to cause the Company to become a public company and to have its securities traded in the United States. The shares were issued at a value of $15,000, or $0.11 per share (or $0.05 per share prior to the reverse stock-split on September 28, 2010), the same price as the issuance of the 866,007 shares (or 1,960,000 shares prior to the reverse stock-split on September 28, 2010) for cash on the same date.

On January 21, 2010, the Company issued an additional 53,020 shares (or 120,000 shares prior to the reverse stock-split on September 28, 2010) to a shareholder who acquired 13,255 shares (or 30,000 shares prior to the reverse stock-split on September 28, 2010) for cash on the same date as one of the forty-four (44) investors. Those shares were issued to the shareholder for services to be performed, including investor relations, media relations, and corporate communications. Those shares were issued at a value of $6,000, or $0.11 per share (or $0.05 per share prior to the reverse stock-split on September 28, 2010), the same price as the issuance of the 866,007 shares (or 1,960,000 shares prior to the reverse stock-split on September 28, 2010) for cash on the same date.

On January 23, 2010, the Company issued 35,346 shares (or 80,000 shares prior to the reverse stock-split on September 28, 2010) to an investor for cash in the amount of $4,000, or $0.11 per share (or $0.05 per share prior to the reverse stock-split on September 28, 2010).

On April 27, 2010, the Company issued 13,256 shares (or 30,000 shares prior to the reverse stock-split on September 28, 2010) to a service provider for website development services pursuant to an original agreement between the Company and the web site developer executed on December 14, 2009 (the "measurement date"), where it was agreed at that time that, at the Company's option, $50,000 would be paid or 13,256 shares (or 30,000 shares of common stock prior to the reverse stock-split on September 28, 2010) would be issued to the developer in exchange for his services.

Private Placements and Warrants

On April 28, May 31, June 10, and June 23, 2011, pursuant to Securities Purchase Agreements with various investors (the "Investors"), the Company issued 5,256,800 shares of the Company's common stock and 5,256,800 warrants (the "Investor Warrants"), each of which entitles the investors to purchase the Company's common stock at $1.25 per share, for aggregate gross proceeds of $6,571,000 (the "Private Placement").

Placement Agent Fees

In connection with the Private Placement, the Company paid Dawson James Securities, Inc. (the "Placement Agent"), a cash fee equal to 10% of the gross proceeds from sale of the common stocks and warrants, plus 3% non-accountable expense allowance, an aggregate of $857,230 (the "Placement Agent Fee"). In addition, the Company entered into Warrant Agreements with the placement agent pursuant to which the Placement Agent received 788,520 warrants (the "Placement Agent Warrants"), each of which entitles the Placement Agent to purchase one share of the Company's common stock at $1.60 per share, plus an additional 788,520 warrants (the "Placement Agent Warrants"), each of which entitles the placement agent to purchase the Company's common stock at $1.25 per share. The cash payment of $857,230 Placement Agent Fee and the $495,876 aggregated initial fair value of the Placement Agent Warrants (see *Fair Value Considerations* below) were directly attributable to an actual offering and were charged through additional paid-in capital in accordance with the SEC Staff Accounting Bulletin (SAB) Topic 5A.

ATOSSA GENETICS INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: STOCKHOLDERS' EQUITY – (continued)

Warrants

The Warrants, including the Investor Warrants and the Placement Agent Warrants, are exercisable at any time commencing after the earliest of the following to occur (the "Initial Exercise Date"):

(a) Six (6) months from the closing of the Company Initial Public Offering (initial public offering of the Company's Common Stock registered under the Securities Act),

(b) The closing of a "fundamental transaction" (in case of any reclassification, capital reorganization, exchange of shares, liquidation, recapitalization or change of the Common Stock, or in case of any consolidation or merger of the Company with or into another corporation or entity, or in case of any sale, lease or conveyance to another corporation or entity of all or substantially all of the assets of the Company), or

(c) Closing of a "significant private financing" (sale of the Company's securities primarily for capital raising purposes in a transaction or series of related transactions that is exempt from registration under the Securities Act and in which the Company issues securities representing at least 20% of the then outstanding capital stock of the Company, calculated assuming the conversion or exercise of all outstanding options, warrants and other securities convertible into or exercisable for capital stock of the Company).

The Warrants shall expire and no longer be exercisable on the fifth anniversary of the Initial Exercise Date (the "Expiration Date"). The Company may at any time during the term of this Warrant reduce the then current Exercise Price to any amount and for any period of time deemed appropriate by the Board of Directors of the Company. The Warrants may be exercised for cash or, at the option of the Investor, may be exercised on a cashless basis. There are no redemption features embodied in the Warrants and they have met the conditions provided in current accounting standards for equity classification.

Fair Value Considerations

The Company's accounting for the issuance of warrants to the Investors and the Placement Agent required the estimation of fair values of the financial instruments. The development of fair values of financial instruments requires the selection of appropriate methodologies and the estimation of often subjective assumptions. The Company selected the valuation techniques based upon consideration of the types of assumptions that market participants would likely consider in exchanging the financial instruments in market transactions. The warrants were valued using a Black-Scholes-Merton Valuation Technique because it embodies all of the requisite assumptions (including trading volatility, estimated terms and risk free rates) necessary to fair value these instruments.

ATOSSA GENETICS INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: STOCKHOLDERS' EQUITY – (continued)

The Investor Warrants and the Placement Agent Warrants were initially valued at $1,808,025 or $0.344 per warrant, $228,712 or $0.290 per warrant, and $267,164 or $0.339 per warrant, respectively. The following tables reflect assumptions used to determine the fair value of the Warrants:

		April – June 2011	December 2011	
	Fair Value Hierarchy Level	Investor Warrants	Placement Agent Warrants	Placement Agent Warrants
Indexed shares		5,256,800	788,520	788,520
Exercise price		$ 1.60	$ 1.60	$ 1.25
Significant assumptions:				
Stock price	3	$ 0.906	$ 0.906	$ 0.906
Remaining term	3	6 years	6 years	6 years
Risk free rate	2	2.49%	1.12%	1.12%
Expected volatility	3	53.55%	54.21%	54.21%

Fair value hierarchy of the above assumptions can be categorized as follows:

(1) There were no Level 1 inputs.

(2) Level 2 inputs include:

- Risk-free rate — The risk-free rate of return reflects the interest rate for United States Treasury Note with similar time-to-maturity to that of the warrants.

(3) Level 3 inputs include:

- Stock price — The Company's common stock was not publicly traded at the time the Warrants were issued. Therefore, the stock price was determined implicitly from an iterative process in order for the combined fair value of the common stock and the warrants to equal the amount of proceeds received in the Private Placement, based upon the assumption that the Private Placement was the result of an arm's length transaction.
- Remaining term — The Company does not have a history to develop the expected term for its warrants. Accordingly, the Company expected that the Initial Exercise Date to occur within one year from the date of issuance plus the contractual term in the calculations.
- Expected volatility — We did not have a historical trading history sufficient to develop an internal volatility rate for use in the model. As a result, as required by ASC 718-10-30, the Company has accounted for the warrants using the calculated value method. The Company identified seven public entities in the similar industry for which share price information was available, and considered the historical volatilities of those public entities' share prices in calculating the expected volatility appropriate to the Company.

Stock Option and Incentive Plan

On September 28, 2010, the Board of Directors approved the adoption of the 2010 Stock Option and Incentive Plan, or the 2010 Plan, subject to stockholder approval, to provide for the grant of equity-based awards to employees, officers, non-employee directors and other key persons providing services to the Company. Awards of incentive options may be granted under the 2010 Plan until September 2020. No other awards may be granted under the 2010 Plan after the date that is 10 years from the date of stockholder approval. An aggregate of 1,000,000 shares (or 2,263,320 shares prior to the reverse stock-split on September 28, 2010) are reserved for issuance in connection with awards granted under the 2010 Plan, such

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: STOCKHOLDERS' EQUITY – (continued)

number of shares to be subject to adjustment as provided in the plan and in any award agreements entered into by the Company under the plan, and upon the exercise or conversion of any awards granted under the plan.

On April 4, 2011, 45,000 non-qualified stock options were granted under the Plan to Dr. Tim Hunkapiller for being a member of the Company's Scientific Advisory Board and consulting services to be provided to the Company.

On September 1, 2011, 219,000 incentive stock options were granted under the Plan to employees and officers and 200,000 non-qualified stock options were granted under the Plan to non-employee directors, respectively, for their employment with and services to be provided to the Company (see Note 14).

NOTE 11: INCOME TAXES

The Company accounts for income taxes as outlined in ASC 740, "Income Taxes", which was previously Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under the asset and liability method of SFAS 109, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

As a result of the Company's cumulative losses, management has concluded that a full valuation allowance against the Company's net deferred tax assets is appropriate. No income tax liabilities existed as of March 31, 2012 and December 31, 2011 due to the Company's continuing operating losses.

NOTE 12: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At March 31, 2012 and December 31, 2011, the Company had $899,494 and $2,660,821 in excess of the FDIC insured limit, respectively.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Lease Commitments

On September 29, 2010, the Company entered into a commercial lease agreement with CompleGen, Inc. for laboratory space located in Seattle, WA. The lease provides for monthly rent of $3,658 and a security deposit of $3,658. The lease terms are from September 29, 2010 through March 31, 2011, at which time the lease has converted to month to month unless two months' prior written notice of the intent to terminate the agreement is given. The monthly rent for the lease increased to $4,267 commencing January 2012. For the three months ended March 31, 2012, we incurred $12,802 of rent expense for the lease.

On March 4, 2011, the Company entered into a commercial lease agreement with Sanders Properties, LLC for office space located in Seattle, WA. The lease provides for monthly rent of $1,100 and a security deposit of $1,500. The lease terms are from April 1, 2011 through March 31, 2013. For the period of April 1, 2011 through March 31, 2012, we incurred $13,200 of rent expense for the lease.

On July 9, 2011, the Company entered into a commercial lease agreement with Sanders Properties, LLC for additional office space located in Seattle, WA. The lease provides for monthly rent of $600 and a security deposit of $1,200. The lease terms are from July 11, 2011 through July 31, 2012. For the period of July 11, 2011 through March 31, 2012, we incurred $5,1955,260 of rent expense for the lease.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: COMMITMENTS AND CONTINGENCIES – (continued)

On September 27, 2011, the Company entered into another commercial lease agreement with Sanders Properties, LLC for additional office space located in Seattle, WA. The lease provides for monthly rent of $1,400 and a security deposit of $1,000. The lease terms are from October 1, 2011 to March 31, 2012. For the period of October 1, 2011 through March 31, 2012, we incurred $8,400 of rent expense for the lease. This lease terminated on March 31, 2012 and was not renewed.

On December 9, 2011, the Company entered into another commercial lease agreement with Fred Hutchinson Research Center for lab and office space located in Seattle, WA. The lease provides for monthly rent of $16,395 for the period from February 24, 2012 to August 31, 2012, $19,923 for the period from September 1, 2012 to August 31, 2013, and $20,548 for the period from September 1, 2013 to November 29, 2014. The security deposit of $32,789 was paid in March 2012 and recorded as Security Deposit on the consolidated balance sheet as of March 31, 2012. For the three months ended March 31, 2012, we incurred $19,674 of rent expense for the lease.

The future minimum lease payments due subsequent to March 31, 2012 under all non-cancelable operating leases for the next five years are as follows:

As of March 31,	Amount
2013	$ 235,959
2014	243,448
2015	164,384
2016	—
2017	—
Thereafter	—
Total minimum lease payments	**$ 643,791**

Contingencies

On June 30, 2011, Robert Kelly, the Company’s former President, filed a counterclaim against the Company in an arbitration proceeding, alleging breach of contract in connection with the termination of a consulting agreement between Mr. Kelly (dba Pitslayer) and the Company. The consulting agreement was terminated by the Company in September 2010. Mr. Kelly seeks $450,000 in compensatory damages, which is the amount he claims would have been earned had the consulting agreement been fulfilled to completion. The Company is in arbitration with Mr. Kelly and is reasonably confident in its defenses to Mr. Kelly's claims. Consequently, no provision or liability has been recorded for Mr. Kelly’s claims as of March 31, 2012 and December 31, 2011. However, it is at least reasonably possible that the Company’s estimate of its liability may change in the near term. Any payments by reason of an adverse determination in this matter will be charged to earnings in the period of determination.

NOTE 14: RELATED PARTY TRANSACTIONS

Loans from Officer

On May 26, 2009, the Company borrowed $5,000 from its Chairman of the Board and Chief Executive Officer as a short-term, unsecured loan via verbal agreement and did not bear any interest. Commencing June 30, 2010, the loan was converted into a written Promissory Note bearing an annual interest rate of 10%, with a maturity date of December 31, 2010. This note was repaid in full on May 16, 2011 including approximately $439 of accrued interest.

On June 30, 2010, the Company borrowed an additional $100,000 from its Chairman of the Board and Chief Executive Officer pursuant to a promissory note. The loan under the note was funded to the Company on July 12, 2010. The note bears a 10% interest rate per annum and carries a $4,000 loan origination fee which is accreted to the loan balance throughout the life of the loan. The $4,000 loan origination fee was fully

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

accreted to the loan balance as of March 31, 2011 and December 31, 2010, and recorded as interest expense for the year ended December 31, 2010. This note (including the $4,000 origination fee) was repaid in full on May 19, 2011 including approximately $8,959 in accrued interest.

On November 3, 2010, the Company entered into a line of credit agreement for borrowing up to $500,000 from its Chairman of the Board and Chief Executive Officer pursuant to a promissory note. The note bears a 10% interest rate per annum. An aggregate of $140,000 was funded to the Company under the line of credit as of March 31, 2011 which was repaid on May 31, 2011, including approximately $6,093 in accrued interest. As of December 31, 2011, the unpaid principal balance drawn from the line of credit was $10,000, which was fully repaid on March 31, 2012, as well as $823 in interest.

Exclusive License Agreement

On July 27, 2009, the Company entered into an exclusive license agreement with Ensisheim Partners LLC (“Ensisheim”), an entity solely owned by the Chairman and Chief Executive Officer of the Company and the Chief Technology Officer of the Company, who is also the Company’s Chairman and CEO’s wife. Pursuant to that agreement, Ensisheim granted the Company an exclusive, worldwide, perpetual, irrevocable, royalty-bearing, license to the MASCT System, with the right to grant and authorize sublicenses. The license agreement provided that the Company would pay Ensisheim a royalty equal to 2% of net sales revenue, with a minimum royalty of $12,500 per fiscal quarter during the term of the agreement, which would have increased to a minimum royalty of $25,000 per fiscal quarter beginning in the quarter in which the first commercial sale of a licensed product would have taken place. From inception through December 31, 2010, the Company had incurred $16,250 in patent-related expenses under the license agreement with Ensisheim.

On June 17, 2010, the Company and Ensisheim entered into an Assignment Agreement, whereby Ensisheim assigned to the Company all rights to the patents and patent applications underlying the MASCT System. Pursuant to the assignment, the Company will have all responsibility for prosecution, maintenance, and enforcement and will indemnify Ensisheim from any and all claims against the patent estate. Ensisheim retained no residual rights with respect to the patents and patent applications. In conjunction with the assignment, the Company terminated the exclusive license agreement between the Company and Ensisheim dated July 27, 2009. As a result of the termination, the Company has no further obligations with respect to royalty payments to Ensisheim due under the old licensing agreement. As a result, the $12,500 of patent royalty payable to Ensisheim recorded as accrued royalty payable at December 31, 2009 has been reversed through royalty expense during the second quarter of 2010.

Commercial Lease Agreement

On December 24, 2009, the Company entered into a commercial lease agreement with Ensisheim for office space located in Seattle, Washington. The lease provided for annual rent of $13,200, plus applicable sales tax. From inception through December 31, 2009, the Company incurred $248 of rent expense for the lease with security deposit of $1,100. For the period of January 1, 2010 through June 30, 2010, the Company incurred $6,600 of rent expense for the lease. On July 15, 2010 the Company and Ensisheim terminated the lease, effective July 1, 2010 and the Company commenced use of the facility rent free until April 1, 2011 when the commercial lease agreement the Company entered into with Sanders Properties, LLC became effective (see Note 13). The $1,100 security deposit paid to Ensisheim remained outstanding and was recorded as Due from Related Party as of March 31, 2012.

Executive Compensation

On May 19, 2010, the Company entered into employment agreements with three executives, including its Chief Executive Officer, its former President, and its Chief Technology Officer. The annual base salaries under each agreement were calculated based on combined consideration of the success of capital raise and the operating results of the Company, and capped at $360,000, $350,000, and $250,000, respectively for the three executives.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

On July 22, 2010, in connection with the resignation and departure of Robert L. Kelly, the President and a director, the Company entered into a consulting agreement with a limited liability company controlled by Mr. Kelly. Under the agreement, the Company was to receive consulting services relating to capital raising and investor relations. The agreement was terminated by the Company in September 2010, through which time a total of $30,000 consulting expense had been paid.

On July 22, 2010, the Company restated and amended the employment agreements with its CEO and CTO. The agreements modified the base annual salary amounts to $250,000 and $200,000, respectively, effective retroactively to May 19, 2010. These salaries were accrued and amounted to $391,071 and $278,571 as of March 31, 2011 and December 31, 2010 and paid in full in April 2011. For the twelve-month periods ended December 31, 2011 and 2010, salaries and bonuses of the CEO and CTO amounted to $693,048 and $377,620, of which $492,095 and $0 was recorded to research and development expense, respectively. For the three months ended March 31, 2012, salaries and bonuses of the CEO and CTO amounted to $66,850 and $89,811, of which $51,850 and $32,406 was recorded to research and development expense, respectively.

Share-Based Compensation

The amended employment agreement with the CEO, entered into on July 22, 2010, granted options to purchase 250,000 shares (or 565,830 shares prior to the reverse stock-split on September 28, 2010) at a price of $5.00 per share, in consideration of his service to the Company. Of these options, 25% (or 62,500 shares) vested on December 31, 2010 with the remaining 75% (or 187,500 shares) to vest in equal quarterly installments over the next three years so long as the executive remains employed with the company. These options have five-year contractual terms.

The amended employment agreement with the CTO, entered into on July 22, 2010, granted options to purchase 100,000 shares (or 226,332 shares prior to the reverse stock-split on September 28, 2010) at a price of $5.00 per share in consideration of her service to the Company. Of these options, 25% (or 25,000 shares) vested on December 31, 2010 with the remaining 75% (or 75,000 shares) to vest in equal quarterly installments over the next three years so long as the executive remains employed with the company. These options have five-year contractual terms.

On April 4, 2011, 45,000 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to Dr. Tim Hunkapiller for being a member of the Company's Scientific Advisory Board and consulting services to be provided to the Company, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest as follows:

(i) 11,250 option shares shall vest ninety (90) days after the date of grant;

(ii) 11,000 option shares shall vest one hundred and eighty (180) days after the date of grant;

(iii) 11,500 option shares shall vest two hundred and seventy (270) days after the date of grant;

(iv) 11,250 option shares shall vest three hundred and sixty (360) days after the date of grant.

On September 1, 2011, 219,000 incentive stock options were granted under the 2010 Stock Option and Incentive Plan to employees and officers as part of their employment agreements, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest and become exercisable as follows:

(i) twenty-five percent (25%) of the underlying shares on the first anniversary of the date of grant; and

(ii) one-forty eighth (1/48) of the underlying shares monthly thereafter.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

On September 1, 2011, 200,000 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to non-employee directors for services to be provided to the Company, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest and become exercisable as follows:

(i) 80,000 option shares shall vest on September 1, 2011;

(ii) 30,000 options shares shall vest on December 1, 2011;

(iii)30,000 options shares shall vest on March 1, 2012;

(iv)30,000 options shares shall vest on June 1, 2012;

(v) 30,000 options shares shall vest on September 1, 2012.

On April 30, 2012, 19,757 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to non-employee directors for serving as directors of the Company, at an exercise price of $6.00 per share. These options have a ten-year contractual term and shall vest and become exercisable in full immediately as of the grant date.

In accordance with the guidance provided in ASC Topic 718, Stock Compensation (formerly SFAS 123R), the compensation costs associated with these options are recognized, based on the grant-date fair values of these options, over the requisite service period, or vesting period. Accordingly, the Company recognized a compensation expense of $44,882 for the three months ended March 31, 2012.

The Company estimated the fair value of these options using the Black-Scholes-Merton option pricing model based on the following weighted-average assumptions:

	CEO & CTO	Dr. Hunkapiller	Employees & Officers	Non-employee Directors	Non-employee Directors
Date of grant	22-Jul-10	4-Apr-11	1-Sep-11	1-Sep-11	30-Apr-12
Fair value of common stock on date of grant	$ 2.756 (B)	$ 0.906 (C)	$ 0.906 (C)	$ 0.906 (C)	$ 6.00 (D)
Exercise price of the options	$ 5.00	$ 1.25	$ 1.25	$ 1.25	$ 6.00
Expected life of the options (years)	3.33	5.31	5.65	5.65	5.00
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	58.59%	54.12%	53.90%	53.90%	62.46%
Risk-free interest rate	1.03%	2.26%	1.08%	1.08%	0.89%
Expected forfeiture per year (%)	0.00%	0.00%	(A)	0.00%	0.00%
Weighted-average fair value of the options (per unit)	$ 0.6744	$ 0.3729	$ 0.3579	$ 0.3579	$ 3.0367

(A) 0.00% for the first year after the grant date, and 2.50% for every three months thereafter.

(B) The fair value of the Company's common stock was derived implicitly from the public offering filed in March 2010 at $3.00 per share and from the terms of an underwritten offering contemplated in July 2010 at $6.00 per Unit that was filed in October 2010, with $2.756 per share being allocated to common stock using an iterative approach in order for the combined fair value of the common stock and warrants to equal the amount of consideration to be received in the offering.

(C) The fair value of the Company's common stock was derived implicitly from the Private Placement during April through June 2011 at $1.25 per Unit, wherein one Unit was comprised of one share of common stock and one warrant to purchase one share of common stock at an exercise price of $1.60 per share.

(D) The fair value of the Company's common stock was derived implicitly from the public offering filed in February 2012 at $6.00 per share.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

In October 2010, the Company filed a Registration Statement on Form S-1 with the SEC. However, the market for early stage investments in medical technology transactions had deteriorated between mid-2010 and early 2011. In addition, the Company's ability to negotiate with potential investors was limited. The Company's cash position had also diminished since the summer of 2010 and the founders of the Company were unable to finance the Company at the level needed for growth. The withdrawal of the Registration Statement in February 2011 further weakened the impression of the Company in the market. The fair value of the Company's common stock decreased from $2.756 in 2010 to $0.906 in 2011 primarily because the grants in 2011 relied on the arm's-length negotiation of the private placement financing (for illiquid stock) as opposed to relying on an anticipated initial public offering (of publicly-traded stock), as was the case in 2010. The private placement transactions were between the company and over 200 accredited investors and ascribed a value of $0.906 to the Company's common stock.

Fair value hierarchy of the above assumptions can be categorized as follows:

(1) There were no Level 1 inputs.

(2) Level 2 inputs include:

- Risk-free rate — The risk-free rate of return reflects the interest rate for United States Treasury Note with similar time-to-maturity to that of the options.

(3) Level 3 inputs include:

- Expected lives — The expected lives of options granted were derived from the output of the option valuation model and represented the period of time that options granted are expected to be outstanding.
- Expected forfeitures per year — The expected forfeitures are estimated at the dates of grant and will be revised in subsequent periods pursuant to actual forfeitures, if significantly different from the previous estimates.
- Expected volatility — We did not have a historical trading history sufficient to develop an internal volatility rate for use in the model. As a result, as required by ASC 718-10-30, the Company has accounted for the options using the calculated value method. The Company identified seven public entities in the similar industry for which share price information was available, and considered the historical volatilities of those public entities' share prices in calculating the expected volatility appropriate to the Company.

The estimates of fair value from the model are theoretical values of stock options and changes in the assumptions used in the model could result in materially different fair value estimates. The actual value of the stock options will depend on the market value of the Company's common stock when the stock options are exercised.

Notwithstanding that the fair market value of the Company's common stock in September 2011 was $0.906 per share, the Company filed a Registration Statement on Form S-1 in February 2012 to offer shares of its common stock at $5.00 to $7.00 per share. This increase in share value is justified by the accomplishments achieved by the Company between September 2011 and February 2012. Specifically, the MASCT System manufacturing had been completed, supplies for the Field Experience Trial were completed and the Company had established an FDA-compliant inventory and warehousing facility. Further, the National Reference Laboratory for Breast Health, the Company's wholly-owned subsidiary, was established as a Delaware corporation, was equipped and staffed, and the protocols and procedures needed to be a CLIA-registered facility were put in place. Moreover, the ForeCYTE test, which involves cytopathology and five biomarkers of hyperplasia and one biomarker of sample integrity, was completed, tested, and validated to CLIA standards. Computer hardware and software was acquired, set up, made operational, and the ForeCYTE report template,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

with unique reporting information for the requesting physician and a patient letter template, were created. The company explored and identified a technology for the ArgusCYTE test (which is the technology that the Company is currently using for the ArgusCYTE test), negotiated a supply agreement with the supplier, and tested and validated the test. An ArgusCYTE report template was also established and a new reporting scheme invented and a patent application filed.

Further, the Company negotiated the option to acquire the FullCYTE Microcatheter System from Hologics, reestablished the supply chain and began preparing for a commercial launch later in 2012 or early 2013. In doing so, the Company increased its U.S. patent portfolio from 5 to 31 and its total portfolio of patents and applications to over 120. The Company also prepared marketing documents for the launch of the ForeCYTE and ArgusCYTE tests, which occurred in December 2011. The Company studied the use of the FullCYTE microcatheter in six patients to establish the feasibility of performing next-generation tests on samples taken with the microcatheters. Additionally, the Company negotiated a one-year option to acquire commercial rights to the NextCYTE technology, and is conducting a study of the utility of the technology in providing superior information in the setting of cancer diagnosis and treatment selection.

The Company also established third-party relationships to perform the reimbursement billing in anticipation of the commercial launch and to permit electronic remittance of testing revenue. The Company launched a Field Test Experience limited launch of both the ForeCYTE and ArgusCYTE tests on schedule in December 2011 and has seen significant market acceptance of both tests from the doctors and clinics using the tests. The Company passed a CLIA inspection and became CLIA-certified, has obtained several state licenses and has pending applications in all remaining states where licensure is required. Finally, the Board of Directors and scientific advisory board were each strengthened with the addition of key new executives and scientists.

The Board of Directors considered each of the foregoing achievements, and considered input from the Company's investment bankers, in determining that the value of the Company supports a valuation of $5.00 to $7.00 per share of the Company's common stock.

Options issued and outstanding as of March 31, 2012 and their activities during the three months then ended are as follows:

	Number of Underlying Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Contractual Life Remaining in Years
Outstanding as of January 1, 2012	608,000	$ 3.41	
Granted	—	—	
Expired	—	—	
Forfeited	—	—	
Outstanding as of March 31, 2012	608,000	3.41	5.88
Exercisable as of March 31, 2012	381,875	3.18	6.22
Vested and expected to vest (1)	608,000	3.41	5.88

(1) Includes vested shares and unvested shares after a forfeiture rate is applied.

As of March 31, 2012 and December 31, 2011, the aggregate intrinsic value of options outstanding, exercisable, and vested and expected to vest was $389,049 and $329,053, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

A summary of the status of the Company's unvested shares as of March 31, 2012 and changes during the period then ended is presented below:

Unvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of January 1, 2012	289,250	$ 159,013
Granted	—	—
Vested	(63,125)	(29,685)
Forfeited	—	—
Unvested as of March 31, 2012	226,125	$ 129,328

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2012, the date which the consolidated financial statements were available to be issued. All subsequent events requiring recognition as of March 31, 2012 have been incorporated into these consolidated financial statements and there are no subsequent events that require disclosure in accordance with FASB ASC Topic 855, "Subsequent Events".

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of:
Atossa Genetics Inc.

We have audited the accompanying consolidated balance sheets of Atossa Genetics Inc. (a development stage company) (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended and since inception (April 30, 2009). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Atossa Genetics, Inc. (a development stage company) as of December 31, 2011 and 2010 and the consolidated results of its operations and its cash flows for the years then ended and since inception (April 30, 2009) in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 of the consolidated financial statements, the Company has been in the development stage since its inception (April 30, 2009) and continues to incur expenses. The Company's viability is dependent upon its ability to obtain future financing and the success of its future operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 2 to the financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KCCW Accountancy Corp.

Diamond Bar, California
March 22, 2012

KCCW Accountancy Corp.
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ATOSSA GENETICS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

	As of December 31,	
	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 1,910,821	$ 10,253
Restricted cash	1,000,000	—
Accounts receivable	1,224	—
Prepaid expense	31,184	—
Rental deposit	2,200	—
Total Current Assets	2,945,429	10,253
Fixed Assets		
Furniture and Equipment, net	80,467	—
Total Fixed Assets	80,467	—
Other Assets		
Security deposit	5,157	4,757
Intangible assets, net	40,841	—
Total Other Assets	45,998	4,757
Total Assets	$ 3,071,894	$ 15,010
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Line of Credit	$ 1,000,000	$ —
Accounts payable	64,766	—
Accrued payroll	—	278,571
Accrued expenses	442,329	399,289
Note payable – related party	5,078	189,000
Total Current Liabilities	1,512,173	866,861
Stockholders' Equity (Deficit)		
Preferred stock – $.001 par value; 10,000,000 shares authorized, 0 shares issued and outstanding	—	—
Common stock – $.001 par value; 75,000,000 shares authorized, 11,256,867 and 6,000,067 shares issued and outstanding, respectively	11,257	6,000
Additional paid-in capital	6,200,520	351,936
Accumulated deficit	(4,652,056)	(1,209,787)
Total Stockholders' Equity (Deficit)	1,559,721	(851,851)
Total Liabilities and Stockholders' Equity (Deficit)	$ 3,071,894	$ 15,010

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

ATOSSA GENETICS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Years Ended December 31,		From April 30, 2009 (Inception) Through December 31, 2011
	2011	2010	
Net Product Revenues	$ 1,500	$ —	$ 1,500
Cost of Goods Sold	(5,164)	—	(5,164)
Loss on Reduction of Inventory to LCM	(92,026)	—	(92,026)
Gross Profit	(95,690)	—	(95,690)
Selling expenses	(160,851)	(12,204)	(173,055)
General and Administrative expenses	(3,172,649)	(1,065,792)	(4,361,299)
Total operating expenses	(3,333,500)	(1,077,996)	(4,534,353)
Operating Loss	(3,429,190)	(1,077,996)	(4,630,043)
Interest Income	4,914	455	5,369
Interest Expense	(17,992)	(9,139)	(27,131)
Net Loss before Income Taxes	(3,442,269)	(1,086,680)	(4,651,806)
Income Taxes	—	250	250
Net Loss	$ (3,442,269)	$ (1,086,930)	$ (4,652,056)
Loss per common share – basic	$ (0.38)	$ (0.18)	$ (0.70)
Loss per common share – diluted	$ (0.38)	$ (0.18)	$ (0.70)
Weighted average shares outstanding, basic	9,117,746	5,935,897	6,645,834
Weighted average shares outstanding, diluted	9,117,746	6,004,721	6,645,834

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

ATOSSA GENETICS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(AUDITED)

	For The Years Ended December 31,		For The Period From April 30, 2009 (Inception) to December 31, 2011
	2011	2010	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(3,442,269)	$(1,086,930)	$(4,652,056)
Common shares issued for services	—	71,000	71,000
Compensation cost for stock options granted	140,056	30,396	170,452
Loss on reduction of inventory to LCM	92,026	—	92,026
Loan initiation fee accrued for notes payable	—	2,000	2,000
Depreciation and amortization	15,623	—	15,623
Adjustments to reconcile net loss to net cash provided by operating activities:			
Increase in accounts receivable	(1,224)	—	(1,224)
Increase in inventory	(92,026)	—	(92,026)
Increase in prepaid expenses	(31,184)	—	(31,184)
Increase in security deposits	(2,600)	(3,657)	(7,357)
(Decrease) Increase in accounts payable	64,765	—	64,766
(Decrease) Increase in accrued payroll	(278,571)	278,571	—
(Decrease) Increase in accrued expenses	43,040	363,008	442,329
Increase (Decrease) in royalty payable – related party	—	(12,500)	—
Net cash used in operating activities	(3,492,364)	(358,111)	(3,925,651)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of furniture & fixtures	(86,465)	—	(86,465)
Purchase of software	(50,466)	—	(50,466)
Net cash used in investing activities	(136,931)	—	(136,931)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stocks	5,713,785	102,000	5,970,325
Proceeds from bank line of credit	1,000,000	—	1,000,000
(Repayments) Proceeds of loans from related parties	(183,922)	182,000	3,078
Cash restricted for commercial line of credit	(1,000,000)	—	(1,000,000)
Net cash provided by financing activities	5,529,863	284,000	5,973,403
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	1,900,568	(74,111)	1,910,821
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	10,253	84,364	—
CASH & CASH EQUIVALENTS, ENDING BALANCE	$ 1,910,821	$ 10,253	$ 1,910,821
SUPPLEMENTAL DISCLOSURES:			
Interest paid	$ 17,992	$ —	$ 17,992
Income taxes paid	$ —	$ 250	$ 250

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

ATOSSA GENETICS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at April 30, 2009, Founders' shares issued at $0.014 per share for cash	3,976,465	$ 3,976	$ 50,024	$ —	$ 54,000
Issuance of shares for cash at $0.014 per share, July 28, 2009	39,765	40	500	—	540
Issuance of shares for cash at $0.11 per share, December 21, 2009	883,658	884	99,116	—	100,000
Net loss for the period ended December 31, 2009	—	—	—	(122,857)	(122,857)
Balance at December 31, 2009	4,899,888	$ 4,900	$ 149,640	$ (122,857)	$ 31,683
Issuance of common shares for cash at $0.11 per share, January 21, 2010	866,007	866	97,134	—	98,000
Issuance of common shares for services at $0.11 per share, January 21, 2010	185,569	186	20,814	—	21,000
Issuance of common shares for cash at $0.11 per share, January 23, 2010	35,347	35	3,965	—	4,000
Issuance of common shares on April 27, 2010 for services for $50,000 or 13,256 shares (30,000 shares post-split) as agreed upon in December 2009	13,256	13	49,987	—	50,000
Compensation cost for stock options granted to executives	—	—	30,396	—	30,396
Net loss for the year ended December 31, 2010	—	—	—	(1,086,930)	(1,086,930)
Balance at December 31, 2010	6,000,067	$ 6,000	$ 351,936	$(1,209,787)	$ (851,851)
Issuance of common shares and warrants for cash at $1.25 per share, April 29, 2011	1,612,000	1,612	1,748,438	—	1,750,050
Issuance of common shares and warrants for cash at $1.25 per share, June 1, 2011	1,376,000	1,376	1,495,024	—	1,496,400
Issuance of common shares and warrants for cash at $1.25 per share, June 10, 2011	682,000	682	741,008	—	741,690
Issuance of common shares and warrants for cash at $1.25 per share, June 24, 2011	1,586,800	1,587	1,724,058	—	1,725,645
Compensation cost for stock options to executives, directors and employees	—	—	140,056	—	140,056
Net loss for the year ended December 31, 2011	—	—	—	(3,442,269)	(3,442,269)
Balance at December 31, 2011	11,256,867	$ 11,257	$6,200,520	$(4,652,056)	$ 1,559,721

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

ATOSSA GENETICS, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS

The Company's operations began in December 2008 with the negotiations for the acquisition of the Mammary Aspirate Specimen Cytology Test System, or the MASCT System, patent rights and assignments and the FDA clearance for marketing, which acquisition was completed in January 2009. Atossa Genetics Inc. (the "Company") was incorporated on April 30, 2009 in the State of Delaware. The Company was formed to develop and market the MASCT System, a cellular and molecular diagnostic risk assessment product for the detection of pre-cancerous changes that could lead to breast cancer. The Company's fiscal year ends on December 31st.

In December 2011 the Company established the National Reference Laboratory for Breast Health, or NRLBH, as a wholly-owned subsidiary. NRLBH is the Company's CLIA-certified laboratory where the ForeCYTE and ArgusCYTE test samples are screened for the presence of normal, pre-malignant, or malignant changes as determined by cytopathology and biomarkers that distinguish "usual" ductal hyperplasia, a benign condition, from atypical ductal hyperplasia, which may lead to cancer. These screening results provide patients and physicians with information about the care path that should be followed, depending on the individual risk of future cancer as determined by the results.

Development Stage Risk

To date, the Company has earned $1,500 in revenue from the sale of its MASCT System. Accordingly, the Company's activities have been accounted for as those of a "Development Stage Enterprise" as set forth in Accounting Standards Codification ("ASC") 915 "Development Stage Entities", which was previously Statement of Financial Accounting Standards No. 7 ("SFAS 7"). Among the disclosures required by ASC 915 are that the Company's financial statements be identified as those of a development stage company, and that the statements of operations, stockholders' equity and cash flows disclose activity since the date of the Company's inception.

Since its inception, the Company has been dependent upon the receipt of capital investment to fund its continuing activities. In addition to the normal risks associated with a new business venture, there can be no assurance that the Company's business plan will be successfully executed. The Company's ability to execute its business plan will depend on its ability to obtain additional financing and achieve a profitable level of operations. There can be no assurance that sufficient financing will be obtained. Further, the Company cannot give any assurance that it will generate substantial revenue or that its business operations will prove to be profitable.

NOTE 2: GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management's Plan to Continue as a Going Concern

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plans to obtain such resources for the Company include (1) obtaining capital from the sale of its securities, (2) sales of the MASCT System and laboratory service revenue, and (3) short-term borrowings from stockholders or other related party(ies) when needed. However, management cannot provide any assurance that the Company will be successful in accomplishing any of its plans.

ATOSSA GENETICS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: GOING CONCERN – (continued)

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually to secure other sources of financing and attain profitable operations.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation:

The accompanying consolidated financial statements include the financial statements of Atossa Genetics Inc. and its wholly-owned subsidiary NRLBH. All significant intercompany account balances and transactions have been eliminated in consolidation. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition:

Overview

The Company will recognize product and service revenue in accordance with GAAP when the following overall fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or the service has been performed, (iii) the Company's price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured.

Product Revenue

The Company will recognize revenue for sales of the MASCT kits and devices upon receipt of cash during the initial three to six month period as the company has no sales history on which to determine the collectability. Shipping documents and the completion of any customer acceptance requirements, when applicable, will be used to verify product delivery. The Company will assess whether a price is fixed or determinable based upon the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. Once a history of sales and collectability has been established, the company will recognize revenue on an accrual basis with an offsetting reserve for doubtful accounts based on the history during the initial sales period.

Service Revenue

The Company will record revenue for diagnostic testing on an accrual basis at the Medicare allowed and invoiced amount. Amounts invoiced above the Medicare amount, namely non-Medicare, are not recognized on an accrual basis and instead are recognized on a cash basis as received. Diagnostic testing revenue at the Medicare rate is recognized upon completion of the test, communication of results to the patient's physician, and when collectability is reasonably assured. Customer purchase orders and/or contracts will generally be used to determine the existence of an arrangement. Once the Company has historical sales and can determine the proper amount to recognize as uncollectible, it will then begin to recognize the entire amount, both Medicare and non-Medicare billing on an accrual basis, with an offsetting allowance for doubtful accounts recorded based on history. The Company estimates it will take between 3 to 6 months of sales history to determine a proper allowance.

Cash and Cash Equivalents:

Cash and cash equivalents include cash and all highly liquid instruments with original maturities of three months or less.

As of December 31, 2011, $1,000,000 of cash was restricted as collateral for $1,000,000 of a commercial line of credit obtained from JPMorgan Chase Bank in September 2011 (see Note 8). This amount is designated as restricted cash under current assets on our consolidated balance sheet.

ATOSSA GENETICS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: SUMMARY OF ACCOUNTING POLICIES – (continued)

Use of Estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management 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 and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Accounts Receivable:

Accounts receivable are recorded at net realizable value consisting of the carrying amount less allowance for doubtful accounts, as needed. We assess the collectability of accounts receivable based primarily upon the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends, and changes in customer payment patterns to evaluate the adequacy of these reserves.

Inventories:

The Company's inventories are stated at lower of cost or market. Cost is determined on a moving-average basis. Costs of inventories include purchase and related costs incurred in delivering the products to their present location and condition. Market value is determined by reference to selling prices after the balance sheet date or to management's estimates based on prevailing market conditions. Because the sales price of the MASCT System was substantially lower than its cost for the year ended December 31, 2011, a $92,026 loss on reduction of inventory to the lower of cost or market was assessed and recorded as of and for the year then ended. Additionally, management periodically evaluates the composition of its inventories at least quarterly to identify slow-moving and obsolete inventories to determine if valuation allowance is required. As of December 31, 2011 and 2010, management had identified no slow moving or obsolete inventory.

Property, plant, and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property, plant and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Useful Life (in years)
Machinery and equipment	5

Intangible assets:

For intangible assets subject to amortization, an impairment loss is recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. Intangible assets as of December 31, 2011 were mainly software acquired for the purpose of managing laboratory results (see Note 7).

ATOSSA GENETICS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: SUMMARY OF ACCOUNTING POLICIES – (continued)

Research and Development Expenses:

Research and development costs are generally expensed as incurred. The Company's research and development expenses consist of costs incurred for internal and external research and development.

Share Based Payments:

In December 2004, the Financial Accounting Standards Board, or the FASB, issued the Statement of Financial Accounting Standards, or SFAS, No. 123(R), "Share-Based Payment", which replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123(R) is now included in the FASB's ASC Topic 718, "Compensation — Stock Compensation." Under SFAS No. 123(R), companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees or independent contractors are required to provide services. Share-based compensation arrangements include stock options and warrants, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. In March 2005, the SEC issued Staff Accounting Bulletin No. 107, or SAB 107, which expresses views of the staff regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides the staff's views regarding the valuation of share-based payment arrangements for public companies. SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods. On April 14, 2005, the SEC adopted a new rule amending the compliance dates for SFAS No. 123(R). Companies may elect to apply this statement either prospectively, or on a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods under SFAS No. 123.

The Company has fully adopted the provisions of FASB ASC 718 and related interpretations as provided by SAB 107. As such, compensation cost is measured on the date of grant as the fair value of the share-based payments. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

Recently Issued Accounting Pronouncements:

The Company has adopted all recently issued accounting pronouncements that management believes to be applicable to the Company. The adoption of these accounting pronouncements, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 4: PREPAID EXPENSES

Prepaid expenses consisted of the following:

	December 31, 2011	December 31, 2010
Prepaid insurances	$ 14,146	$ —
Prepaid hardware/software maintenance and support service fee	12,850	—
Prepaid rent	4,188	—
	$ 31,184	$ —

NOTE 5: OTHER CURRENT ASSETS

Other current assets amounted to $2,200 as of December 31, 2011, and mainly consisted of security deposits for two office leases. The lease terms are from July 11, 2011 through July 31, 2012 and from October 1, 2011 to March 31, 2012, respectively (see Note 13).

ATOSSA GENETICS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment consisted of the following:

	December 31, 2011	December 31, 2010
Machinery and equipment	$ 86,465	$ —
Less: Accumulated depreciation	(5,998)	—
Property, plant, and equipment, net	$ 80,467	$ —

Depreciation expense for the years ended December 31, 2011 and 2010 was $5,998 and $0 respectively.

NOTE 7: INTANGIBLE ASSET

Intangible asset amounted to $40,841 as of December 31, 2011, mainly consisted of the acquired software for the purpose of managing laboratory results pursuant to a software installation agreement entered into on June 8, 2011. The amortization period for the purchased software is 3 years. Amortization expense for the year ended December 31, 2011 was $9,625.

Future estimated amortization expenses as of December 31, 2011 for the five succeeding years is as follows:

As of December 31,	Amounts
2013	$ 16,822
2014	16,822
2015	7,197
2016	—
2017	—
	$ 40,841

NOTE 8: LINE OF CREDIT

Line of credit consisted of the following at December 31, 2011 and 2010:

	December 31, 2011	December 31, 2010
Line of credit, JPMorgan Chase Bank	$ 1,000,000.00	$ —

In June 2011, the Company entered into a commercial line of credit agreement with JPMorgan Chase Bank. The term of the loan started from June 28, 2011 with maturity date on June 28, 2012. The line of credit agreement provides for borrowings up to $1,000,000. The balance of the line of credit was fully drawn up as of December 31, 2011. The adjustable interest rate is a rate per annum equal to the sum of an index, which is the LIBOR Rate plus 1.914 percentage point(s). The adjustable interest rate for the line of credit was 2.2070% as of December 31, 2011.

As of December 31, 2011, $1,000,000 of cash was restricted as collateral for the commercial line of credit.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: ACCRUED EXPENSES

Accrued expenses consisted of the following:

	December 31, 2011	December 31, 2010
Accrued expenses	$ 201,113	$ 391,749
153,830	—	
Accrued payroll tax liabilities	87,386	7,540
	$ 442,329	$ 399,289

NOTE 10: STOCKHOLDERS' EQUITY

The Company is authorized to issue a total of 85,000,000 shares of stock consisting of 75,000,000 shares of Common Stock, par value $0.001 per share, and 10,000,000 shares of Preferred Stock, par value $0.001 per share.

Reverse Stock-Split

On September 28, 2010, the Board of Directors approved a 1-for-2.26332 reverse share split for all issued and outstanding shares of Common Stock, with no change to the par value of the Common Stock.

Prior Issuances of Common Stock

On April 30, 2009 (inception), the Company issued 1,767,316 shares (or 4,000,000 shares prior to the reverse stock-split on September 28, 2010) to Ensisheim Partners LLC, a related party to the Company through common ownership, for cash in the amount of $24,000, or $0.014 per share (or $0.006 per share prior to the reverse stock-split on September 28, 2010); 1,325,487 shares (or 3,000,000 shares prior to the reverse stock-split on September 28, 2010) to Manistee Ventures LLC, a related party to the Company through common ownership, for cash in the amount of $18,000, or $0.014 per share (or $0.006 per share prior to the reverse stock-split on September 28, 2010); and 883,662 shares (or 2,000,000 shares prior to the reverse stock-split on September 28, 2010) to the Chairman, CEO and President of the Company at that time for cash in the amount of $12,000, or $0.014 per share (or $0.006 per share prior to the reverse stock-split on September 28, 2010).

On July 28, 2009, the Company issued 39,765 shares (or 90,000 shares prior to the reverse stock-split on September 28, 2010) to a director of the Company for cash in the amount of $540, or $0.014 per share (or $0.006 per share prior to the reverse stock-split on September 28, 2010).

On December 28, 2009, the Company issued 883,658 shares (or 2,000,000 shares prior to the reverse stock-split on September 28, 2010) to Ensisheim Partners LLC for cash in the amount of $100,000, or $0.11 per share (or $0.05 per share prior to the reverse stock-split on September 28, 2010).

On January 21, 2010, the Company issued 866,007 shares (or 1,960,000 shares prior to the reverse stock-split on September 28, 2010) to forty-four (44) investors for cash in the amount of $98,000, or $0.11 per share (or $0.05 per share prior to the reverse stock-split on September 28, 2010).

On January 21, 2010, the Company issued 132,549 shares (or 300,000 shares prior to the reverse stock-split on September 28, 2010) to a servicer for effecting transactions intended to cause the Company to become a public company and to have its securities traded in the United States. The shares were issued at a value of $15,000, or $0.11 per share (or $0.05 per share prior to the reverse stock-split on September 28, 2010), the same price as the issuance of the 866,007 shares (or 1,960,000 shares prior to the reverse stock-split on September 28, 2010) for cash on the same date.

On January 21, 2010, the Company issued an additional 53,020 shares (or 120,000 shares prior to the reverse stock-split on September 28, 2010) to a shareholder who acquired 13,255 shares (or 30,000 shares prior to the reverse stock-split on September 28, 2010) for cash on the same date as one of the forty-four

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: STOCKHOLDERS' EQUITY – (continued)

(44) investors. Those shares were issued to the shareholder for services to be performed, including investor relations, media relations, and corporate communications. Those shares were issued at a value of $6,000, or $0.11 per share (or $0.05 per share prior to the reverse stock-split on September 28, 2010), the same price as the issuance of the 866,007 shares (or 1,960,000 shares prior to the reverse stock-split on September 28, 2010) for cash on the same date.

On January 23, 2010, the Company issued 35,346 shares (or 80,000 shares prior to the reverse stock-split on September 28, 2010) to an investor for cash in the amount of $4,000, or $0.11 per share (or $0.05 per share prior to the reverse stock-split on September 28, 2010).

On April 27, 2010, the Company issued 13,256 shares (or 30,000 shares prior to the reverse stock-split on September 28, 2010) to a service provider for website development services pursuant to an original agreement between the Company and the web site developer executed on December 14, 2009 (the "measurement date"), where it was agreed at that time that, at the Company's option, $50,000 would be paid or $50,000 in the form of 13,256 shares (or 30,000 shares of common stock prior to the reverse stock-split on September 28, 2010) would be issued to the developer in exchange for his services.

Private Placements and Warrants

On April 28, May 31, June 10, and June 23, 2011, pursuant to Securities Purchase Agreements with various investors (the "Investors"), the Company issued 5,256,800 shares of the Company's common stock and 5,256,800 warrants (the "Investor Warrants"), each of which entitles the investors to purchase the Company's common stock at $1.25 per share, for aggregate gross proceeds of $6,571,000 (the "Private Placement").

Placement Agent Fees

In connection with the Private Placement, the Company paid Dawson James Securities, Inc. (the "Placement Agent"), a cash fee equal to 10% of the gross proceeds from sale of the common stocks and warrants, plus 3% non-accountable expense allowance, an aggregate of $857,230 (the "Placement Agent Fee"). In addition, the Company entered into Warrant Agreements with the placement agent pursuant to which the Placement Agent received 788,520 warrants (the "Placement Agent Warrants"), each of which entitles the Placement Agent to purchase one share of the Company's common stock at $1.60 per share, plus an additional 788,520 warrants (the "Placement Agent Warrants"), each of which entitles the placement agent to purchase the Company's common stock at $1.25 per share. The cash payment of $857,230 Placement Agent Fee and the $495,876 aggregated initial fair value of the Placement Agent Warrants (see *Fair Value Considerations* below) were directly attributable to an actual offering and were charged through additional paid-in capital in accordance with the SEC Staff Accounting Bulletin (SAB) Topic 5A.

Warrants

The Warrants, including the Investor Warrants and the Placement Agent Warrants, are exercisable at any time commencing after the earliest of the following to occur (the "Initial Exercise Date"):

(a) Six (6) months from the closing of the Company Initial Public Offering (initial public offering of the Company's Common Stock registered under the Securities Act),

(b) The closing of a "fundamental transaction" (in case of any reclassification, capital reorganization, exchange of shares, liquidation, recapitalization or change of the Common Stock, or in case of any consolidation or merger of the Company with or into another corporation or entity, or in case of any sale, lease or conveyance to another corporation or entity of all or substantially all of the assets of the Company), or

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: STOCKHOLDERS' EQUITY – (continued)

(c) Closing of a "significant private financing" (sale of the Company's securities primarily for capital raising purposes in a transaction or series of related transactions that is exempt from registration under the Securities Act and in which the Company issues securities representing at least 20% of the then outstanding capital stock of the Company, calculated assuming the conversion or exercise of all outstanding options, warrants and other securities convertible into or exercisable for capital stock of the Company).

The Warrants shall expire and no longer be exercisable on the fifth anniversary of the Initial Exercise Date (the "Expiration Date"). The Company may at any time during the term of this Warrant reduce the then current Exercise Price to any amount and for any period of time deemed appropriate by the Board of Directors of the Company. The Warrants may be exercised for cash or, at the option of the Investor, may be exercised on a cashless basis. There are no redemption features embodied in the Warrants and they have met the conditions provided in current accounting standards for equity classification.

Fair Value Considerations

The Company's accounting for the issuance of warrants to the Investors and the Placement Agent required the estimation of fair values of the financial instruments. The development of fair values of financial instruments requires the selection of appropriate methodologies and the estimation of often subjective assumptions. The Company selected the valuation techniques based upon consideration of the types of assumptions that market participants would likely consider in exchanging the financial instruments in market transactions. The warrants were valued using a Black-Scholes-Merton Valuation Technique because it embodies all of the requisite assumptions (including trading volatility, estimated terms and risk free rates) necessary to fair value these instruments.

The Investor Warrants and the Placement Agent Warrants were initially valued at $1,808,025 or $0.344 per warrant, $228,712 or $0.290 per warrant, and $267,164 or $0.339 per warrant, respectively. The following tables reflect assumptions used to determine the fair value of the Warrants:

		April-June 2011	December 2011	
	Fair Value Hierarchy Level	Investor Warrants	Placement Agent Warrants	Placement Agent Warrants
Indexed shares		5,256,800	788,520	788,520
Exercise price		$ 1.60	$ 1.60	$ 1.25
Significant assumptions:				
Stock price	3	$ 0.906	$ 0.906	$ 0.906
Remaining term	3	6 years	6 years	6 years
Risk free rate	2	2.49%	1.12%	1.12%
Expected volatility	3	53.55%	54.21%	54.21%

Fair value hierarchy of the above assumptions can be categorized as follows:

(1) There were no Level 1 inputs.

(2) Level 2 inputs include:

- Risk-free rate — The risk-free rate of return reflects the interest rate for United States Treasury Note with similar time-to-maturity to that of the warrants.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: STOCKHOLDERS' EQUITY – (continued)

(3) Level 3 inputs include:

- Stock price — The Company's common stock was not publicly traded at the time the Warrants were issued. Therefore, the stock price was determined by taking the $1.25 price per Unit (one Unit consisted of one share of common stock and one warrant) issued in the Private Placement and subtracting from $1.25 the fair value of the Warrant, which was determined by the Black-Scholes method. The difference remaining after subtracting the fair value of the Warrant ($0.344) from the price per Unit ($1.25) is the fair value of the common stock ($0.906).
- Remaining term — The Company does not have a history to develop the expected term for its warrants. Accordingly, the Company expected that the Initial Exercise Date to occur within one year from the date of issuance plus the contractual term in the calculations.
- Expected volatility — We did not have a historical trading history sufficient to develop an internal volatility rate for use in the model. As a result, as required by ASC 718-10-30, the Company has accounted for the warrants using the calculated value method. The Company identified seven public entities in the similar industry for which share price information was available, and considered the historical volatilities of those public entities' share prices in calculating the expected volatility appropriate to the Company.

Stock Option and Incentive Plan

On September 28, 2010, the Board of Directors approved the adoption of the 2010 Stock Option and Incentive Plan, or the 2010 Plan, subject to stockholder approval, to provide for the grant of equity-based awards to employees, officers, non-employee directors and other key persons providing services to the Company. Awards of incentive options may be granted under the 2010 Plan until September 2020. No other awards may be granted under the 2010 Plan after the date that is 10 years from the date of stockholder approval. An aggregate of 1,000,000 shares (or 2,263,320 shares prior to the reverse stock-split on September 28, 2010) are reserved for issuance in connection with awards granted under the 2010 Plan, such number of shares to be subject to adjustment as provided in the plan and in any award agreements entered into by the Company under the plan, and upon the exercise or conversion of any awards granted under the plan.

On April 4, 2011, 45,000 non-qualified stock options were granted under the Plan to Dr. Tim Hunkapiller for being a member of the Company's Scientific Advisory Board and consulting services to be provided to the Company.

On September 1, 2011, 219,000 incentive stock options were granted under the Plan to employees and officers and 200,000 non-qualified stock options were granted under the Plan to non-employee directors, respectively, for their employment with and services to be provided to the Company (see Note 14).

NOTE 11: INCOME TAXES

The Company accounts for income taxes as outlined in ASC 740, "Income Taxes", which was previously Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under the asset and liability method of SFAS 109, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

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NOTE 11: INCOME TAXES – (continued)

As a result of the Company's cumulative losses, management has concluded that a full valuation allowance against the Company's net deferred tax assets is appropriate. No income tax liabilities existed as of December 31, 2011 and 2010 due to the Company's continuing operating losses.

NOTE 12: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At December 31, 2011 and 2010, the Company had $2,660,821 and $0 in excess of the FDIC insured limit.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Lease Commitments

On September 29, 2010, the Company entered into a commercial lease agreement with CompleGen, Inc. for laboratory space located in Seattle, WA. The lease provides for monthly rent of $3,657.05 and a security deposit of $3,657.50. The lease terms are from September 29, 2010 through March 31, 2011, at which time the lease has converted to month to month unless two months' prior written notice of the intent to terminate the agreement is given.

On March 4, 2011, the Company entered into a commercial lease agreement with Sanders Properties, LLC for office space located in Seattle, WA. The lease provides for monthly rent of $1,100 and a security deposit of $1,500. The lease terms are from April 1, 2011 through March 31, 2013.

On July 9, 2011, the Company entered into a commercial lease agreement with Sanders Properties, LLC for additional office space located in Seattle, WA. The lease provides for monthly rent of $600 and a security deposit of $1,200. The lease terms are from July 11, 2011 through July 31, 2012.

On September 27, 2011, the Company entered into another commercial lease agreement with Sanders Properties, LLC for additional office space located in Seattle, WA. The lease provides for monthly rent of $1,400 and a security deposit of $1,000. The lease terms are from October 1, 2011 to March 31, 2012. This lease terminated on March 31, 2012 and was not renewed.

On December 9, 2011, the Company entered into another commercial lease agreement with Fred Hutchinson Research Center for lab and office space located in Seattle, WA. The lease provides for monthly rent of $16,395 for the period from February 24, 2012 to August 31, 2012, $19,923 for the period from September 1, 2012 to August 31, 2013, and $20,548 for the period from September 1, 2013 to November 29, 2014. The security deposit of $32,789 was paid in March 2012 and recorded as Rental Deposit in the consolidated balance sheet as of March 31, 2012.

The future minimum lease payments due subsequent to December 31, 2011 under all non-cancelable operating leases for the next five years are as follows:

As of December 31,	Amounts
2012	$ 204,576
2013	244,872
2014	226,027
2015	—
2016	—
Thereafter	—
Total minimum lease payments	$ 675,476

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: COMMITMENTS AND CONTINGENCIES – (continued)

Contingencies

On June 30, 2011, Robert Kelly, the Company's former President, filed a counterclaim against the Company in an arbitration proceeding, alleging breach of contract in connection with the termination of a consulting agreement between Mr. Kelly (dba Pitslayer) and the Company. The consulting agreement was terminated by the Company in September 2010. Mr. Kelly seeks $450,000 in compensatory damages, which is the amount he claims would have been earned had the consulting agreement been fulfilled to completion. The Company is in arbitration with Mr. Kelly and is reasonably confident in its defenses to Mr. Kelly's claims. Consequently, no provision or liability has been recorded for Mr. Kelly's claims as of December 31, 2011. However, it is at least reasonably possible that the Company's estimate of its liability may change in the near term. Any payments by reason of an adverse determination in this matter will be charged to earnings in the period of determination.

NOTE 14: RELATED PARTY TRANSACTIONS

Loans from Officer

On May 26, 2009, the Company borrowed $5,000 from its Chairman of the Board and Chief Executive Officer as a short-term, unsecured loan via verbal agreement and did not bear any interest. Commencing June 30, 2010, the loan was converted into a written Promissory Note bearing an annual interest rate of 10%, with a maturity date of December 31, 2010. This note was repaid in full on May 16, 2011 including approximately $439 of accrued interest.

On June 30, 2010, the Company borrowed an additional $100,000 from its Chairman of the Board and Chief Executive Officer pursuant to a promissory note. The loan under the note was funded to the Company on July 12, 2010. The note bears a 10% interest rate per annum and carries a $4,000 loan origination fee which is accreted to the loan balance throughout the life of the loan. The $4,000 loan origination fee was fully accreted to the loan balance as of March 31, 2011 and December 31, 2010, and recorded as interest expense for the year ended December 31, 2010. This note (including the $4,000 origination fee) was repaid in full on May 19, 2011 including approximately $8,959 in accrued interest.

On November 3, 2010, the Company entered into a line of credit agreement for borrowing up to $500,000 from its Chairman of the Board and Chief Executive Officer pursuant to a promissory note. The note bears a 10% interest rate per annum. An aggregate of $140,000 was funded to the Company under the line of credit as of March 31, 2011 which was repaid on May 31, 2011, including approximately $6,093 in accrued interest. As of December 31, 2011, the unpaid principal balance drawn from the line of credit was $5,078.

Exclusive License Agreement

On July 27, 2009, the Company entered into an exclusive license agreement with Ensisheim Partners LLC ("Ensisheim"), an entity solely owned by the Chairman and Chief Executive Officer of the Company and the Chief Technology Officer of the Company, who is also the Company's Chairman and CEO's wife. Pursuant to that agreement, Ensisheim granted the Company an exclusive, worldwide, perpetual, irrevocable, royalty-bearing, license to the MASCT System, with the right to grant and authorize sublicenses. The license agreement provided that the Company would pay Ensisheim a royalty equal to 2% of net sales revenue, with a minimum royalty of $12,500 per fiscal quarter during the term of the agreement, which would have increased to a minimum royalty of $25,000 per fiscal quarter beginning in the quarter in which the first commercial sale of a licensed product would have taken place. From inception through December 31, 2010, the Company had incurred $16,250 in patent-related expenses under the license agreement with Ensisheim.

On June 17, 2010, the Company and Ensisheim entered into an Assignment Agreement, whereby Ensisheim assigned to the Company all rights to the patents and patent applications underlying the MASCT System. Pursuant to the assignment, the Company will have all responsibility for prosecution, maintenance, and enforcement and will indemnify Ensisheim from any and all claims against the patent estate. Ensisheim

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

retained no residual rights with respect to the patents and patent applications. In conjunction with the assignment, the Company terminated the exclusive license agreement between the Company and Ensisheim dated July 27, 2009. As a result of the termination, the Company has no further obligations with respect to royalty payments to Ensisheim due under the old licensing agreement. As a result, the $12,500 of patent royalty payable to Ensisheim recorded as accrued royalty payable at December 31, 2009 has been reversed through royalty expense during the second quarter of 2010.

Commercial Lease Agreement

On December 24, 2009, the Company entered into a commercial lease agreement with Ensisheim for office space located in Seattle, Washington. The lease provided for annual rent of $13,200, plus applicable sales tax. From inception through December 31, 2009, the Company incurred $248 of rent expense for the lease. As of December 31, 2009, security deposit for the lease amounted to $1,100. For the period of January 1, 2010 through June 30, 2010, the Company incurred $6,600 of rent expense for the lease. On July 15, 2010 the Company and Ensisheim terminated the lease, effective July 1, 2010 and the Company commenced use of the facility rent free until April 1, 2011 when the commercial lease agreement the Company entered into with Sanders Properties, LLC became effective (see Note 13).

Executive Compensation

On May 19, 2010, the Company entered into employment agreements with three executives, including its Chief Executive Officer, its former President, and its Chief Technology Officer. The annual base salaries under each agreement were calculated based on combined consideration of the success of capital raise and the operating results of the Company, and capped at $360,000, $350,000, and $250,000, respectively for the three executives.

On July 22, 2010, in connection with the resignation and departure of Robert L. Kelly, the President and a director, the Company entered into a consulting agreement with a limited liability company controlled by Mr. Kelly. Under the agreement, the Company was to receive consulting services relating to capital raising and investor relations. The agreement was terminated by the Company in September 2010, through which time a total of $30,000 consulting expense had been paid.

On July 22, 2010, the Company restated and amended the employment agreements with its CEO and CTO. The agreements modified the base annual salary amounts to $250,000 and $200,000, respectively, effective retroactively to May 19, 2010. These salaries were accrued and amounted to $391,071 and $278,571 as of March 31, 2011 and December 31, 2010 and paid in full in April 2011. For the twelve-month periods ended December 31, 2011 and 2010, salaries and bonuses of the CEO and CTO amounted to $693,048 and $377,620 of which $492,095 and $0 was recorded to research and development expense, respectively.

Share-Based Compensation

The amended employment agreement with the CEO, entered into on July 22, 2010, granted options to purchase 250,000 shares (or 565,830 shares prior to the reverse stock-split on September 28, 2010) at a price of $5.00 per share, in consideration of his service to the Company. Of these options, 25% (or 62,500 shares) vested on December 31, 2010 with the remaining 75% (or 187,500 shares) to vest in equal quarterly installments over the next three years so long as the executive remains employed with the company. These options have five-year contractual terms.

The amended employment agreement with the CTO, entered into on July 22, 2010, granted options to purchase 100,000 shares (or 226,332 shares prior to the reverse stock-split on September 28, 2010) at a price of $5.00 per share in consideration of her service to the Company. Of these options, 25% (or 25,000 shares) vested on December 31, 2010 with the remaining 75% (or 75,000 shares) to vest in equal quarterly installments over the next three years so long as the executive remains employed with the company. These options have five-year contractual terms.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

On April 4, 2011, 45,000 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to Dr. Tim Hunkapiller for being a member of the Company's Scientific Advisory Board and consulting services to be provided to the Company, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest as follows:

(i) 11,250 option shares shall vest ninety (90) days after the date of grant;

(ii) 11,000 option shares shall vest one hundred and eighty (180) days after the date of grant;

(iii) 11,500 option shares shall vest two hundred and seventy (270) days after the date of grant;

(iv) 11,250 option shares shall vest three hundred and sixty (360) days after the date of grant.

On September 1, 2011, 219,000 incentive stock options were granted under the 2010 Stock Option and Incentive Plan to employees and officers as part of their employment agreements, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest and become exercisable as follows:

(i) twenty-five percent (25%) of the underlying shares on the first anniversary of the date of grant; and

(ii) one-forty eighth (1/48) of the underlying shares monthly thereafter.

On September 1, 2011, 200,000 non-qualified stock options were granted under the 2010 Stock Option and Incentive Plan to non-employee directors for services to be provided to the Company, at an exercise price of $1.25 per share. These options have a ten-year contractual term and shall vest and become exercisable as follows:

(i) 80,000 option shares shall vest on September 1, 2011;

(ii) 30,000 options shares shall vest on December 1, 2011;

(iii) 30,000 options shares shall vest on March 1, 2012;

(iv) 30,000 options shares shall vest on June 1, 2012;

(v) 30,000 options shares shall vest on September 1, 2012.

In accordance with the guidance provided in ASC Topic 718, Stock Compensation (formerly SFAS 123R), the compensation costs associated with these options are recognized, based on the grant-date fair values of these options, over the requisite service period, or vesting period. Accordingly, the Company recognized a compensation expense of $140,056 and $30,396 for the years ended December 31, 2011 and 2010, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

The Company estimated the fair value of these options using the Black-Scholes-Merton option pricing model based on the following weighted-average assumptions:

	CEO & CTO	Dr. Hunkapiller	Employees & Officers	Non-employee Directors
Date of grant	22-Jul-10	4-Apr-11	1-Sep-11	1-Sep-11
Fair value of common stock on date of grant	$ 2.756 (B)	$ 0.906 (C)	$ 0.906 (C)	$ 0.906 (C)
Exercise price of the options	$ 5.00	$ 1.25	$ 1.25	$ 1.25
Expected life of the options (years)	3.33	5.31	5.65	5.65
Dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	58.59%	54.12%	53.90%	53.90%
Risk-free interest rate	1.03%	2.26%	1.08%	1.08%
Expected forfeiture per year (%)	0.00%	0.00%	(A)	0.00%
Weighted-average fair value of the options (per unit)	$ 0.6744	$ 0.3729	$ 0.3579	$ 0.3579

(A) 0.00% for the first year after the grant date, and 2.50% for every three months thereafter.

(B) The fair value of the Company's common stock derived implicitly from the public offering filed in March 2010 at $3.00 per share and from the terms of an underwritten offering contemplated in July 2010 at $6.00 per Unit that was filed in October 2010, with $2.756 per share being allocated to common stock using an iterative approach in order for the combined fair value of the common stock and warrants to equal the amount of consideration to be received in the offering.

(C) The fair value of the Company's common stock derived implicitly from the Private Placement during April through June 2011 at $1.25 per Unit, wherein one Unit was comprised of one share of common stock and one warrant to purchase one share of common stock at an exercise price of $1.60 per share.

In October 2010, the Company filed a Registration Statement on Form S-1 with the SEC. However, the market for early stage investments in medical technology transactions had deteriorated between mid-2010 and early 2011. In addition, the Company's ability to negotiate with potential investors was limited. The Company's cash position had also diminished since the summer of 2010 and the founders of the Company were unable to finance the Company at the level needed for growth. The withdrawal of the Registration Statement in February 2011 further weakened the impression of the Company in the market. The fair value of the Company's common stock decreased from $2.756 in 2010 to $0.906 in 2011 primarily because the grants in 2011 relied on the arm's-length negotiation of the private placement financing (for illiquid stock) as opposed to relying on an anticipated initial public offering (of publicly-traded stock), as was the case in 2010. The private placement transactions were between the company and over 200 accredited investors and ascribed a value of $0.906 to the Company's common stock.

Fair value hierarchy of the above assumptions can be categorized as follows:

(1) There were no Level 1 inputs.

(2) Level 2 inputs include:

- Risk-free rate — The risk-free rate of return reflects the interest rate for United States Treasury Note with similar time-to-maturity to that of the options.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

(3) Level 3 inputs include:

- Expected lives — The expected lives of options granted were derived from the output of the option valuation model and represented the period of time that options granted are expected to be outstanding.
- Expected forfeitures per year — The expected forfeitures are estimated at the dates of grant and will be revised in subsequent periods pursuant to actual forfeitures, if significantly different from the previous estimates.
- Expected volatility — We did not have a historical trading history sufficient to develop an internal volatility rate for use in the model. As a result, as required by ASC 718-10-30, the Company has accounted for the options using the calculated value method. The Company identified seven public entities in the similar industry for which share price information was available, and considered the historical volatilities of those public entities' share prices in calculating the expected volatility appropriate to the Company.

The estimates of fair value from the model are theoretical values of stock options and changes in the assumptions used in the model could result in materially different fair value estimates. The actual value of the stock options will depend on the market value of the Company's common stock when the stock options are exercised.

Notwithstanding that the fair market value of the Company's common stock in September 2011 was $0.906 per share, the Company filed a Registration Statement on Form S-1 in February 2012 to offer shares of its common stock at $5.00 to $7.00 per share. This increase in share value is justified by the accomplishments achieved by the Company between September 2011 and February 2012. Specifically, the MASCT System manufacturing had been completed, supplies for the Field Experience Trial were completed and the Company had established an FDA-compliant inventory and warehousing facility. Further, the National Reference Laboratory for Breast Health, the Company's wholly-owned subsidiary, was established as a Delaware corporation, was equipped and staffed, and the protocols and procedures needed to be a CLIA-registered facility were put in place. Moreover, the ForeCYTE test, which involves cytopathology and five biomarkers of hyperplasia and one biomarker of sample integrity, was completed, tested, and validated to CLIA standards. Computer hardware and software was acquired, set up, made operational, and the ForeCYTE report template, with unique reporting information for the requesting physician and a patient letter template, were created. The company explored and identified a technology for the ArgusCYTE test (which is the technology that the Company is currently using for the ArgusCYTE test), negotiated a supply agreement with the supplier, and tested and validated the test. An ArgusCYTE report template was also established and a new reporting scheme invented and a patent application filed.

Further, the Company negotiated the option to acquire the FullCYTE Microcatheter System from Hologics, reestablished the supply chain and began preparing for a commercial launch later in 2012 or early 2013. In doing so, the Company increased its U.S. patent portfolio from 5 to 31 and its total portfolio of patents and applications to over 120. The Company also prepared marketing documents for the launch of the ForeCYTE and ArgusCYTE tests, which occurred in December 2011. The Company studied the use of the FullCYTE microcatheter in six patients to establish the feasibility of performing next-generation tests on samples taken with the microcatheters. Additionally, the Company negotiated a one-year option to acquire commercial rights to the NextCYTE technology, and is conducting a study of the utility of the technology in providing superior information in the setting of cancer diagnosis and treatment selection.

The Company also established third-party relationships to perform the reimbursement billing in anticipation of the commercial launch and to permit electronic remittance of testing revenue. The Company launched a Field Test Experience limited launch of both the ForeCYTE and ArgusCYTE tests on schedule in

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NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

December 2011 and has seen significant market acceptance of both tests from the doctors and clinics using the tests. The Company passed a CLIA inspection and became CLIA-certified, has obtained several state licenses and has pending applications in all remaining states where licensure is required. Finally, the Board of Directors and scientific advisory board were each strengthened with the addition of key new executives and scientists.

The Board of Directors considered each of the foregoing achievements, and considered input from the Company's investment bankers, in determining that the value of the Company supports a valuation of $5.00 to $7.00 per share of the Company's common stock.

Options issued and outstanding as of December 31, 2011 and 2010 and their activities during the years are as follows:

	Number of Underlying Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Contractual Life Remaining in Years
Outstanding as of January 1, 2011	350,000	$ 5.00	
Granted	464,000	1.25	
Expired	—	—	
Forfeited	(206,000)	—	
Outstanding as of December 31, 2011	608,000	3.41	6.12
Exercisable as of December 31, 2011	318,750	3.31	6.27
Vested and expected to vest[1]	608,000	3.41	6.12

	Number of Underlying Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Contractual Life Remaining in Years
Outstanding as of January 1, 2010	—	—	
Granted	350,000	$ 5.00	
Expired	—	—	
Forfeited	—	—	
Outstanding as of December 31, 2010	350,000	5.00	4.56
Exercisable as of December 31, 2010	87,500	5.00	4.56
Vested and expected to vest[1]	350,000	5.00	4.56

(1) Includes vested shares and unvested shares after a forfeiture rate is applied.

As of December 31, 2011 and 2010, the aggregate intrinsic value of options outstanding, exercisable, and vested and expected to vest was $329,053 and $236,040, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: RELATED PARTY TRANSACTIONS – (continued)

A summary of the status of the Company's unvested shares as of December 31, 2011 and 2010, and changes during the years ended December 31, 2011 and 2010, are presented below:

Unvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of January 1, 2011	262,500	$ 176,963
Granted	464,000	166,741
Vested	(228,250)	(110,964)
Forfeited	(209,000)	(73,727)
Unvested as of December 31, 2011	289,250	$ 159,013

Unvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Unvested as of January 1, 2010	—	$ —
Granted	350,000	236,040
Vested	(87,500)	(59,077)
Forfeited	—	—
Unvested as of December 31, 2010	262,500	$ 176,963

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2012, the date which the audited consolidated financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2011 have been incorporated into these consolidated financial statements and there are no subsequent events that require disclosure in accordance with FASB ASC Topic 855, "Subsequent Events".

1,000,000 Shares

PROSPECTUS

DAWSON JAMES SECURITIES, INC.

, 2012

Until 2012 (25 days after the commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

Item 13. Other Expenses of Issuance and Distribution

The expenses (other than placement agent fees) payable by us in connection with this offering are as follows:

	Amount
SEC registration fee	$ 923
Financial Industry Regulatory Authority, Inc. fee	$ 1,305
NASDAQ listing fee	$ 50,000
Accountants' fees and expenses	$ 15,000
Legal fees and expenses	$ 250,000
Transfer Agent's fees and expenses	$ 25,000
Printing and engraving expenses	$ 60,000
Miscellaneous	$ 122,772
Total Expenses	$ 500,000

* to be completed by amendment

All expenses are estimated except for the SEC registration fee, the Financial Industry Regulatory Authority, Inc. fee and the NASDAQ listing fee.

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law, or the DGCL, authorizes a corporation to indemnify its directors and officers against liabilities arising out of actions, suits and proceedings to which they are made or threatened to be made a party by reason of the fact that they have served or are currently serving as a director or officer to a corporation. The indemnity may cover expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by the director or officer in connection with any such action, suit or proceeding. Section 145 permits corporations to pay expenses (including attorneys' fees) incurred by directors and officers in advance of the final disposition of such action, suit or proceeding. In addition, Section 145 provides that a corporation has the power to purchase and maintain insurance on behalf of its directors and officers against any liability asserted against them and incurred by them in their capacity as a director or officer, or arising out of their status as such, whether or not the corporation would have the power to indemnify the director or officer against such liability under Section 145.

We have adopted provisions in our certificate of incorporation and bylaws to be in effect at the completion of this offering that limit or eliminate the personal liability of our directors to the fullest extent permitted by the DGCL, as it now exists or may in the future be amended. Consequently, a director will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any unlawful payments related to dividends or unlawful stock purchases, redemptions or other distributions; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not alter director liability under the federal securities laws and do not affect the availability of equitable remedies such as an injunction or rescission.

In addition, our bylaws to be in effect at the completion of this offering will provide that:

- we will indemnify our directors, officers and, in the discretion of our Board of Directors, certain employees to the fullest extent permitted by the DGCL, as it now exists or may in the future be amended; and
- we will advance reasonable expenses, including attorneys' fees, to our directors and, in the discretion of our Board of Directors, to our officers and certain employees, in connection with legal proceedings relating to their service for or on behalf of us, subject to limited exceptions.

We have entered into indemnification agreements with each of our directors and certain of our executive officers. These agreements provide that we will indemnify each of these directors and executive officers to the fullest extent permitted by Delaware law. We will advance expenses, including attorneys' fees, judgments, fines and settlement amounts, to each indemnified director, executive officer or affiliate in connection with any proceeding in which indemnification is available and we will indemnify our directors and officers for any action or proceeding arising out of that person's services as an officer or director brought on behalf of the Company or in furtherance of our rights.

We maintain general liability insurance that covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers, including liabilities under the Securities Act.

The placement agent agreement filed as Exhibit 1.1 to this registration statement provides for indemnification of us and our directors and officers by the placement agent against certain liabilities under the Securities Act and the Exchange Act.

Item 15. Recent Sales of Unregistered Securities

The Company has sold the following securities within the past three years which were not registered under the Securities Act of 1933:

Pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended, as a transaction by an issuer not involving any public offering as founder shares in connection with the formation of the Company, the Company issued 4,899,888 shares of its common stock as follows:

	Shares	Date	Consideration
Steven Quay	883,662	April 30, 2009	$ 12,000
Ensisheim Partners LLC	1,767,316	April 30, 2009	(1)
Ensisheim Partners LLC	883,658	December 28, 2009	$ 100,000
Manistee Ventures, Inc.	1,325,487	April 30, 2009	$ 18,000
John Barnhart	39,765	July 28, 2009	$ 540

(1) The 1,767,316 shares of common stock issued to Ensisheim Partners LLC at the Company's inception were issued in consideration for $24,000 in cash and this entity's contribution to the Company of intellectual property rights and FDA marketing authorization for the MASCT System.

In January 2010, pursuant to an exemption from registration under Rule 504 pursuant to the Securities Act of 1933 (the "Securities Act"), the Company issued an aggregate of 901,354 shares of its common stock to 45 investors for aggregate cash proceeds of $102,000. Of these 45 investors, 13 are accredited investors and 4 are citizens and residents of Taiwan, Republic of China.

In January 2010, the Company issued 185,569 shares in consideration for services performed by two consultants, with an aggregate value of $21,000. This offering was exempt from registration under Rule 504 under the Securities Act.

On April 23, 2010, the Company issued 13,256 shares of common stock for services performed by a consultant with an aggregate value of $50,000. This offering was exempt from registration under Section 4(2) of the Securities Act, as a transaction by an issuer not involving any public offering.

Between April 2011 and July 2011, the Company issued a total of 5,256,800 shares of the Company's common stock and warrants to purchase up to an additional 5,256,800 shares of common stock at a price of $1.60 per share, for aggregate gross proceeds of $6,571,000 (the "Private Placement"). All purchasers in the Private Placement were accredited investors, as defined under Regulation D under the Securities Act, and this offering was exempt from registration under Rule 506 under the Securities Act. In connection with the completion of the Private Placement, the Company issued common stock warrants to Dawson James Securities ("Dawson James"), the placement agent for the Private Placement, representing the right to purchase up to 788,520 shares of common stock at a price of $1.25 per share, plus the right to purchase up to 788,520 additional shares of common stock at a price of $1.60 per share. The issuance of the warrants to Dawson James was exempt from registration under Section 4(2) of the Securities Act, as a transaction by an issuer not involving a public offering.

Item 16. Exhibits and Financial Statement Schedules.

EXHIBITS

1.1	Form of Placement Agent Agreement
3.1**	Certificate of Incorporation, as currently in effect
3.2	Certificate of Incorporation (to be effective immediately prior to completion of this offering)
3.3**	By-laws, as currently in effect
3.4	By-laws (to be effective immediately prior to completion of this offering)
4.1**	Specimen common stock certificate
5.1	Opinion of Ropes & Gray LLP
10.1**	Exclusive Patent License Agreement with Ensisheim Partners, LLC, dated July 27, 2009
10.2**	Termination of Exclusive Patent License Agreement, dated June 17, 2010
10.3#**	Restated and Amended Employment Agreement with Steven Quay
10.4#**	Restated and Amended Employment Agreement with Shu-Chih Chen
10.5**	Form of Indemnification Agreement
10.6#	2010 Stock Option and Incentive Plan, as amended
10.7#	Form of Incentive Stock Option Agreement
10.8#	Form of Non-Qualified Stock Option Agreement for Employees
10.9#	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors
10.10**	Form of Subscription Agreement
10.11**	Sublease Agreement with CompleGen, Inc. dated September 29, 2010
10.12**	Patent Assignment Agreement by and between the Company and Ensisheim Partners, LLC
10.13#	Form of Restricted Stock Award Agreement
10.14**	Form of Lock-Up Agreement
10.15**	Agreement with Christopher Benjamin
10.16**	Business Consultant Agreement with Edward Sauter
10.17**	Prototype Development Proposal and Terms and Conditions, between the Company and HLB, LLC.
10.18**	Commercial Lease Agreement with Ensisheim Partners LLC, dated December 24, 2009
10.19**	Termination of Lease Obligation with Ensisheim Partners LLC, dated July 21, 2010
10.20**	Office Lease with Sander Properties, LLC, dated March 4, 2011
10.21**	Office Lease with Sander Properties, LLC, dated July 8, 2011
10.22**	Office Lease with Sander Properties, LLC, dated September 20, 2011
10.23**	Sublease with Fred Hutchinson Cancer Research Center, dated December 9, 2011
10.24**	Promissory Note — Line of Credit, effective November 3, 2010, by and between the Company and Steven C. Quay
10.25	Term Sheet for License Agreement between the Company and Inven2 AS
10.26	Agreement between the Company and Accellent Inc., dated August 8, 2011
10.27	Supply Agreement between the Company and Biomarker LLC, dated June 24, 2011
10.28	Purchase Agreement between the Company and Hologic Inc., dated May 11, 2011
23.1	Consent of KCCW Accountancy Corp.
23.2	Consent of Ropes & Gray LLP (filed as part of Exhibit 5.1)
24.1**	Power of Attorney

* To be filed by amendment.

** Previously filed.

# Indicates management contract or compensatory plan, contract or agreement.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the placement agent at the closing specified in the placement agent agreement certificates in such denominations and registered in such names as required by the placement agent to permit prompt delivery to each purchaser. The undersigned registrant hereby undertakes:

1. For purposes of determining any liability under the Securities Act of 1933, 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 of 1933, 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.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 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 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 Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 3 to this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Seattle, State of Washington, on June 11, 2012.

ATOSSA GENETICS INC.
By: /s/ Steven C. Quay
Name: Steven C. Quay, M.D., Ph.D.
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 3 to this Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ Steven C. Quay Steven C. Quay, M.D., Ph.D.	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	June 11, 2012
/s/ Christopher Benjamin Christopher Benjamin	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	June 11, 2012
* John Barnhart	Director	June 11, 2012
* Alexander Cross, Ph.D.	Director	June 11, 2012
* Shu-Chih Chen, Ph.D.	Director	June 11, 2012
* Stephen J. Galli, M.D.	Director	June 11, 2012
* H. Lawrence Remmel	Director	June 11, 2012

*By: /s/ Steven C. Quay
Attorney-in-Fact

Atossa Genetics Inc.

PLACEMENT AGENT AGREEMENT

dated _____, 2012

Dawson James Securities, Inc.

Placement Agent Agreement

_____, 2012

Dawson James Securities, Inc.
925 South Federal Highway, Suite 600
Boca Raton, FL 33432

Ladies and Gentlemen:

Introductory. Atossa Genetics Inc., a Delaware corporation (the "Company"), proposes to issue and sell, and the placement agents named in Schedule A (the "Placement Agents") an aggregate of 1,000,000 of the Company's common stock ("Common Stock") to investors deemed acceptable by the Company (the "Investors"). The shares of Common Stock to be sold by the Company are collectively called the "Company Shares." In addition, the Company has granted to the Placement Agents an option to arrange for the sale to the Investors of up to an additional number of shares of Common Stock equal to 15% of the number of Company Shares (the "Optional Shares"), as provided in Section 2. The Company Shares and, if and to the extent such option is exercised, the Optional Shares are collectively called the "Shares." Dawson James Securities, Inc. has agreed to act as representative for the several Placement Agents (in such capacity, the "Representative") in connection with the offering and sale of the Shares.

The Company confirms its agreement with the Placement Agents as follows:

SECTION 1. *Representations and Warranties of the Company.*

The Company represents, warrants and covenants to each Placement Agent as follows:

(a) *Filing of the Registration Statement.* The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (File No. 333-179500), which contains a form of prospectus to be used in connection with the public offering and sale of the Shares. Such registration statement, as amended, including the financial statements, exhibits and schedules thereto, and the documents incorporated by reference in the prospectus contained in the registration statement at the time such registration statement became effective, in the form in which it was declared effective by the Commission under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the "Securities Act"), and including any required information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A, Rule 430B or Rule 430C under the Securities Act, or pursuant to the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (collectively, the "Exchange Act"), is called the "Registration Statement." Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act is called the "Rule 462(b) Registration Statement," and from and after the date and time of filing of the Rule 462(b) Registration Statement, the term "Registration Statement" shall include the Rule 462(b) Registration Statement. Such prospectus, in the form first filed pursuant to Rule 424(b) under the Securities Act after the date and time that this Agreement is executed and delivered by the parties hereto (the "Execution Time"), or, if no filing pursuant to Rule 424(b) under the Securities Act is required, the form of final prospectus relating to the Shares included in the Registration Statement at the effective date of the Registration Statement, is called the "Prospectus." All references in this Agreement to the Registration Statement, the Rule 462(b) Registration Statement, the Company's preliminary prospectus included in the Registration Statement (each a "preliminary prospectus"), the Prospectus, or any amendments or supplements to any of the foregoing, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"). Any reference herein to any preliminary prospectus or the Prospectus or any supplement or amendment to either thereof shall be deemed to refer to and include any documents incorporated by reference therein as of the date of such reference.

(b) *Compliance with Registration Requirements.* The Registration Statement has been declared effective by the Commission under the Securities Act. The Company has complied, to the Commission's satisfaction, with all requests of the Commission for additional or supplemental information. No stop order preventing or suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

Each preliminary prospectus and the Prospectus when filed complied or will comply in all material respects with the Securities Act and, if filed by electronic transmission pursuant to EDGAR (except as may be permitted by Regulation S-T under the Securities Act), was identical in content to the copy thereof delivered to the Placement Agents for use in connection with the offer and sale of the Shares other than with respect to any artwork and graphics that were not filed. Each of the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendment thereto, at the time it became effective and at all subsequent times until the expiration of the prospectus delivery period required under Section 4(3) of the Securities Act, complied and will comply in all material respects with the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus (including any Prospectus wrapper), as amended or supplemented, as of its date and at all subsequent times until the Placement Agents have completed their placement of the offering of the Shares, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the two immediately preceding sentences do not apply to statements in or omissions from the Registration Statement, any Rule 462(b) Registration Statement, or any post-effective amendment thereto, or the Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with information relating to the Placement Agents furnished to the Company in writing by any Placement Agent directly or through the Representative expressly for use therein, it being understood and agreed that the only such information furnished by or on behalf of any Placement Agent consists of the information described as such in Section 9 hereof. There are no contracts or other documents required to be described in the Prospectus or to be filed as exhibits to the Registration Statement that have not been described in all material respects or filed as required.

(c) *Disclosure Package*. The term "Disclosure Package" shall mean (i) the preliminary prospectus, as amended or supplemented, (ii) the issuer free writing prospectuses as defined in Rule 433 of the Securities Act (each, an "Issuer Free Writing Prospectus"), if any, identified in Schedule B hereto, (iii) the pricing terms set forth in Schedule C to this Agreement, and (iv) any other free writing prospectus that the parties hereto shall hereafter expressly agree in writing to treat as part of the Disclosure Package. As of 9:00 a.m. (Eastern time) on the date of this Agreement (the "Initial Sale Time"), the Disclosure Package did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the Disclosure Package based upon and in conformity with written information furnished to the Company by any Placement Agent directly or through the Representative specifically for use therein, it being understood and agreed that the only such information furnished by or on behalf of any Placement Agent consists of the information described as such in Section 9 hereof.

(d) *Company Not Ineligible Issuer*. (i) At the time of filing the Registration Statement and (ii) as of the date of the execution and delivery of this Agreement (with such date being used as the determination date for purposes of this clause (ii)), the Company was not and is not an Ineligible Issuer (as defined in Rule 405 of the Securities Act), without taking account of any determination by the Commission pursuant to Rule 405 of the Securities Act that it is not necessary that the Company be considered an Ineligible Issuer.

(e) *Issuer Free Writing Prospectuses*. No Issuer Free Writing Prospectus includes any information that conflicts with the information contained in the Registration Statement, including any document incorporated by reference therein that has not been superseded or modified. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to the Company by any Placement Agent directly or through the Representative specifically for use therein, it being understood and agreed that the only such information furnished by any Placement Agent consists of the information described as such in Section 9 hereof.

(f) *Offering Materials Furnished to Placement Agents.* The Company has delivered to the Representative one conformed copy of the Registration Statement and of each consent and certificate of experts filed as a part thereof, and preliminary prospectuses and the Prospectus, as amended or supplemented, in such quantities and at such places as the Representative has reasonably requested.

(g) *Distribution of Offering Material By the Company.* The Company has not distributed and will not distribute, prior to the later of (i) the expiration or termination of the option granted to the Placement Agents in Section 2(c) of this Agreement and (ii) the completion of the Placement Agents' placement of the Shares, any offering material in connection with the offering and sale of the Shares other than a preliminary prospectus, the Prospectus, any Issuer Free Writing Prospectus reviewed and consented to by the Representative, and the Registration Statement.

(h) *The Placement Agent Agreement.* This Agreement has been duly authorized (to the extent applicable), executed and delivered by, and is a valid and binding agreement of, the Company, enforceable in accordance with its terms, except as rights to indemnification hereunder may be limited by applicable law and except as the enforcement hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights and remedies of creditors or by general equitable principles.

(i) *Authorization of the Shares.* The Shares to be sold by the Placement Agents (including the Shares to be sold on exercise of the Placement Agents' overallotment option described in Section 2(c)) have been duly and validly authorized by all required corporate actions and have been reserved for issuance and sale pursuant to this Agreement and, when so issued and delivered by the Company, will be validly issued, fully paid and nonassessable.

(j) *No Applicable Registration or Other Similar Rights.* Except as fairly and accurately described in the Registration Statement, there are no persons with registration or other similar rights to have any equity or debt securities registered for sale under the Registration Statement or included in the offering contemplated by this Agreement.

(k) *No Material Adverse Change.* Except as otherwise disclosed in the Disclosure Package, subsequent to the respective dates as of which information is given in the Disclosure Package: (i) there has been no material adverse change, or any development that could reasonably be expected to result in a material adverse change, in the condition, financial or otherwise, or in the earnings, business, operations or prospects, whether or not arising from transactions in the ordinary course of business, of the Company (any such change is called a "Material Adverse Change"); (ii) the Company has not incurred any material liability or obligation, indirect, direct or contingent, not in the ordinary course of business nor entered into any material transaction or agreement not in the ordinary course of business; and (iii) there has been no dividend or distribution of any kind declared, paid or made by the Company in respect of its capital stock.

(l) *Independent Accountant.* KCCW Accountancy Corp. (the "Accountant"), who has expressed its opinions with respect to the audited financial statements (which term as used in this Agreement includes the related notes thereto) filed with the Commission as a part of the Registration Statement and included in the Disclosure Package and the Prospectus, is an independent registered public accounting firm as required by the Securities Act and the Exchange Act.

(m) *Preparation of the Financial Statements.* Each of the historical and pro-forma financial statements filed with the Commission as a part of or incorporated by reference in the Registration Statement, and included or incorporated by reference in the Disclosure Package and the Prospectus, presents fairly the information provided as of and at the dates and for the periods indicated. Such financial statements comply as to form with the applicable accounting requirements of the Securities Act and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto. No other financial statements or supporting schedules are required to be included or incorporated by reference in the Registration Statement. Each item of historical or pro-forma financial data relating to the operations, assets or liabilities of the Company set forth in summary form in each of the preliminary prospectus and the Prospectus fairly presents such information on a basis consistent with that of the complete financial statements contained in the Registration Statement.

(n) *Incorporation and Good Standing; Subsidiaries.* Each of the Company and its wholly-owned subsidiary, the National Reference Library for Breast Health, Inc. (the "NRLBH"), has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Disclosure Package and the Prospectus and, in the case of the Company, to enter into and perform its obligations under this Agreement. Each of the Company and the NRLBH are duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required except for such jurisdictions where the failure to so qualify or to be in good standing would not, individually or in the aggregate, be reasonably expected to result in a Material Adverse Change. As of the First Closing Date (defined below), the Company does not own or control, directly or indirectly, any corporation, association or other entity other than the NRLBH.

(o) *Capitalization and Other Capital Stock Matters.* The authorized, issued and outstanding capital stock of the Company is as set forth in each of the Disclosure Package and the Prospectus under the caption "Capitalization" (other than for subsequent issuances, if any, pursuant to employee benefit plans described in each of the Disclosure Package and the Prospectus or upon exercise of outstanding options or warrants described in the Disclosure Package and Prospectus, as the case may be). The Common Stock conforms, and, when issued and delivered as provided in this Agreement, the Shares will conform, in all material respects to the description thereof contained in each of the Disclosure Package and Prospectus. All of the issued and outstanding shares of Common Stock have been duly authorized and validly issued, are fully paid and nonassessable and have been issued in compliance with federal and state securities laws. None of the outstanding shares of Common Stock was issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company or the NRLBH other than those accurately described in the Disclosure Package and the Prospectus. The description of the Company's stock option and other stock plans or arrangements, and the options or other rights granted thereunder, set forth or incorporated by reference in each of the Disclosure Package and the Prospectus accurately and fairly presents the information required to be shown with respect to such plans, arrangements, options and rights.

(p) *Non-Contravention of Existing Instruments; No Further Authorizations or Approvals Required.* Neither the Company nor the NRLBH is in violation of its charter or by-laws or in default (or, with the giving of notice or lapse of time, would be in default) ("Default") under any indenture, mortgage, loan or credit agreement, note, contract, franchise, lease or other instrument to which it is a party or by which it may be bound (including, without limitation, such agreements and contracts filed as exhibits to the Registration Statement or to which any of the property or assets of the Company or the NRLBH are subject (each, an "Existing Instrument")), except for such Defaults as would not, individually or in the aggregate, result in a Material Adverse Change. The Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Disclosure Package and the Prospectus (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the charter or by-laws of the Company, (ii) will not conflict with or constitute a breach of, or Default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or the NRLBH pursuant to, or require the consent of any other party to, any Existing Instrument, except for such conflicts, breaches, Defaults, liens, charges or encumbrances as would not, individually or in the aggregate, result in a Material Adverse Change and (iii) will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company or the NRLBH, except for any violation that would not, individually or in the aggregate, result in a Material Adverse Change. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency, is required for the Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Disclosure Package and the Prospectus, except the registration or qualification of the Shares under the Securities Act and applicable state securities or blue sky laws and from the Financial Industry Regulatory Authority (the "FINRA").

(q) *No Material Actions or Proceedings.* Except as otherwise disclosed in the Disclosure Package and the Prospectus, there are no legal or governmental actions, suits or proceedings pending or, to the Company's knowledge, threatened (i) against or affecting the Company or the NRLBH, (ii) which have as the subject thereof any officer or director (in such capacities) of, or property owned or leased by, the Company or the NRLBH or (iii) relating to environmental or discrimination matters, where in any such case (A) there is a reasonable possibility that such action, suit or proceeding might be determined adversely to the Company or the NRLBH and (B) any such action, suit or proceeding, if so determined adversely, would reasonably be expected to result in a Material Adverse Change or adversely affect the consummation of the transactions contemplated by this Agreement. No material labor dispute with the employees of the Company exists or, to the Company's knowledge, is threatened or imminent.

(r) *Intellectual Property Rights*. The Company and the NRLBH own, possess or license, and otherwise have legally enforceable rights to use all patents, patent applications, trademarks, trade names, copyrights, domain names, licenses, approvals and trade secrets (collectively, "Intellectual Property Rights") reasonably necessary to conduct their businesses as now conducted; and the expected expiration of any of such Intellectual Property Rights would not be expected to result in a Material Adverse Change. Neither the Company nor the NRLBH has received any written notice of infringement or conflict with asserted Intellectual Property Rights of others. Neither the Company nor the NRLBH is a party to or bound by any options, licenses or agreements with respect to the Intellectual Property Rights of any other person or entity that are required to be set forth in the Disclosure Package and the Prospectus and are not described in all material respects. None of the technology employed by the Company or the NRLBH has been obtained or is being used by the Company or the NRLBH in violation of any contractual obligation binding on the Company or the NRLBH or, to the Company's knowledge, any of their respective officers, directors or employees or otherwise in violation of the rights of any persons. Neither the Company nor the NRLBH is subject to any judgment, order, writ, injunction or decree of any court or any federal, state, local, foreign or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or any arbitrator, nor have they entered into nor are they a party to any agreement made in settlement of any pending or threatened litigation, which materially restricts or impairs its use of any Intellectual Property Rights. The Company and the NRLBH have taken reasonable and customary actions to protect their respective rights in confidential information and trade secrets and protect any confidential information provided to them by any other person. All founders, key employees and any other employees involved in the development of Intellectual Property Rights for the Company or the NRLBH have signed confidentiality and invention assignment agreements with the Company or the NRLBH.

(s) *Regulatory Compliance*. Except as described in the Registration Statement, the Disclosure Package and the Prospectus, and except as would not, singly or in the aggregate, result in a Material Adverse Effect, the Company and the NRLBH: (i) have not received any unresolved FDA Form 483, notice of adverse filing, warning letter, untitled letter or other written correspondence or notice from the U.S. Food and Drug Administration ("FDA"), or any other court or arbitrator or federal, state, local or foreign governmental or regulatory authority, alleging or asserting noncompliance with the Federal Food, Drug and Cosmetic Act (21 U.S.C. § 301 et seq.); (ii) are and have been in material compliance with applicable health care laws, including without limitation, the Federal Food, Drug and Cosmetic Act (21 U.S.C. § 301 et seq.), the federal Anti-kickback Statute (42 U.S.C. § 1320a-7b(b)), the civil False Claims Act (31 U.S.C. §§ 3729 et seq.), the administrative False Claims Law (42 U.S.C. § 1320a-7b(a)), the Anti-Inducement Law (42 U.S.C. § 1320a-7a(a)(5)), the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. § 1320d et seq.), the exclusion laws, Social Security Act § 1128 (42 U.S.C. § 1320a-7), Medicare (Title XVIII of the Social Security Act), Medicaid (Title XIX of the Social Security Act), and the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Affordability Reconciliation Act of 2010, and the regulations promulgated pursuant to such laws, and comparable state laws, and all other local, state, federal, national, supranational and foreign laws, manual provisions, policies and administrative guidance relating to the regulation of the Company and the NRLBH (collectively, "Health Care Laws"); (iii) possess all material licenses, certificates, approvals, clearances, authorizations, permits and supplements or amendments thereto required by any such Health Care Laws and/or to carry on their respective businesses as now conducted ("Authorizations") and such Authorizations are valid and in full force and effect and neither the Company nor the NRLBH is in violation of any term of any such Authorizations; (iv) have not received written notice of any ongoing claim, action, suit, proceeding, hearing, enforcement, investigation, arbitration or other action from any U.S. or non-U.S. federal, state, local or other governmental or regulatory authority, governmental or regulatory agency or body, court, arbitrator or self-regulatory organization (each, a "Governmental Authority") or third party alleging that any product operation or activity is in violation of any Health Care Laws or Authorizations and have no knowledge that any such Governmental Authority or third party is considering any such claim, litigation, arbitration, action, suit, investigation or proceeding; (v) have not received written notice that any Governmental Authority has taken, is taking or intends to take action to limit, suspend, modify or revoke any Authorizations and have no knowledge that any such Governmental Authority is considering such action; (vi) have filed, obtained, maintained or submitted all material reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by any Health Care Laws or Authorizations and that all such reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments were materially complete, correct and not misleading on the date filed (or were corrected or supplemented by a subsequent submission); and (vii) has not, either voluntarily or involuntarily, initiated, conducted, or issued or caused to be initiated, conducted or issued, any recall, market withdrawal or replacement, safety alert, post sale warning, "dear doctor" letter, or other notice or action relating to the alleged lack of safety or efficacy of any product or any alleged product defect or violation and, to the Company's knowledge, no third party has initiated or conducted any such notice or action. The NRLBH has received, and is currently in compliance with, certification under Clinical Laboratory Improvement Amendments. The NRLBH is licensed to perform laboratory tests by the states indicated in the Prospectus.

(t) *Clinical Studies*. The studies, tests and preclinical and clinical trials conducted by or on behalf of the Company were and, if still pending, are being conducted in accordance with experimental protocols, procedures and controls pursuant to all Health Care Laws and Authorizations, except where such failure to comply would not, individually or in the aggregate, have a Material Adverse Effect; the descriptions of the results of such studies, tests and trials contained in the Registration Statement, the Disclosure Package and the Prospectus are accurate and complete in all material respects and fairly present the data derived from such studies, tests and trials; except to the extent disclosed in the Registration Statement, the Disclosure Package and the Prospectus, the Company is not aware of any studies, tests or trials, the results of which the Company believes reasonably call into question the study, test, or trial results described or referred to in the Registration Statement, the Disclosure Package and the Prospectus when viewed in the context in which such results are described and the clinical state of development; and the Company has not received any written notices or correspondence from any Governmental Authority requiring the termination, suspension or material modification of any studies, tests or preclinical or clinical trials conducted by or on behalf of the Company.

(u) *All Necessary Permits, etc.* Except as otherwise disclosed in the Disclosure Package and the Prospectus or except as would not reasonably be expected to result in a Material Adverse Change, the Company and the NRLBH possess such valid and current certificates, Authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct their respective businesses, and neither the Company nor the NRLBH has received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such certificate, authorization or permit.

(v) *Title to Properties.* The Company and the NRLBH have good and marketable title to all the properties and assets reflected as owned in the financial statements referred to in Section 1(m) above (or elsewhere in the Disclosure Package and the Prospectus), in each case free and clear of any security interests, mortgages, liens, encumbrances, equities, adverse claims and other defects, except such as do not materially and adversely affect the value of such property and do not materially interfere with the use made or proposed to be made of such property by the Company or the NRLBH. The real property, improvements, equipment and personal property held under lease by the Company or the NRLBH are held under valid and enforceable leases, with such exceptions as are not material and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property by the Company or the NRLBH.

(w) *Tax Law Compliance.* The Company has filed all necessary federal, state and foreign income and franchise tax returns or have timely and properly filed requested extensions thereof and has paid all taxes required to be paid by it and, if due and payable, any related or similar assessment, fine or penalty levied against it. The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 1(m) above in respect of all federal, state and foreign income and franchise taxes for all periods as to which the tax liability of the Company has not been finally determined.

(x) *Company Not an "Investment Company."* The Company has been advised of the rules and requirements under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Company is not, and after receipt of payment for the Shares and the application of the proceeds thereof as contemplated under the caption "Use of Proceeds" in each of the preliminary prospectus and the Prospectus will not be, an "investment company" within the meaning of the Investment Company Act and will conduct its business in a manner so that it will not become subject to the Investment Company Act.

(y) *Insurance.* The Company is insured by institutions believed to be recognized, financially sound and reputable, with policies in such amounts and with such deductibles and covering such risks as the Company reasonably believes are adequate and customary for its business including, but not limited to, policies covering real and personal property owned or leased by the Company against theft, damage, destruction and acts of vandalism. The Company reasonably believes that it will be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change. The Company has not been denied any insurance coverage which it has sought or for which it has applied.

(z) *No Price Stabilization or Manipulation.* The Company has not taken and will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of any securities of the Company to facilitate the sale or resale of the Shares.

(aa) *Related Party Transactions.* There are no business relationships or related-party transactions involving the Company or any other person required to be described in the preliminary prospectus or the Prospectus that have not been described as required.

(bb) *Disclosure Controls and Procedures*. The Company has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act), which (i) are designed to ensure that material information relating to the Company is made known to the Company's principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared, (ii) will be evaluated for effectiveness as of the end of each fiscal quarter and fiscal year of the Company and (iii) are effective in all material respects to perform the functions for which they were established. The Company is not aware of (a) any significant deficiency in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or any material weaknesses in internal controls or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

(cc) *Company's Accounting System.* The Company maintains a system of accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(dd) *No Unlawful Contributions or Other Payments.* Neither the Company, the NRLBH nor, to the Company's knowledge, any employee or agent of the Company or the NRLBH has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Disclosure Package and the Prospectus.

(ee) *Compliance with Environmental Laws.* Except as would not, individually or in the aggregate, result in a Material Adverse Change, (i) neither the Company nor the NRLBH is in violation of any federal, state, local or foreign law or regulation relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including without limitation, laws and regulations relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum and petroleum products (collectively, "Materials of Environmental Concern"), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Materials of Environmental Concern (collectively, "Environmental Laws"), which violation includes, but is not limited to, noncompliance with any permits or other governmental Authorizations required for the operation of the business of the Company or the NRLBH under applicable Environmental Laws, or noncompliance with the terms and conditions thereof, nor has the Company or the NRLBH received any written communication, whether from a Governmental Authority, citizens group, employee or otherwise, that alleges that the Company is in violation of any Environmental Law; (ii) there is no claim, action or cause of action filed with a court or Governmental Authority, no investigation with respect to which the Company or the NRLBH has received written notice, and no written notice by any person or entity alleging potential liability for investigatory costs, cleanup costs, governmental responses costs, natural resources damages, property damages, personal injuries, attorneys' fees or penalties arising out of, based on or resulting from the presence, or release into the environment, of any Material of Environmental Concern at any location owned, leased or operated by the Company or the NRLBH, now or in the past (collectively, "Environmental Claims"), pending or, to the Company's knowledge, threatened against the Company, the NRLBH or any person or entity whose liability for any Environmental Claim the Company or the NRLBH has retained or assumed either contractually or by operation of law; and (iii) to the Company's knowledge, there are no past or present actions, activities, circumstances, conditions, events or incidents, including, without limitation, the release, emission, discharge, presence or disposal of any Material of Environmental Concern, that reasonably could result in a violation of any Environmental Law or form the basis of a potential Environmental Claim against the Company, the NRLBH or against any person or entity whose liability for any Environmental Claim the Company has retained or assumed either contractually or by operation of law.

(ff) *ERISA Compliance.* The Company and any "employee benefit plan" (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, "ERISA")) established or maintained by the Company or its "ERISA Affiliates" (as defined below) are in compliance in all material respects with ERISA. "ERISA Affiliate" means, with respect to the Company, any member of any group of organizations described in Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder (the "Code") of which the Company is a member. No "reportable event" (as defined under ERISA) has occurred or is reasonably expected to occur with respect to any "employee benefit plan" established or maintained by the Company or any of its ERISA Affiliates. No "employee benefit plan" established or maintained by the Company or any of its ERISA Affiliates, if such "employee benefit plan" were terminated, would have any "amount of unfunded benefit liabilities" (as defined under ERISA). Neither the Company nor any of its ERISA Affiliates has incurred or reasonably expects to incur any liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "employee benefit plan" or (ii) Section 412, 4971, 4975 or 4980B of the Code. Each "employee benefit plan" established or maintained by the Company or any of its ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified, and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification.

(gg) *Compliance with Sarbanes-Oxley Act of 2002.* The Company has taken all necessary actions to ensure that, upon the effectiveness of the Registration Statement, it will be in compliance with any provision of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith (the "Sarbanes-Oxley Act"), including Section 402 related to loans and Sections 302 and 906 related to certifications.

Any certificate signed by an officer of the Company and delivered to the Representative or to counsel for the Placement Agents shall be deemed to be a representation and warranty by the Company to each Placement Agent as to the matters set forth therein.

The Company acknowledges that the Placement Agents and, for purposes of the opinions to be delivered pursuant to Section 6 hereof, counsel to the Company and counsel to the Placement Agents, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

SECTION 2. *Purchase, Sale and Delivery of the Shares.*

(a) *The Company Shares.* Upon the terms herein set forth, the Company agrees to issue and sell the Company Shares and the several Placement Agents agree to use their best efforts to arrange for the sale of the Company Shares to the Investors. On the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Placement Agents agree, severally and not jointly to use their best efforts to arrange for the sale of the Company Shares. The Placement Agents are under no obligation to arrange for the sale of any minimum number or dollar amount of Company Shares. The purchase price per Company Share to be paid by the Investors shall be mutually agreed between the Investors and the Company.

(b) *The First Closing Date.* Delivery of the Company Shares to be purchased by the Investors and payment therefor shall be made at 1:00 p.m. (Eastern time) on a date mutually agreed to between the Company and the Representative (the time and date of such closing are called the "First Closing Date").

(c) *The Optional Shares; Each Subsequent Closing Date.* In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Company hereby grants an option to the Placement Agents to arrange for the sale up to all of the Optional Shares from the Company at the purchase price per Share to be paid by the Investors for the Company Shares. The option granted hereunder may be exercised at any time and from time to time upon notice by the Representative to the Company which notice may be given at any time within 45 days from the effective date of the Registration Statement. Such notice shall set forth (i) the aggregate number of Optional Shares as to which the Placement Agents are exercising the option, (ii) the names and denominations in which the Optional Shares are to be registered and (iii) the time, date and place at which such Optional Shares will be delivered (which time and date may be simultaneous with, but not earlier than, the First Closing Date; and in such case the term "First Closing Date" shall refer to the time and date of delivery of the Company Shares and the Optional Shares). Each time and date of delivery, if subsequent to the First Closing Date, is called the "Subsequent Closing Date" and shall be determined by the Representative and shall not be earlier than three nor later than five full business days after delivery of such notice of exercise.

(d) *Public Offering of the Shares.* The Representative hereby advises the Company that the Placement Agents intend to, on a best efforts basis, arrange for sale to the public, as described in the Prospectus, the Shares as soon after this Agreement has been executed and the Registration Statement has been declared effective as the Representative, in its sole judgment, has determined is advisable and practicable.

(e) *Payment for the Shares.* Payment for the Shares to be sold by the Company shall be made at the First Closing Date (and, if applicable, at any Subsequent Closing Date) by wire transfer of immediately available funds to the order of the Company.

It is understood that the Representative has been authorized, for the accounts of the Investors, to accept delivery of and receipt for, and make payment of the purchase price for, the Company Shares and any Optional Shares the Placement Agents have arranged to place.

(f) *Delivery of the Shares.* Delivery of the Company Shares and the Optional Shares shall be made through the facilities of The Depository Trust Company unless the Representative shall otherwise instruct. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Placement Agents.

(g) *Delivery of Prospectus to the Placement Agents.* Not later than 10:00 p.m. (Eastern time) on the second business day following the date the Shares are first released by the Company for sale to the public, the Company shall deliver or cause to be delivered, copies of the Prospectus in such quantities and at such places as the Representative shall request.

SECTION 3. *Covenants of the Company.*

The Company covenants and agrees with each Placement Agent as follows:

(a) *Representative's Review of Proposed Amendments and Supplements.* During the period beginning at the Initial Sale Time and ending on the later of the First Closing Date or such date as, in the opinion of counsel for the Placement Agents, the Prospectus is no longer required by law to be delivered in connection with sales by a Placement Agent or dealer, including under circumstances where such requirement may be satisfied pursuant to Rule 172 under the Securities Act (the "Prospectus Delivery Period"), prior to amending or supplementing the Registration Statement or the Prospectus, including any amendment or supplement through incorporation by reference of any report filed under the Exchange Act, the Company shall furnish to the Representative for review a copy of each such proposed amendment or supplement, and the Company shall not file any such proposed amendment or supplement to which the Representative reasonably objects.

(b) *Securities Act Compliance.* After the date of this Agreement, during the Prospectus Delivery Period, the Company shall promptly advise the Representative in writing (i) when the Registration Statement, if not effective at the Execution Time, shall have become effective, (ii) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission, (iii) of the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any preliminary prospectus or the Prospectus, (iv) of the time and date that any post-effective amendment to the Registration Statement becomes effective and (v) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of any order or notice preventing or suspending the use of the Registration Statement, any preliminary prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Common Stock from any securities exchange upon which it is listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. The Company shall use its best efforts to prevent the issuance of any such stop order or prevention or suspension of such use. If the Commission shall enter any such stop order or order or notice of prevention or suspension at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible moment, or will file a new registration statement and use its best efforts to have such new registration statement declared effective as soon as practicable. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b) and 430A, as applicable, under the Securities Act, including with respect to the timely filing of documents thereunder, and will use its reasonable efforts to confirm that any filings made by the Company under such Rule 424(b) were received in a timely manner by the Commission.

(c) *Exchange Act Compliance.* During the Prospectus Delivery Period, the Company will file all documents required to be filed with the Commission pursuant to Section 13, 14 or 15 of the Exchange Act in the manner and within the time periods required by the Exchange Act.

(d) *Amendments and Supplements to the Registration Statement, Prospectus and Other Securities Act Matters.* If, during the Prospectus Delivery Period, any event or development shall occur or condition exist as a result of which the Disclosure Package or the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in the light of the circumstances under which they were made, as the case may be, not misleading, or if it shall be necessary to amend or supplement the Disclosure Package or the Prospectus, or to file under the Exchange Act any document incorporated by reference in the Disclosure Package or the Prospectus, in order to make the statements therein, in the light of the circumstances under which they were made, as the case may be, not misleading, or if in the opinion of the Representative it is otherwise necessary to amend or supplement the Registration Statement, the Disclosure Package or the Prospectus, or to file under the Exchange Act any document incorporated by reference in the Disclosure Package or the Prospectus, or to file a new registration statement containing the Prospectus, in order to comply with law, including in connection with the delivery of the Prospectus, the Company agrees to (i) notify the Representative of any such event or condition (unless such event or condition was previously brought to the Company's attention by the Representative during the Prospectus Delivery Period) and (ii) promptly prepare (subject to Sections 3(a) and 3(e) hereof), file with the Commission (and use its best efforts to have any amendment to the Registration Statement or any new registration statement to be declared effective) and furnish at its own expense to the Placement Agents and to dealers, amendments or supplements to the Registration Statement, the Disclosure Package or the Prospectus, or any new registration statement, necessary in order to make the statements in the Disclosure Package or the Prospectus as so amended or supplemented, in the light of the circumstances under which they were made, as the case may be, not misleading or so that the Registration Statement, the Disclosure Package or the Prospectus, as amended or supplemented, will comply with law.

(e) *Permitted Free Writing Prospectuses*. The Company represents that it has not made, and agrees that, unless it obtains the prior written consent of the Representative, it will not make, any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus or that would otherwise constitute a "free writing prospectus" (as defined in Rule 405 of the Securities Act) required to be filed by the Company with the Commission or retained by the Company under Rule 433 of the Securities Act; provided that the prior written consent of the Representative hereto shall be deemed to have been given in respect of the Free Writing Prospectuses included in Schedule B hereto. Any such free writing prospectus consented to by the Representative is hereinafter referred to as a "Permitted Free Writing Prospectus." The Company agrees that (i) it has treated and will treat, as the case may be, each Permitted Free Writing Prospectus as an Issuer Free Writing Prospectus, and (ii) has complied and will comply, as the case may be, with the requirements of Rules 164 and 433 of the Securities Act applicable to any Permitted Free Writing Prospectus, including in respect of timely filing with the Commission, legending and record keeping.

(f) *Copies of any Amendments and Supplements to the Prospectus.* The Company agrees to furnish the Representative, without charge, during the Prospectus Delivery Period, as many copies of each of the preliminary prospectus, the Prospectus and the Disclosure Package and any amendments and supplements thereto (including any documents incorporated or deemed incorporated by reference therein) as the Representative may reasonably request.

(g) *Blue Sky Compliance.* The Company shall cooperate with the Representative and counsel for the Placement Agents to qualify or register the Shares for sale under (or obtain exemptions from the application of) the state securities or blue sky laws of those jurisdictions designated by the Representative, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Shares. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation. The Company will advise the Representative promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

(h) *Use of Proceeds.* The Company shall apply the net proceeds from the sale of the Shares sold by it in the manner described under the caption "Use of Proceeds" in the Disclosure Package and the Prospectus.

(i) *Transfer Agent.* The Company shall engage and maintain, at its expense, a registrar and transfer agent for the Shares.

(j) *Earnings Statement.* As soon as practicable and in any event no later than 15 months after the effective date of the Registration Statement, the Company will make generally available to its security holders and to the Representative an earnings statement (which need not be audited) covering a period of at least 12 months beginning after the effective date of the Registration Statement that satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 under the Securities Act.

(k) *Periodic Reporting Obligations.* During the Prospectus Delivery Period, the Company shall file, on a timely basis, with the Commission all reports and documents required to be filed under the Exchange Act. Additionally, the Company shall report the use of proceeds from the issuance of the Shares as may be required under Rule 463 under the Securities Act.

(l) *Company to Provide Interim Financial Statements.* Prior to the First Closing Date and, if applicable, each Subsequent Closing Date, the Company will furnish the Placement Agents, as soon as they have been prepared by or are available to the Company, a copy of any unaudited interim financial statements of the Company for any period subsequent to the period covered by the most recent financial statements appearing in the Registration Statement and the Prospectus.

(m) *Exchange Listing.* The Company will use its reasonable best efforts to include, commencing on or before the First Closing Date, subject to notice of issuance, the Shares on the NASDAQ Capital Market.

(n) *Future Reports to the Representative.* During the period of five years hereafter, the Company will furnish, if not otherwise available on EDGAR, to the Representative at 925 South Federal Highway, Suite 600, Boca Raton, FL 33432, Attention: Syndicate Department: (i) as soon as practicable after the end of each fiscal year, copies of the Annual Report of the Company containing the balance sheet of the Company as of the close of such fiscal year and statements of income, stockholders' equity and cash flows for the year then ended and the opinion thereon of the Company's independent public or certified public accountants; (ii) as soon as practicable after the filing thereof, copies of each proxy statement, Annual Report on Form 10-K, Quarterly Report on Form 10-Q, Current Report on Form 8-K or other report filed by the Company with the Commission, the FINRA or any securities exchange; and (iii) as soon as available, copies of any report or communication of the Company mailed generally to holders of its capital stock.

(o) *Investment Limitation.* The Company shall not invest, or otherwise use, the proceeds received by the Company from its sale of the Shares in such a manner as would require the Company to register as an investment company under the Investment Company Act.

(p) *No Manipulation of Price.* The Company will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

(q) *Existing Lock-Up Agreements.* Except as described in the Prospectus, there are no existing agreements between the Company and its security holders that prohibit the sale, transfer, assignment, pledge or hypothecation of any of the Company's securities. The Company will direct the transfer agent to place stop transfer restrictions upon the securities of the Company that are bound by such "lock-up" agreements for the duration of the periods contemplated therein.

(r) *Agreement Not to Offer or Sell Additional Shares.* During the period commencing on and including the date hereof and ending on and including the 180th day following the effective date of the Registration Statement (as the same may be extended as described below, the "Lock-up Period"), the Company will not, without the prior written consent of the Representative (which consent may be withheld at the Representative's sole discretion), directly or indirectly, sell (including, without limitation, any short sale), offer, contract or grant any option to sell, pledge, transfer or establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise dispose of or transfer, or announce the offering of, or file any registration statement under the Securities Act, except for a registration statement on Form S-8 relating to the Company's employee benefit plans, in respect of, any shares of Common Stock, options, rights or warrants to acquire shares of Common Stock or securities exchangeable or exercisable for or convertible into shares of Common Stock (other than as contemplated by this Agreement with respect to the Shares) or publicly announce the intention to do any of the foregoing, other than (i) the issuance of restricted Common Stock, restricted stock units or options to acquire Common Stock pursuant to the Company's employee benefit plans, qualified stock option plans or other equity incentive plans as such plans are in existence on the date hereof and described in the Disclosure Package, (ii) issuances of Common Stock upon the exercise or settlement of options or warrants disclosed as outstanding in the Prospectus.

SECTION 4. *Payment of Expenses.*

(a) The Representative shall be entitled to reimbursement from the Company, for itself alone and not as Representative of the Placement Agents, to a non-accountable expense allowance equal to 3% of the aggregate initial public offering price of the Company Shares. The Representative shall be entitled to withhold this allowance on the Closing Date related to the Company's sale of the Company Shares.

(b) In addition to the payment described in Paragraph (a) of this Section 4, the Company agrees to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including without limitation (i) all expenses incident to the issuance and delivery of the Shares (including all printing and engraving costs, if any), (ii) all fees and expenses of the registrar and transfer agent of the Common Stock and the warrant agent, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Shares placed by the Placement Agents, (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), each Issuer Free Writing Prospectus, each preliminary prospectus and the Prospectus, and all amendments and supplements thereto, and this Agreement, (vi) all filing fees, attorneys' fees and expenses incurred by the Company, or the Representative up to $15,000, in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Shares for offer and sale under the state securities or blue sky laws, and, if requested by the Representative, preparing and printing a "Blue Sky Survey" or memorandum, and any supplements thereto, advising the Placement Agents of such qualifications, registrations and exemptions, (vii) the filing fees incident to the FINRA's review and approval of the Placement Agents' participation in the offering and placement of the Shares and legal fees and expenses of counsel for the Representative related thereto up to $25,000, (viii) the cost of at least one tombstone advertisement, (ix) travel expenses, up to $15,000, of one designee of the Representative to attend any due diligence or road show meetings, (x) the legal fees and expenses of the Representative's counsel up to $100,000, and (xi) all other fees, costs and expenses referred to in Item 13 of Part II of the Registration Statement. Except as provided in this Section 4, Section 7, Section 9 and Section 10 hereof, the Placement Agents shall pay their own expenses, including the fees and disbursements of their counsel.

SECTION 5. *Covenants of the Placement Agents.* Each Placement Agent hereby represents and agrees that:

(a) It has not and will not take any action that would result in the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of such Placement Agent that otherwise would not be required to be filed by the Company thereunder, but for the action of the Placement Agent.

(b) It is not subject to any pending proceeding under Section 8A of the Securities Act with respect to the offering (and will promptly notify the Company if any such proceeding against it is initiated during the Prospectus Delivery Period).

SECTION 6. *Conditions of the Obligations of the Placement Agents.* The obligations of the several Placement Agents to arrange for the sale of the Company Shares as provided herein on the First Closing Date and, with respect to the Optional Shares, each Subsequent Closing Date, shall be subject to (1) the accuracy of the representations and warranties on the part of the Company set forth in Section 1 hereof as of the date hereof and as of the First Closing Date and each Subsequent Closing Date as though then made; (2) the timely performance by the Company of its covenants and other obligations hereunder; and (3) each of the following additional conditions:

(a) *Accountant's Comfort Letter.* On the date hereof, the Representative shall have received from the Accountant, a letter dated the date hereof addressed to the Placement Agents, in form and substance satisfactory to the Representative, containing statements and information of the type ordinarily included in accountants' "comfort letters" to Placement Agents, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited and unaudited financial statements and certain financial information contained in the Registration Statement and the Prospectus (and the Representative shall have received an additional four conformed copies of such Accountant's letter for the several Placement Agents).

(b) *Effectiveness of Registration Statement; Compliance with Registration Requirements; No Stop Order.* For the period from and after effectiveness of this Agreement and prior to the First Closing Date and, with respect to the Optional Shares, any Subsequent Closing Date:

(i) the Company shall have filed the Prospectus with the Commission (including the information required by Rule 430A under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information required by such Rule 430A, and such post-effective amendment shall have become effective; and

(ii) no stop order suspending the effectiveness of the Registration Statement, or any post-effective amendment to the Registration Statement, shall be in effect and no proceedings for such purpose shall have been instituted or threatened by the Commission.

(c) *No Material Adverse Change.* For the period from and after the date of this Agreement and prior to the First Closing Date and, with respect to the Optional Shares, each Subsequent Closing Date, in the reasonable judgment of the Representative there shall not have occurred any Material Adverse Change.

(d) *Opinion of Counsel for the Company.* On each of the First Closing Date and each Subsequent Closing Date, the Representative shall have received the opinion of Ropes & Gray LLP, counsel for the Company, dated as of the First Closing Date or the Subsequent Closing Date, as applicable, substantially in the form attached as Exhibit A.

(e) *Officers' Certificate.* On each of the First Closing Date and each Subsequent Closing Date, the Representative shall have received a written certificate executed by the Chairman of the Board, Chief Executive Officer or President of the Company and the Chief Financial Officer or Chief Accounting Officer of the Company, dated as of such Closing Date, to the effect that the signers of such certificate have reviewed the Registration Statement, the Prospectus and any amendment or supplement thereto, any Issuer Free Writing Prospectus and any amendment or supplement thereto and this Agreement, to the effect set forth in subsection (b)(ii) of this Section 6, and further to the effect that:

(i) for the period from and after the date of this Agreement and prior to such Closing Date, there has not occurred any Material Adverse Change;

(ii) the representations, warranties and covenants of the Company set forth in Section 1 of this Agreement are true and correct with the same force and effect as though expressly made on and as of such Closing Date; and

(iii) the Company has complied with all the agreements hereunder and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date.

(f) *Bring-down Comfort Letter.* On each of the First Closing Date and each Subsequent Closing Date, the Representative shall have received from the Accountant, a letter dated such date, in form and substance satisfactory to the Representative, to the effect that the Accountant reaffirms the statements made in the letter furnished by it pursuant to subsection (a) of this Section 6, except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the First Closing Date or Subsequent Closing Date, as the case may be (and the Representative shall have received an additional four conformed copies of such Accountant's letter for the several Placement Agents).

(g) *Lock-Up Agreement from Securityholders of the Company.* On or prior to the date hereof, the Company shall have furnished to the Representative an agreement in the form of Exhibit B hereto from each of the Company's officers, directors and security holders affiliated with the Representative, and such agreement shall be in full force and effect on each of the First Closing Date and each Subsequent Closing Date.

(h) *Exchange Listing.* The Shares to be delivered on the Closing Date or Subsequent Closing Date, as the case may be, shall have been approved for listing on the Nasdaq Capital Market, subject to official notice of issuance.

(i) *Additional Documents.* On or before each of the First Closing Date and each Subsequent Closing Date, the Representative and counsel for the Placement Agents shall have received such information, documents and opinions as they may reasonably require for the purposes of enabling them to pass upon the issuance and sale of the Shares as contemplated herein, or in order to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained.

If any condition specified in this Section 6 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representative by notice to the Company at any time on or prior to the First Closing Date and, with respect to the Optional Shares, at any time prior to each Subsequent Closing Date, which termination shall be without liability on the part of any party to any other party, except that Section 4, Section 7, Section 9 and Section 10 shall at all times be effective and shall survive such termination.

SECTION 7. *Reimbursement of Placement Agents' Expenses.* If this Agreement is terminated by the Representative pursuant to Section 6 or Section 11, or by the Company pursuant to Section 8, or if the sale to the Investors of the Shares on the First Closing Date or Subsequent Closing Date is not consummated because of any refusal, inability or failure on the part of the Company to perform any agreement herein or to comply with any provision hereof, the Company agrees to reimburse the Representative and the other Placement Agents (or such Placement Agents as have terminated this Agreement with respect to themselves), severally, upon demand for all out-of-pocket expenses that shall have been reasonably incurred by the Representative and the Placement Agents in connection with the proposed offering and sale of the Shares, including but not limited to fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges.

SECTION 8. *Effectiveness of this Agreement.* This Agreement shall not become effective until the later of (i) the execution of this Agreement by the parties hereto and (ii) notification (including by way of oral notification from the reviewer at the Commission) by the Commission to the Company of the effectiveness of the Registration Statement under the Securities Act; provided that Sections 4, 7, 9 and 10 shall at all times be effective.

SECTION 9. *Indemnification.*

(a) *Indemnification of the Placement Agents.*

(1) The Company agrees to indemnify and hold harmless each Placement Agent, its officers and employees, and each person, if any, who controls any Placement Agent within the meaning of the Securities Act or the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Placement Agent or such controlling person may become subject, under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based (i) upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A, Rule 430B and Rule 430C under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) upon any untrue statement or alleged untrue statement of a material fact contained in any Issuer Free Writing Prospectus, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iii) in whole or in part upon any inaccuracy in the representations and warranties of the Company contained herein; or (iv) in whole or in part upon any failure of the Company to perform its obligations hereunder or under law; or (v) upon any act or failure to act or any alleged act or failure to act by any Placement Agent in connection with, or relating in any manner to, the Common Stock or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon any matter covered by clause (i) or (ii) above, provided that the Company shall not be liable under this clause (v) to the extent that a court of competent jurisdiction shall have determined by a final judgment that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Placement Agent through its bad faith or willful misconduct; and to reimburse each Placement Agent and each such controlling person for any and all expenses (including the fees and disbursements of counsel chosen by the Representative) as such expenses are reasonably incurred by such Placement Agent or such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; provided, however, that the foregoing indemnity agreement shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by any Placement Agent directly or through the Representative expressly for use in the Registration Statement, any Issuer Free Writing Prospectus, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto). The indemnity agreement set forth in this Section 9(a)(1) shall be in addition to any liabilities that the Company may otherwise have.

(b) *Indemnification of the Company, its Directors and Officers.* Each Placement Agent agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, against any loss, claim, damage, liability or expense, as incurred, to which the Company, or any such director, officer, or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Placement Agent), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any Issuer Free Writing Prospectus, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or arises out of or is 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, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Issuer Free Writing Prospectus, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), in reliance upon and in conformity with written information furnished to the Company by the Representative expressly for use therein; and to reimburse the Company, or any such director, officer, or controlling person for any legal and other expense reasonably incurred by the Company, or any such director, officer, or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. The Company hereby acknowledges that the only information that the Placement Agents have furnished to the Company expressly for use in the Registration Statement, any Issuer Free Writing Prospectus, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) are the statements set forth in the table in the Section entitled “Price Stabilization; Penalty Bids” under the caption “Plan of Distribution” in the preliminary prospectus and the Prospectus; and the Placement Agents confirm that such statements are correct. The indemnity agreement set forth in this Section 9(b) shall be in addition to any liabilities that each Placement Agent may otherwise have.

(c) *Notifications and Other Indemnification Procedures.* Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 9, notify the indemnifying party in writing 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 for contribution or otherwise than under the indemnity agreement contained in this Section 9 or to the extent it is not prejudiced as a proximate result of such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 9 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (together with local counsel), approved by the indemnifying party (the Company in the case of Section 9(a) and the Representative in the case of Section 9(b)), representing the indemnified parties who are parties to such action), (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party.

(d) *Settlements.* The indemnifying party under this Section 9 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by Section 9(c) hereof, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

SECTION 10. *Contribution.* If the indemnification provided for in Section 9 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying parties on the one hand, and the indemnified parties, on the other hand, from the offering of the Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying parties, on the one hand, and the indemnified parties, on the other hand, in connection with the statements or omissions or inaccuracies in the representations and warranties herein which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the indemnifying parties, on the one hand, and the indemnified parties, on the other hand, in connection with the offering of the Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Shares pursuant to this Agreement (before deducting expenses) received by the indemnifying parties, and the total Placement Agent fees received by the indemnified parties, in each case as set forth on the front cover page of the Prospectus bear to the aggregate initial public offering price of the Shares as set forth on such cover. The relative fault of the indemnifying parties, on the one hand, and the indemnified parties, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact or any such inaccurate or alleged inaccurate representation or warranty relates to information supplied by indemnifying parties, on the one hand, or the indemnified parties, on the other hand, 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, subject to the limitations set forth in Section 9(c), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The provisions set forth in Section 9(c) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 10; provided, however, that no additional notice shall be required with respect to any action for which notice has been given under Section 9(c) for purposes of indemnification.

The Company and the Placement Agents agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 10.

Notwithstanding the provisions of this Section 10, no Placement Agent shall be required to contribute any amount in excess of the Placement Agent fees received by such Placement Agent in connection with the Shares sold by it and distributed to the public. 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. The Placement Agents' obligations to contribute pursuant to this Section 10 are several, and not joint, in proportion to their respective Placement Agent fees as set forth opposite their names in Schedule A. For purposes of this Section 10, each officer and employee of a Placement Agent and each person, if any, who controls a Placement Agent within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such Placement Agent; and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company.

SECTION 11. *Termination of this Agreement.* Prior to the First Closing Date and, with respect to Optional Shares, each Subsequent Closing Date, whether before or after notification by the Commission to the Company of the effectiveness of the Registration Statement under the Securities Act, this Agreement may be terminated by the Representative by notice given to the Company if at any time (i) trading or quotation in any of the Company's securities shall have been suspended or limited by the Commission or by the NASDAQ Capital Market; (ii) a general banking moratorium shall have been declared by any of federal, New York or Delaware authorities; or (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States' or international political, financial or economic conditions that, in the reasonable judgment of the Representative, is material and adverse and makes it impracticable to market the Shares in the manner and on the terms described in the Prospectus or to enforce contracts for the sale of securities. Any termination pursuant to this Section 11 shall be without liability on the part of (a) the Company to any Placement Agent, except that the Company shall be obligated to reimburse the expenses of the Representative and the Placement Agents, (b) any Placement Agent to the Company, or (c) of any party hereto to any other party except that the provisions of Section 9 and Section 10 shall at all times be effective and shall survive such termination.

SECTION 12. *No Advisory or Fiduciary Responsibility.* The Company acknowledges and agrees that: (i) the purchase and sale of the Shares pursuant to this Agreement, including the determination of the public offering price of the Shares and any related discounts and commissions, is an arm's-length commercial transaction between the Company and the Investors; (ii) in connection with each transaction contemplated hereby and the process leading to such transaction each Placement Agent is and has been acting solely as a placement agent on a best efforts basis and is not the financial advisor or fiduciary of the Company or its affiliates, stockholders, creditors or employees or any other party; (iii) no Placement Agent has assumed or will assume an advisory or fiduciary responsibility in favor of the Company with respect to any of the transactions contemplated hereby or the process leading thereto (irrespective of whether such Placement Agent has advised or is currently advising the Company on other matters) and no Placement Agent has an obligation to the Company with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement; (iv) the several Placement Agents and their respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company; and (v) the Placement Agents have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the several Placement Agents, or any of them, with respect to the subject matter hereof.

SECTION 13. *Representations and Indemnities to Survive Delivery.* The respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers, and of the several Placement Agents set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Placement Agent or the Company or any of its or their partners, officers or directors or any controlling person, as the case may be, and will survive delivery of and payment for the Shares sold hereunder and any termination of this Agreement.

SECTION 14. *Notices.* All communications hereunder shall be in writing and shall be mailed, hand delivered or telecopied and confirmed to the parties hereto as follows:

If to the Representative:

Dawson James Securities, Inc.
925 South Federal Highway, Suite 600
Boca Raton, FL 33432
Facsimile: (561) 391-5757
Attention: President

with a copy (which shall not constitute notice) to:

1001 Page Mill Road, Bldg One
Palo Alto, California 94304
Facsimile: (650) 739-7567
Attention: Kyle Guse

If to the Company:

Atossa Genetics Inc.
4105 East Madison Street, Suite 320
Seattle, Washington 98112
Facsimile: (206) 325-6087
Attention: Chief Executive Officer

with a copy (which shall not constitute notice) to:

Ropes & Gray LLP
Three Embarcadero Center
San Francisco, California
Facsimile: (415) 315-6350
Attention: Ryan Murr

Any party hereto may change the address for receipt of communications by giving written notice to the others.

SECTION 15. *Successors.* This Agreement will inure to the benefit of and be binding upon the parties hereto and to the benefit of the employees, officers and directors and controlling persons referred to in Section 9 and Section 10, and in each case their respective successors, and personal representatives and no other person will have any right or obligation hereunder. The term "successors" shall not include any purchaser of the Shares as such from any of the Placement Agents merely by reason of such purchase.

SECTION 16. *Partial Unenforceability.* The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

SECTION 17. *Governing Law Provisions.* THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SUCH STATE.

SECTION 18. *Consent to Jurisdiction.* Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") may be instituted in the federal courts of the United States of America located in Delaware or the courts of the State of Delaware (collectively, the "Specified Courts"), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a "Related Judgment"), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

SECTION 19. *General Provisions.* This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof, including but not limited to the engagement letter between the Company and the Representative dated [_____]. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification provisions of Section 9 and the contribution provisions of Section 10, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of Sections 9 and 10 hereto fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus and the Prospectus (and any amendments and supplements thereto), as required by the Securities Act and the Exchange Act.

The respective indemnities, contribution agreements, representations, warranties and other statements of the Company and the several Placement Agents set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation, or statement as to the results thereof, made by or on behalf of any Placement Agent, the officers or employees of any Placement Agent, any person controlling any Placement Agent, the Company, the officers or employees of the Company, or any person controlling the Company, (ii) acceptance of the Shares and payment for them hereunder and (iii) termination of this Agreement.

Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon the Company, the Placement Agents, the Placement Agents' officers and employees, any controlling persons referred to herein, the Company's directors and the Company's officers who sign the Registration Statement and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include a purchaser of any of the Shares from any of the several Placement Agents merely because of such purchase.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

ATOSSA GENETICS INC.

By: _____
Name:
Title:

The foregoing Placement Agent Agreement is hereby confirmed and accepted by the Representative as of the date first above written.

DAWSON JAMES SECURITIES, INC.
Acting as Representative of the several
Placement Agents named in the attached Schedule A.

By: _____
Name:
Title:

SCHEDULE A

Placement Agents	Number of Company Shares to be Sold
Dawson James Securities, Inc.	
Total	

SCHEDULE B

Issuer Free Writing Prospectus

Schedule C

Pricing Terms

Price per Share to public: $

Placement Agent Fees per Share: $

Offering proceeds to the Company, before expenses: $

Closing Date: ,

EXHIBIT A

Opinion of counsel for the Company
to be delivered pursuant to Section 6(d) of the Underwriting Agreement.

[Attached separately]

Exhibit B

Form of Lock-Up Agreement

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

ATOSSA GENETICS INC.

Atossa Genetics Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is Atossa Genetics Inc. The date of the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was April 30, 2009.

2. This Amended and Restated Certificate of Incorporation (the "Certificate") amends, restates and integrates the provisions of the Amended and Restated Certificate of Incorporation that was filed with the Secretary of State of the State of Delaware on September 29, 2010 (the "Amended and Restated Certificate"), and was duly adopted in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL").

3. The text of the Amended and Restated Certificate is hereby amended and restated in its entirety to provide as herein set forth in full.

ARTICLE I

The name of the Corporation is Atossa Genetics Inc.

ARTICLE II

The address of the Company's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle. The name of the registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE IV

CAPITAL STOCK

The total number of shares of capital stock which the Corporation shall have authority to issue is Eighty Five Million (85,000,000), of which (i) Seventy Five Million (75,000,000) shares shall be a class designated as common stock, par value $0.001 per share (the "Common Stock"), and (ii) Ten Million (10,000,000) shares shall be a class designated as undesignated preferred stock, par value $0.001 per share (the "Undesignated Preferred Stock").

Except as otherwise provided in any certificate of designations of any series of Undesignated Preferred Stock, the number of authorized shares of the class of Common Stock or Undesignated Preferred Stock may from time to time be increased or decreased (but not below the number of shares of such class outstanding) by the affirmative vote of the holders of a majority in voting power of the outstanding shares of capital stock of the Corporation irrespective of the provisions of Section 242(b)(2) of the DGCL.

The powers, preferences and rights of, and the qualifications, limitations and restrictions upon, each class or series of stock shall be determined in accordance with, or as set forth below in, this Article IV.

A. COMMON STOCK

Subject to all the rights, powers and preferences of the Undesignated Preferred Stock and except as provided by law or in this Certificate (or in any certificate of designations of any series of Undesignated Preferred Stock):

(a) the holders of the Common Stock shall have the exclusive right to vote for the election of directors of the Corporation (the "Directors") and on all other matters requiring stockholder action, each outstanding share entitling the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate (or on any amendment to a certificate of designations of any series of Undesignated Preferred Stock) that alters or changes the powers, preferences, rights or other terms of one or more outstanding series of Undesignated Preferred Stock if the holders of such affected series of Undesignated Preferred Stock are entitled to vote, either separately or together with the holders of one or more other such series, on such amendment pursuant to this Certificate (or pursuant to a certificate of designations of any series of Undesignated Preferred Stock) or pursuant to the DGCL;

(b) dividends may be declared and paid or set apart for payment upon the Common Stock out of any assets or funds of the Corporation legally available for the payment of dividends, but only when and as declared by the Board of Directors or any authorized committee thereof; and

(c) upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the net assets of the Corporation shall be distributed pro rata to the holders of the Common Stock.

B. UNDESIGNATED PREFERRED STOCK

The Board of Directors or any authorized committee thereof is expressly authorized, to the fullest extent permitted by law, to provide by resolution or resolutions for, out of the unissued shares of Undesignated Preferred Stock, the issuance of the shares of Undesignated Preferred Stock in one or more series of such stock, and by filing a certificate of designations pursuant to applicable law of the State of Delaware, to establish or change from time to time the number of shares of each such series, and to fix the designations, powers, including voting powers, full or limited, or no voting powers, preferences and the relative, participating, optional or other special rights of the shares of each series and any qualifications, limitations and restrictions thereof.

ARTICLE V

STOCKHOLDER ACTION

1. Action without Meeting. Any action required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders and may not be taken or effected by a written consent of stockholders in lieu thereof.

2. Special Meetings. Except as otherwise required by statute and subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock, special meetings of the stockholders of the Corporation may be called only by the Board of Directors acting pursuant to a resolution approved by the affirmative vote of a majority of the Directors then in office, and special meetings of stockholders may not be called by any other person or persons. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders of the Corporation.

ARTICLE VI

DIRECTORS

1. General. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided herein or required by law.

2. Election of Directors. Election of Directors need not be by written ballot unless the By-laws of the Corporation (the "By-laws") shall so provide.

3. Number of Directors; Term of Office. The number of Directors of the Corporation shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board of Directors. The Directors, other than those who may be elected by the holders of any series of Undesignated Preferred Stock, shall be classified, with respect to the term for which they severally hold office, into three classes, as nearly equal in number as reasonably possible. The initial Class I Directors of the Corporation shall be Steven C. Quay and John Barnhart; the initial Class II Directors of the Corporation shall be Alexander Cross and Stephen J. Galli; and the initial Class III Directors of the Corporation shall be Shu-Chih Chen and H. Lawrence Remmel. The initial Class I Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 2013, the initial Class II Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 2014, and the initial Class III Directors shall serve for a term expiring at the annual meeting of stockholders to be held in 2015. At each annual meeting of stockholders, Directors elected to succeed those Directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. Notwithstanding the foregoing, the Directors elected to each class shall hold office until their successors are duly elected and qualified or until their earlier resignation, death or removal.

Notwithstanding the foregoing, whenever, pursuant to the provisions of Article IV of this Certificate, the holders of any one or more series of Undesignated Preferred Stock shall have the right, voting separately as a series or together with holders of other such series, to elect Directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Certificate and any certificate of designations applicable to such series.

4. Vacancies. Subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock to elect Directors and to fill vacancies in the Board of Directors relating thereto, any and all vacancies in the Board of Directors, however occurring, including, without limitation, by reason of an increase in the size of the Board of Directors, or the death, resignation, disqualification or removal of a Director, shall be filled solely and exclusively by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum of the Board of Directors, and not by the stockholders. Any Director appointed in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been duly elected and qualified or until his or her earlier resignation, death or removal. Subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock to elect Directors, when the number of Directors is increased or decreased, the Board of Directors shall, subject to Article VI.3 hereof, determine the class or classes to which the increased or decreased number of Directors shall be apportioned; provided, however, that no decrease in the number of Directors shall shorten the term of any incumbent Director. In the event of a vacancy in the Board of Directors, the remaining Directors, except as otherwise provided by law, shall exercise the powers of the full Board of Directors until the vacancy is filled.

5. Removal. Subject to the rights, if any, of any series of Undesignated Preferred Stock to elect Directors and to remove any Director whom the holders of any such series have the right to elect, any Director (including persons elected by Directors to fill vacancies in the Board of Directors) may be removed from office (i) only with cause and (ii) only by the affirmative vote of the holders of 75% or more of the outstanding shares of capital stock then entitled to vote at an election of Directors. At least forty-five (45) days prior to any annual or special meeting of stockholders at which it is proposed that any Director be removed from office, written notice of such proposed removal and the alleged grounds thereof shall be sent to the Director whose removal will be considered at the meeting.

ARTICLE VII

LIMITATION OF LIABILITY

A Director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (a) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL or (d) for any transaction from which the Director derived an improper personal benefit. If the DGCL is amended after the effective date of this Certificate to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Any amendment, repeal or modification of this Article VII by either of (i) the stockholders of the Corporation or (ii) an amendment to the DGCL, shall not adversely affect any right or protection existing at the time of such amendment, repeal or modification with respect to any acts or omissions occurring before such amendment, repeal or modification of a person serving as a Director at the time of such amendment, repeal or modification.

ARTICLE VIII

AMENDMENT OF BY-LAWS

1. Amendment by Directors. Except as otherwise provided by law, the By-laws of the Corporation may be amended or repealed by the Board of Directors by the affirmative vote of a majority of the Directors then in office.

2. Amendment by Stockholders. The By-laws of the Corporation may be amended or repealed at any annual meeting of stockholders, or special meeting of stockholders called for such purpose, by the affirmative vote of at least 75% of the outstanding shares of capital stock entitled to vote on such amendment or repeal, voting together as a single class; provided, however, that if the Board of Directors recommends that stockholders approve such amendment or repeal at such meeting of stockholders, such amendment or repeal shall only require the affirmative vote of the majority of the outstanding shares of capital stock entitled to vote on such amendment or repeal, voting together as a single class.

ARTICLE IX

AMENDMENT OF CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend or repeal this Certificate in the manner now or hereafter prescribed by statute and this Certificate, and all rights conferred upon stockholders herein are granted subject to this reservation. Whenever any vote of the holders of capital stock of the Corporation is required to amend or repeal any provision of this Certificate, and in addition to any other vote of holders of capital stock that is required by this Certificate or by law, such amendment or repeal shall require the affirmative vote of the majority of the outstanding shares of capital stock entitled to vote on such amendment or repeal, and the affirmative vote of the majority of the outstanding shares of each class entitled to vote thereon as a class, at a duly constituted meeting of stockholders called expressly for such purpose; provided, however, that the affirmative vote of not less than 75% of the outstanding shares of capital stock entitled to vote on such amendment or repeal, and the affirmative vote of not less than 75% of the outstanding shares of each class entitled to vote thereon as a class, shall be required to amend or repeal any provision of Article V, Article VI, Article VII, Article VIII or Article IX of this Certificate.

ARTICLE X

EXCLUSIVE JURISDICTION OF CERTAIN ACTIONS

The Court of Chancery of the State of Delaware shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL or the Corporation's Amended and Restated Certificate of Incorporation or Bylaws or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine, in each such case subject to said Court of Chancery having personal jurisdiction over the indispensible parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in the shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article X.

[End of Text]

THIS AMENDED AND RESTATED CERTIFICATE OF INCORPORATION is executed as of this ____ day of _____, 2012.

ATOSSA GENETICS INC.

By: _____
Name: _____
Title: _____

AMENDED AND RESTATED

BY-LAWS

OF

ATOSSA GENETICS INC.

(the "Corporation")

ARTICLE I

Stockholders

SECTION 1. Annual Meeting. The annual meeting of stockholders (any such meeting being referred to in these By-laws as an "Annual Meeting") shall be held at the hour, date and place within or without the United States which is fixed by the Board of Directors, which time, date and place may subsequently be changed at any time by vote of the Board of Directors. If no Annual Meeting has been held for a period of thirteen (13) months after the Corporation's last Annual Meeting, a special meeting in lieu thereof may be held, and such special meeting shall have, for the purposes of these By-laws or otherwise, all the force and effect of an Annual Meeting. Any and all references hereafter in these By-laws to an Annual Meeting or Annual Meetings also shall be deemed to refer to any special meeting(s) in lieu thereof.

SECTION 2. Notice of Stockholder Business and Nominations.

(a) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of other business to be considered by the stockholders may be brought before an Annual Meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this By-law, who is entitled to vote at the meeting, who is present (in person or by proxy) at the meeting and who complies with the notice procedures set forth in this By-law as to such nomination or business. For the avoidance of doubt, the foregoing clause (ii) shall be the exclusive means for a stockholder to bring nominations or business properly before an Annual Meeting (other than matters properly brought under Rule 14a-8 or Rule 14a-11 (or any successor rules) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), and such stockholder must comply with the notice and other procedures set forth in Article I, Section 2(a)(2) and (3) of this By-law to bring such nominations or business properly before an Annual Meeting. In addition to the other requirements set forth in this By-law, for any proposal of business to be considered at an Annual Meeting, it must be a proper subject for action by stockholders of the Corporation under Delaware law.

(2) For nominations or other business to be properly brought before an Annual Meeting by a stockholder pursuant to clause (ii) of Article I, Section 2(a)(1) of this By-law, the stockholder must (i) have given Timely Notice (as defined below) thereof in writing to the Secretary of the Corporation, (ii) have provided any updates or supplements to such notice at the times and in the forms required by this By-law and (iii) together with the beneficial owner(s), if any, on whose behalf the nomination or business proposal is made, have acted in accordance with the representations set forth in the Solicitation Statement (as defined below) required by this By-law. To be timely, a stockholder's written notice shall be received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the one-year anniversary of the preceding year's Annual Meeting; provided, however, that in the event the Annual Meeting is first convened more than thirty (30) days before or more than sixty (60) days after such anniversary date, or if no Annual Meeting were held in the preceding year, notice by the stockholder to be timely must be received by the Secretary of the Corporation not later than the close of business on the later of the ninetieth (90th) day prior to the scheduled date of such Annual Meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made (such notice within such time periods shall be referred to as "Timely Notice"). Notwithstanding anything to the contrary provided herein, for the first Annual Meeting following the initial public offering of common stock of the Corporation, a stockholder's notice shall be timely if received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the ninetieth (90th) day prior to the scheduled date of such Annual Meeting or the tenth (10th) day following the day on which public announcement of the date of such Annual Meeting is first made or sent by the Corporation. Such stockholder's Timely Notice shall set forth:

(A) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected);

(B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest in such business of each Proposing Person (as defined below);

(C) (i) the name and address of the stockholder giving the notice, as they appear on the Corporation's books, and the names and addresses of the other Proposing Persons (if any) and (ii) as to each Proposing Person, the following information: (a) the class or series and number of all shares of capital stock of the Corporation which are, directly or indirectly, owned beneficially or of record by such Proposing Person or any of its affiliates or associates (as such terms are defined in Rule 12b-2 promulgated under the Exchange Act), including any shares of any class or series of capital stock of the Corporation as to which such Proposing Person or any of its affiliates or associates has a right to acquire beneficial ownership at any time in the future, (b) all Synthetic Equity Interests (as defined below) in which such Proposing Person or any of its affiliates or associates, directly or indirectly, holds an interest including a description of the material terms of each such Synthetic Equity Interest, including without limitation, identification of the counterparty to each such Synthetic Equity Interest and disclosure, for each such Synthetic Equity Interest, as to (x) whether or not such Synthetic Equity Interest conveys any voting rights, directly or indirectly, in such shares to such Proposing Person, (y) whether or not such Synthetic Equity Interest is required to be, or is capable of being, settled through delivery of such shares and (z) whether or not such Proposing Person and/or, to the extent known, the counterparty to such Synthetic Equity Interest has entered into other transactions that hedge or mitigate the economic effect of such Synthetic Equity Interest, (c) any proxy (other than a revocable proxy given in response to a public proxy solicitation made pursuant to, and in accordance with, the Exchange Act), agreement, arrangement, understanding or relationship pursuant to which such Proposing Person has or shares a right to, directly or indirectly, vote any shares of any class or series of capital stock of the Corporation, (d) any rights to dividends or other distributions on the shares of any class or series of capital stock of the Corporation, directly or indirectly, owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, and (e) any performance-related fees (other than an asset based fee) that such Proposing Person, directly or indirectly, is entitled to based on any increase or decrease in the value of shares of any class or series of capital stock of the Corporation or any Synthetic Equity Interests (the disclosures to be made pursuant to the foregoing clauses (a) through (e) are referred to, collectively, as "Material Ownership Interests") and (iii) a description of the material terms of all agreements, arrangements or understandings (whether or not in writing) entered into by any Proposing Person or any of its affiliates or associates with any other person for the purpose of acquiring, holding, disposing or voting of any shares of any class or series of capital stock of the Corporation;

(D) (i) a description of all agreements, arrangements or understandings by and among any of the Proposing Persons, or by and among any Proposing Persons and any other person (including with any proposed nominee(s)), pertaining to the nomination(s) or other business proposed to be brought before the meeting of stockholders (which description shall identify the name of each other person who is party to such an agreement, arrangement or understanding), and (ii) identification of the names and addresses of other stockholders (including beneficial owners) known by any of the Proposing Persons to support such nominations or other business proposal(s), and to the extent known the class and number of all shares of the Corporation's capital stock owned beneficially or of record by such other stockholder(s) or other beneficial owner(s); and

(E) a statement whether or not the stockholder giving the notice and/or the other Proposing Person(s), if any, will deliver a proxy statement and form of proxy to holders of, in the case of a business proposal, at least the percentage of voting power of all of the shares of capital stock of the Corporation required under applicable law to approve the proposal or, in the case of a nomination or nominations, at least the percentage of voting power of all of the shares of capital stock of the Corporation reasonably believed by such Proposing Person to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder (such statement, the "Solicitation Statement").

For purposes of this Article I of these By-laws, the term "Proposing Person" shall mean the following persons: (i) the stockholder of record providing the notice of nominations or business proposed to be brought before a stockholders' meeting, and (ii) the beneficial owner(s), if different, on whose behalf the nominations or business proposed to be brought before a stockholders' meeting is made. For purposes of this Section 2 of Article I of these By-laws, the term "Synthetic Equity Interest" shall mean any transaction, agreement or arrangement (or series of transactions, agreements or arrangements), including, without limitation, any derivative, swap, hedge, repurchase or so-called "stock borrowing" agreement or arrangement, the purpose or effect of which is to, directly or indirectly: (a) give a person or entity economic benefit and/or risk similar to ownership of shares of any class or series of capital stock of the Corporation, in whole or in part, including due to the fact that such transaction, agreement or arrangement provides, directly or indirectly, the opportunity to profit or avoid a loss from any increase or decrease in the value of any shares of any class or series of capital stock of the Corporation, (b) mitigate loss to, reduce the economic risk of or manage the risk of share price changes for, any person or entity with respect to any shares of any class or series of capital stock of the Corporation, (c) otherwise provide in any manner the opportunity to profit or avoid a loss from any decrease in the value of any shares of any class or series of capital stock of the Corporation, or (d) increase or decrease the voting power of any person or entity with respect to any shares of any class or series of capital stock of the Corporation.

(3) A stockholder providing Timely Notice of nominations or business proposed to be brought before an Annual Meeting shall further update and supplement such notice, if necessary, so that the information (including, without limitation, the Material Ownership Interests information) provided or required to be provided in such notice pursuant to this By-law shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to such Annual Meeting, and such update and supplement shall be received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the fifth (5th) business day after the record date for the Annual Meeting (in the case of the update and supplement required to be made as of the record date), and not later than the close of business on the eighth (8th) business day prior to the date of the Annual Meeting (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting).

(4) Notwithstanding anything in the second sentence of Article I, Section 2(a)(2) of this By-law to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least ten (10) days before the last day a stockholder may deliver a notice of nomination in accordance with the second sentence of Article I, Section 2(a)(2), a stockholder's notice required by this By-law shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(b) General.

(1) Only such persons who are nominated in accordance with the provisions of this By-law or in accordance with Rule 14a-11 under the Exchange Act shall be eligible for election and to serve as directors and only such business shall be conducted at an Annual Meeting as shall have been brought before the meeting in accordance with the provisions of this By-law or in accordance with Rule 14a-8 under the Exchange Act. The Board of Directors or a designated committee thereof shall have the power to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the provisions of this By-law. If neither the Board of Directors nor such designated committee makes a determination as to whether any stockholder proposal or nomination was made in accordance with the provisions of this By-law, the presiding officer of the Annual Meeting shall have the power and duty to determine whether the stockholder proposal or nomination was made in accordance with the provisions of this By-law. If the Board of Directors or a designated committee thereof or the presiding officer, as applicable, determines that any stockholder proposal or nomination was not made in accordance with the provisions of this By-law, such proposal or nomination shall be disregarded and shall not be presented for action at the Annual Meeting.

(2) Except as otherwise required by law, nothing in this Article I, Section 2 shall obligate the Corporation or the Board of Directors to include in any proxy statement or other stockholder communication distributed on behalf of the Corporation or the Board of Directors information with respect to any nominee for director or any other matter of business submitted by a stockholder.

(3) Notwithstanding the foregoing provisions of this Article I, Section 2, if the nominating or proposing stockholder (or a qualified representative of the stockholder) does not appear at the Annual Meeting to present a nomination or any business, such nomination or business shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Article I, Section 2, to be considered a qualified representative of the proposing stockholder, a person must be authorized by a written instrument executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such written instrument or electronic transmission, or a reliable reproduction of the written instrument or electronic transmission, to the presiding officer at the meeting of stockholders.

(4) For purposes of this By-law, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(5) Notwithstanding the foregoing provisions of this By-law, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this By-law. Nothing in this By-law shall be deemed to affect any rights of (i) stockholders to have nominations or proposals included in the Corporation's proxy statement pursuant to Rule 14a-8 or Rule 14a-11 (or any successor rules), as applicable, under the Exchange Act and, to the extent required by such rule, have such nominations or proposals considered and voted on at an Annual Meeting or (ii) the holders of any series of Undesignated Preferred Stock to elect directors under specified circumstances.

SECTION 3. Special Meetings. Except as otherwise required by statute and subject to the rights, if any, of the holders of any series of Undesignated Preferred Stock, special meetings of the stockholders of the Corporation may be called only by the Board of Directors acting pursuant to a resolution approved by the affirmative vote of a majority of the Directors then in office. The Board of Directors may postpone or reschedule any previously scheduled special meeting of stockholders. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders of the Corporation. Nominations of persons for election to the Board of Directors of the Corporation and stockholder proposals of other business shall not be brought before a special meeting of stockholders to be considered by the stockholders unless such special meeting is held in lieu of an annual meeting of stockholders in accordance with Article I, Section 1 of these By-laws, in which case such special meeting in lieu thereof shall be deemed an Annual Meeting for purposes of these By-laws and the provisions of Article I, Section 2 of these By-laws shall govern such special meeting.

SECTION 4. Notice of Meetings; Adjournments.

(a) A notice of each Annual Meeting stating the hour, date and place, if any, of such Annual Meeting and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, shall be given not less than ten (10) days nor more than sixty (60) days before the Annual Meeting, to each stockholder entitled to vote thereat by delivering such notice to such stockholder or by mailing it, postage prepaid, addressed to such stockholder at the address of such stockholder as it appears on the Corporation's stock transfer books. Without limiting the manner by which notice may otherwise be given to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law ("DGCL").

(b) Notice of all special meetings of stockholders shall be given in the same manner as provided for Annual Meetings, except that the notice of all special meetings shall state the purpose or purposes for which the meeting has been called.

(c) Notice of an Annual Meeting or special meeting of stockholders need not be given to a stockholder if a waiver of notice is executed, or waiver of notice by electronic transmission is provided, before or after such meeting by such stockholder or if such stockholder attends such meeting, unless such attendance is for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened.

(d) The Board of Directors may postpone and reschedule any previously scheduled Annual Meeting or special meeting of stockholders and any record date with respect thereto, regardless of whether any notice or public disclosure with respect to any such meeting has been sent or made pursuant to Section 2 of this Article I of these By-laws or otherwise. In no event shall the public announcement of an adjournment, postponement or rescheduling of any previously scheduled meeting of stockholders commence a new time period for the giving of a stockholder's notice under this Article I of these By-laws.

(e) When any meeting is convened, the presiding officer may adjourn the meeting if (i) no quorum is present for the transaction of business, (ii) the Board of Directors determines that adjournment is necessary or appropriate to enable the stockholders to consider fully information which the Board of Directors determines has not been made sufficiently or timely available to stockholders, or (iii) the Board of Directors determines that adjournment is otherwise in the best interests of the Corporation. When any Annual Meeting or special meeting of stockholders is adjourned to another hour, date or place, notice need not be given of the adjourned meeting other than an announcement at the meeting at which the adjournment is taken of the hour, date and place, if any, to which the meeting is adjourned and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting; provided, however, that if the adjournment is for more than thirty (30) days from the meeting date, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting shall be given to each stockholder of record entitled to vote thereat and each stockholder who, by law or under the Certificate of Incorporation of the Corporation (as the same may hereafter be amended and/or restated, the "Certificate") or these By-laws, is entitled to such notice.

SECTION 5. Quorum. A majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at any meeting of stockholders. If less than a quorum is present at a meeting, the holders of voting stock representing a majority of the voting power present at the meeting or the presiding officer may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, except as provided in Section 4 of this Article I. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. The stockholders present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 6. Voting and Proxies. Stockholders shall have one vote for each share of stock entitled to vote owned by them of record according to the stock ledger of the Corporation as of the record date, unless otherwise provided by law or by the Certificate. Stockholders may vote either (i) in person, (ii) by written proxy or (iii) by a transmission permitted by Section 212(c) of the DGCL. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission permitted by Section 212(c) of the DGCL may be substituted for or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. Proxies shall be filed in accordance with the procedures established for the meeting of stockholders. Except as otherwise limited therein or as otherwise provided by law, proxies authorizing a person to vote at a specific meeting shall entitle the persons authorized thereby to vote at any adjournment of such meeting, but they shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by or on behalf of any one of them unless at or prior to the exercise of the proxy the Corporation receives a specific written notice to the contrary from any one of them.

SECTION 7. Action at Meeting. When a quorum is present at any meeting of stockholders, any matter before any such meeting (other than an election of a director or directors) shall be decided by a majority of the votes properly cast for and against such matter, except where a larger vote is required by law, by the Certificate or by these By-laws. Any election of directors by stockholders shall be determined by a plurality of the votes properly cast on the election of directors.

SECTION 8. Stockholder Lists. The Secretary or an Assistant Secretary (or the Corporation's transfer agent or other person authorized by these By-laws or by law) shall prepare and make available, at least ten (10) days before every Annual Meeting or special 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 a period of at least ten (10) days prior to the meeting in the manner provided by law. The list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law.

SECTION 9. Presiding Officer. The Board of Directors shall designate a representative to preside over all Annual Meetings or special meetings of stockholders, provided that if the Board of Directors does not so designate such a presiding officer, then the Chairman of the Board, if one is elected, shall preside over such meetings. If the Board of Directors does not so designate such a presiding officer and there is no Chairman of the Board or the Chairman of the Board is unable to so preside or is absent, then the Chief Executive Officer, if one is elected, shall preside over such meetings, provided further that if there is no Chief Executive Officer or the Chief Executive Officer is unable to so preside or is absent, then the President shall preside over such meetings. The presiding officer at any Annual Meeting or special meeting of stockholders shall have the power, among other things, to adjourn such meeting at any time and from time to time, subject to Sections 4 and 5 of this Article I. The order of business and all other matters of procedure at any meeting of the stockholders shall be determined by the presiding officer.

SECTION 10. Inspectors of Elections. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the presiding officer shall appoint one or more inspectors to act at the meeting. Any inspector may, but need not, be an officer, employee or agent of the Corporation. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall perform such duties as are required by the DGCL, including the counting of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. The presiding officer may review all determinations made by the inspectors, and in so doing the presiding officer shall be entitled to exercise his or her sole judgment and discretion and he or she shall not be bound by any determinations made by the inspectors. All determinations by the inspectors and, if applicable, the presiding officer, shall be subject to further review by any court of competent jurisdiction.

ARTICLE II

Directors

SECTION 1. Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided by the Certificate or required by law.

SECTION 2. Number and Terms. The number of directors of the Corporation shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board of Directors. The directors shall hold office in the manner provided in the Certificate.

SECTION 3. Qualification. No director need be a stockholder of the Corporation.

SECTION 4. Vacancies. Vacancies in the Board of Directors shall be filled in the manner provided in the Certificate.

SECTION 5. Removal. Directors may be removed from office only in the manner provided in the Certificate.

SECTION 6. Resignation. A director may resign at any time by giving written notice to the Chairman of the Board, if one is elected, the President or the Secretary. A resignation shall be effective upon receipt, unless the resignation otherwise provides.

SECTION 7. Regular Meetings. The regular annual meeting of the Board of Directors shall be held, without notice other than this Section 7, on the same date and at the same place as the Annual Meeting following the close of such meeting of stockholders. Other regular meetings of the Board of Directors may be held at such hour, date and place as the Board of Directors may by resolution from time to time determine and publicize by means of reasonable notice given to any director who is not present at the meeting at which such resolution is adopted.

SECTION 8. Special Meetings. Special meetings of the Board of Directors may be called, orally or in writing, by or at the request of a majority of the directors, the Chairman of the Board, if one is elected, or the President. The person calling any such special meeting of the Board of Directors may fix the hour, date and place thereof.

SECTION 9. Notice of Meetings. Notice of the hour, date and place of all special meetings of the Board of Directors shall be given to each director by the Secretary or an Assistant Secretary, or in case of the death, absence, incapacity or refusal of such persons, by the Chairman of the Board, if one is elected, or the President or such other officer designated by the Chairman of the Board, if one is elected, or the President. Notice of any special meeting of the Board of Directors shall be given to each director in person, by telephone, or by facsimile, electronic mail or other form of electronic communication, sent to his or her business or home address, at least twenty-four (24) hours in advance of the meeting, or by written notice mailed to his or her business or home address, at least forty-eight (48) hours in advance of the meeting. Such notice shall be deemed to be delivered when hand-delivered to such address, read to such director by telephone, deposited in the mail so addressed, with postage thereon prepaid if mailed, dispatched or transmitted if sent by facsimile transmission or by electronic mail or other form of electronic communications. A written waiver of notice signed before or after a meeting by a director and filed with the records of the meeting shall be deemed to be equivalent to notice of the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because such meeting is not lawfully called or convened. Except as otherwise required by law, by the Certificate or by these By-laws, neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 10. Quorum. At any meeting of the Board of Directors, a majority of the total number of directors shall constitute a quorum for the transaction of business, but if less than a quorum is present at a meeting, a majority of the directors present may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice. Any business which might have been transacted at the meeting as originally noticed may be transacted at such adjourned meeting at which a quorum is present. For purposes of this section, the total number of directors includes any unfilled vacancies on the Board of Directors.

SECTION 11. Action at Meeting. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of the directors present shall constitute action by the Board of Directors, unless otherwise required by law, by the Certificate or by these By-laws.

SECTION 12. Action by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the records of the meetings of the Board of Directors. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. Such consent shall be treated as a resolution of the Board of Directors for all purposes.

SECTION 13. Manner of Participation. Directors may participate in meetings of the Board of Directors by means of conference telephone or other communications equipment by means of which all directors participating in the meeting can hear each other, and participation in a meeting in accordance herewith shall constitute presence in person at such meeting for purposes of these By-laws.

SECTION 14. Presiding Director. The Board of Directors shall designate a representative to preside over all meetings of the Board of Directors, provided that if the Board of Directors does not so designate such a presiding director or such designated presiding director is unable to so preside or is absent, then the Chairman of the Board, if one is elected, shall preside over all meetings of the Board of Directors. If both the designated presiding director, if one is so designated, and the Chairman of the Board, if one is elected, are unable to preside or are absent, the Board of Directors shall designate an alternate representative to preside over a meeting of the Board of Directors.

SECTION 15. Committees. The Board of Directors, by vote of a majority of the directors then in office, may elect one or more committees, including, without limitation, a Compensation Committee, a Nominating & Corporate Governance Committee and an Audit Committee, and may delegate thereto some or all of its powers except those which by law, by the Certificate or by these By-laws may not be delegated. Except as the Board of Directors may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the Board of Directors or in such rules, its business shall be conducted so far as possible in the same manner as is provided by these By-laws for the Board of Directors. All members of such committees shall hold such offices at the pleasure of the Board of Directors. The Board of Directors may abolish any such committee at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep records of its meetings and shall report its action to the Board of Directors.

SECTION 16. Compensation of Directors. Directors shall receive such compensation for their services as shall be determined by a majority of the Board of Directors, or a designated committee thereof, provided that directors who are serving the Corporation as employees and who receive compensation for their services as such, shall not receive any salary or other compensation for their services as directors of the Corporation.

ARTICLE III

Officers

SECTION 1. Enumeration. The officers of the Corporation shall consist of a President, a Treasurer, a Secretary and such other officers, including, without limitation, a Chairman of the Board of Directors, a Chief Executive Officer and one or more Vice Presidents (including Executive Vice Presidents or Senior Vice Presidents), Assistant Vice Presidents, Assistant Treasurers and Assistant Secretaries, as the Board of Directors may determine.

SECTION 2. Election. At the regular annual meeting of the Board of Directors following the Annual Meeting, the Board of Directors shall elect the President, the Treasurer and the Secretary. Other officers may be elected by the Board of Directors at such regular annual meeting of the Board of Directors or at any other regular or special meeting.

SECTION 3. Qualification. No officer need be a stockholder or a director. Any person may occupy more than one office of the Corporation at any time.

SECTION 4. Tenure. Except as otherwise provided by the Certificate or by these By-laws, each of the officers of the Corporation shall hold office until the regular annual meeting of the Board of Directors following the next Annual Meeting and until his or her successor is elected and qualified or until his or her earlier resignation or removal.

SECTION 5. Resignation. Any officer may resign by delivering his or her written resignation to the Corporation addressed to the President or the Secretary, and such resignation shall be effective upon receipt, unless the resignation otherwise provides.

SECTION 6. Removal. Except as otherwise provided by law, the Board of Directors may remove any officer with or without cause by the affirmative vote of a majority of the directors then in office.

SECTION 7. Absence or Disability. In the event of the absence or disability of any officer, the Board of Directors may designate another officer to act temporarily in place of such absent or disabled officer.

SECTION 8. Vacancies. Any vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors.

SECTION 9. President. The President shall, subject to the direction of the Board of Directors, have such powers and shall perform such duties as the Board of Directors may from time to time designate.

SECTION 10. Chairman of the Board. The Chairman of the Board, if one is elected, shall have such powers and shall perform such duties as the Board of Directors may from time to time designate.

SECTION 11. Chief Executive Officer. The Chief Executive Officer, if one is elected, shall have such powers and shall perform such duties as the Board of Directors may from time to time designate.

SECTION 12. Vice Presidents and Assistant Vice Presidents. Any Vice President (including any Executive Vice President or Senior Vice President) and any Assistant Vice President shall have such powers and shall perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 13. Treasurer and Assistant Treasurers. The Treasurer shall, subject to the direction of the Board of Directors and except as the Board of Directors or the Chief Executive Officer may otherwise provide, have general charge of the financial affairs of the Corporation and shall cause to be kept accurate books of account. The Treasurer shall have custody of all funds, securities, and valuable documents of the Corporation. He or she shall have such other duties and powers as may be designated from time to time by the Board of Directors or the Chief Executive Officer. Any Assistant Treasurer shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 14. Secretary and Assistant Secretaries. The Secretary shall record all the proceedings of the meetings of the stockholders and the Board of Directors (including committees of the Board of Directors) in books kept for that purpose. In his or her absence from any such meeting, a temporary secretary chosen at the meeting shall record the proceedings thereof. The Secretary shall have charge of the stock ledger (which may, however, be kept by any transfer or other agent of the Corporation). The Secretary shall have custody of the seal of the Corporation, and the Secretary, or an Assistant Secretary shall have authority to affix it to any instrument requiring it, and, when so affixed, the seal may be attested by his or her signature or that of an Assistant Secretary. The Secretary shall have such other duties and powers as may be designated from time to time by the Board of Directors or the Chief Executive Officer. In the absence of the Secretary, any Assistant Secretary may perform his or her duties and responsibilities. Any Assistant Secretary shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 15. Other Powers and Duties. Subject to these By-laws and to such limitations as the Board of Directors may from time to time prescribe, the officers of the Corporation shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors or the Chief Executive Officer.

ARTICLE IV

Capital Stock

SECTION 1. Certificates of Stock. Each stockholder shall be entitled to a certificate of the capital stock of the Corporation in such form as may from time to time be prescribed by the Board of Directors. Such certificate shall be signed by the Chairman of the Board, the President or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary. The Corporation seal and the signatures by the Corporation's officers, the transfer agent or the registrar may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on such 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 or she were such officer, transfer agent or registrar at the time of its issue. Every certificate for shares of stock which are subject to any restriction on transfer and every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall contain such legend with respect thereto as is required by law. Notwithstanding anything to the contrary provided in these Bylaws, the Board of Directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares (except that the foregoing shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation), and by the approval and adoption of these Bylaws the Board of Directors has determined that all classes or series of the Corporation's stock may be uncertificated, whether upon original issuance, re-issuance, or subsequent transfer.

SECTION 2. Transfers. Subject to any restrictions on transfer and unless otherwise provided by the Board of Directors, shares of stock that are represented by a certificate may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate theretofore properly endorsed or accompanied by a written assignment or power of attorney properly executed, with transfer stamps (if necessary) affixed, and with such proof of the authenticity of signature as the Corporation or its transfer agent may reasonably require. Shares of stock that are not represented by a certificate may be transferred on the books of the Corporation by submitting to the Corporation or its transfer agent such evidence of transfer and following such other procedures as the Corporation or its transfer agent may require.

SECTION 3. Record Holders. Except as may otherwise be required by law, by the Certificate or by these By-laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-laws.

SECTION 4. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof 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 a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date: (a) in the case of determination of stockholders entitled to vote at any meeting of stockholders, shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting and (b) in the case of any other action, shall not be more than sixty (60) days prior to such other action. If no record date is fixed: (i) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and (ii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 5. Replacement of Certificates. In case of the alleged loss, destruction or mutilation of a certificate of stock of the Corporation, a duplicate certificate may be issued in place thereof, upon such terms as the Board of Directors may prescribe.

ARTICLE V

Indemnification

SECTION 1. Definitions. For purposes of this Article:

(a) "Corporate Status" describes the status of a person who is serving or has served (i) as a Director of the Corporation, (ii) as an Officer of the Corporation, (iii) as a Non-Officer Employee of the Corporation, or (iv) as a director, partner, trustee, officer, employee or agent of any other corporation, partnership, limited liability company, joint venture, trust, employee benefit plan, foundation, association, organization or other legal entity which such person is or was serving at the request of the Corporation. For purposes of this Section 1(a), a Director, Officer or Non-Officer Employee of the Corporation who is serving or has served as a director, partner, trustee, officer, employee or agent of a Subsidiary shall be deemed to be serving at the request of the Corporation. Notwithstanding the foregoing, "Corporate Status" shall not include the status of a person who is serving or has served as a director, officer, employee or agent of a constituent corporation absorbed in a merger or consolidation transaction with the Corporation with respect to such person's activities prior to said transaction, unless specifically authorized by the Board of Directors or the stockholders of the Corporation;

(b) "Director" means any person who serves or has served the Corporation as a director on the Board of Directors of the Corporation;

(c) "Disinterested Director" means, with respect to each Proceeding in respect of which indemnification is sought hereunder, a Director of the Corporation who is not and was not a party to such Proceeding;

(d) "Expenses" means all attorneys' fees, retainers, court costs, transcript costs, fees of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), travel expenses, duplicating costs, printing and binding costs, costs of preparation of demonstrative evidence and other courtroom presentation aids and devices, costs incurred in connection with document review, organization, imaging and computerization, telephone charges, postage, delivery service fees, and all other disbursements, costs or expenses of the type customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, settling or otherwise participating in, a Proceeding;

(e) "Liabilities" means judgments, damages, liabilities, losses, penalties, excise taxes, fines and amounts paid in settlement;

(f) "Non-Officer Employee" means any person who serves or has served as an employee or agent of the Corporation, but who is not or was not a Director or Officer;

(g) "Officer" means any person who serves or has served the Corporation as an officer of the Corporation appointed by the Board of Directors of the Corporation;

(h) "Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, inquiry, investigation, administrative hearing or other proceeding, whether civil, criminal, administrative, arbitrative or investigative; and

(i) "Subsidiary" shall mean any corporation, partnership, limited liability company, joint venture, trust or other entity of which the Corporation owns (either directly or through or together with another Subsidiary of the Corporation) either (i) a general partner, managing member or other similar interest or (ii) (A) fifty percent (50%) or more of the voting power of the voting capital equity interests of such corporation, partnership, limited liability company, joint venture or other entity, or (B) fifty percent (50%) or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other entity.

SECTION 2. Indemnification of Directors and Officers.

(a) Subject to the operation of Section 4 of this Article V of these By-laws, each Director and Officer shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), and to the extent authorized in this Section 2.

(1) Actions, Suits and Proceedings Other than By or In the Right of the Corporation. Each Director and Officer shall be indemnified and held harmless by the Corporation against any and all Expenses and Liabilities that are incurred or paid by such Director or Officer or on such Director's or Officer's behalf in connection with any Proceeding or any claim, issue or matter therein (other than an action by or in the right of the Corporation), which such Director or Officer is, or is threatened to be made, a party to or participant in by reason of such Director's or Officer's Corporate Status, if such Director or Officer acted in good faith and in a manner such Director or Officer reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

(2) Actions, Suits and Proceedings By or In the Right of the Corporation. Each Director and Officer shall be indemnified and held harmless by the Corporation against any and all Expenses that are incurred by such Director or Officer or on such Director's or Officer's behalf in connection with any Proceeding or any claim, issue or matter therein by or in the right of the Corporation, which such Director or Officer is, or is threatened to be made, a party to or participant in by reason of such Director's or Officer's Corporate Status, if such Director or Officer acted in good faith and in a manner such Director or Officer reasonably believed to be in or not opposed to the best interests of the Corporation; provided, however, that no indemnification shall be made under this Section 2(a)(2) in respect of any claim, issue or matter as to which such Director or Officer shall have been finally adjudged by a court of competent jurisdiction to be liable to the Corporation, unless, and only to the extent that, the Court of Chancery or another court in which such Proceeding was brought shall determine upon application that, despite adjudication of liability, but in view of all the circumstances of the case, such Director or Officer is fairly and reasonably entitled to indemnification for such Expenses that such court deems proper.

(3) Survival of Rights. The rights of indemnification provided by this Section 2 shall continue as to a Director or Officer after he or she has ceased to be a Director or Officer and shall inure to the benefit of his or her heirs, executors, administrators and personal representatives.

(4) Actions by Directors or Officers. Notwithstanding the foregoing, the Corporation shall indemnify any Director or Officer seeking indemnification in connection with a Proceeding initiated by such Director or Officer only if such Proceeding (including any parts of such Proceeding not initiated by such Director or Officer) was authorized in advance by the Board of Directors of the Corporation, unless such Proceeding was brought to enforce such Officer's or Director's rights to indemnification or, in the case of Directors, advancement of Expenses under these By-laws in accordance with the provisions set forth herein.

SECTION 3. Indemnification of Non-Officer Employees. Subject to the operation of Section 4 of this Article V of these By-laws, each Non-Officer Employee may, in the discretion of the Board of Directors of the Corporation, be indemnified by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, against any or all Expenses and Liabilities that are incurred by such Non-Officer Employee or on such Non-Officer Employee's behalf in connection with any threatened, pending or completed Proceeding, or any claim, issue or matter therein, which such Non-Officer Employee is, or is threatened to be made, a party to or participant in by reason of such Non-Officer Employee's Corporate Status, if such Non-Officer Employee acted in good faith and in a manner such Non-Officer Employee reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The rights of indemnification provided by this Section 3 shall exist as to a Non-Officer Employee after he or she has ceased to be a Non-Officer Employee and shall inure to the benefit of his or her heirs, personal representatives, executors and administrators. Notwithstanding the foregoing, the Corporation may indemnify any Non-Officer Employee seeking indemnification in connection with a Proceeding initiated by such Non-Officer Employee only if such Proceeding was authorized in advance by the Board of Directors of the Corporation.

SECTION 4. Determination. Unless ordered by a court, no indemnification shall be provided pursuant to this Article V to a Director, to an Officer or to a Non-Officer Employee unless a determination shall have been made that such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal Proceeding, such person had no reasonable cause to believe his or her conduct was unlawful. Such determination shall be made by (a) a majority vote of the Disinterested Directors, even though less than a quorum of the Board of Directors, (b) a committee comprised of Disinterested Directors, such committee having been designated by a majority vote of the Disinterested Directors (even though less than a quorum), (c) if there are no such Disinterested Directors, or if a majority of Disinterested Directors so directs, by independent legal counsel in a written opinion, or (d) by the stockholders of the Corporation.

SECTION 5. Advancement of Expenses to Directors Prior to Final Disposition.

(a) The Corporation shall advance all Expenses incurred by or on behalf of any Director in connection with any Proceeding in which such Director is involved by reason of such Director's Corporate Status within thirty (30) days after the receipt by the Corporation of a written statement from such Director requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Director and shall be preceded or accompanied by an undertaking by or on behalf of such Director to repay any Expenses so advanced if it shall ultimately be determined that such Director is not entitled to be indemnified against such Expenses. Notwithstanding the foregoing, the Corporation shall advance all Expenses incurred by or on behalf of any Director seeking advancement of expenses hereunder in connection with a Proceeding initiated by such Director only if such Proceeding (including any parts of such Proceeding not initiated by such Director) was (i) authorized by the Board of Directors of the Corporation, or (ii) brought to enforce such Director's rights to indemnification or advancement of Expenses under these By-laws.

(b) If a claim for advancement of Expenses hereunder by a Director is not paid in full by the Corporation within thirty (30) days after receipt by the Corporation of documentation of Expenses and the required undertaking, such Director may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and if successful in whole or in part, such Director shall also be entitled to be paid the expenses of prosecuting such claim. The failure of the Corporation (including its Board of Directors or any committee thereof, independent legal counsel, or stockholders) to make a determination concerning the permissibility of such advancement of Expenses under this Article V shall not be a defense to an action brought by a Director for recovery of the unpaid amount of an advancement claim and shall not create a presumption that such advancement is not permissible. The burden of proving that a Director is not entitled to an advancement of expenses shall be on the Corporation.

(c) In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the Director has not met any applicable standard for indemnification set forth in the DGCL.

SECTION 6. Advancement of Expenses to Officers and Non-Officer Employees Prior to Final Disposition.

(a) The Corporation may, at the discretion of the Board of Directors of the Corporation, advance any or all Expenses incurred by or on behalf of any Officer or any Non-Officer Employee in connection with any Proceeding in which such person is involved by reason of his or her Corporate Status as an Officer or Non-Officer Employee upon the receipt by the Corporation of a statement or statements from such Officer or Non-Officer Employee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Officer or Non-Officer Employee and shall be preceded or accompanied by an undertaking by or on behalf of such person to repay any Expenses so advanced if it shall ultimately be determined that such Officer or Non-Officer Employee is not entitled to be indemnified against such Expenses.

(b) In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the Officer or Non-Officer Employee has not met any applicable standard for indemnification set forth in the DGCL.

SECTION 7. Contractual Nature of Rights.

(a) The provisions of this Article V shall be deemed to be a contract between the Corporation and each Director and Officer entitled to the benefits hereof at any time while this Article V is in effect, in consideration of such person's past or current and any future performance of services for the Corporation. Neither amendment, repeal or modification of any provision of this Article V nor the adoption of any provision of the Certificate of Incorporation inconsistent with this Article V shall eliminate or reduce any right conferred by this Article V in respect of any act or omission occurring, or any cause of action or claim that accrues or arises or any state of facts existing, at the time of or before such amendment, repeal, modification or adoption of an inconsistent provision (even in the case of a proceeding based on such a state of facts that is commenced after such time), and all rights to indemnification and advancement of Expenses granted herein or arising out of any act or omission shall vest at the time of the act or omission in question, regardless of when or if any proceeding with respect to such act or omission is commenced. The rights to indemnification and to advancement of expenses provided by, or granted pursuant to, this Article V shall continue notwithstanding that the person has ceased to be a director or officer of the Corporation and shall inure to the benefit of the estate, heirs, executors, administrators, legatees and distributes of such person.

(b) If a claim for indemnification hereunder by a Director or Officer is not paid in full by the Corporation within sixty (60) days after receipt by the Corporation of a written claim for indemnification, such Director or Officer may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, such Director or Officer shall also be entitled to be paid the expenses of prosecuting such claim. The failure of the Corporation (including its Board of Directors or any committee thereof, independent legal counsel, or stockholders) to make a determination concerning the permissibility of such indemnification under this Article V shall not be a defense to an action brought by a Director or Officer for recovery of the unpaid amount of an indemnification claim and shall not create a presumption that such indemnification is not permissible. The burden of proving that a Director or Officer is not entitled to indemnification shall be on the Corporation.

(c) In any suit brought by a Director or Officer to enforce a right to indemnification hereunder, it shall be a defense that such Director or Officer has not met any applicable standard for indemnification set forth in the DGCL.

SECTION 8. Non-Exclusivity of Rights. The rights to indemnification and to advancement of Expenses set forth in this Article V shall not be exclusive of any other right which any Director, Officer, or Non-Officer Employee may have or hereafter acquire under any statute, provision of the Certificate or these By-laws, agreement, vote of stockholders or Disinterested Directors or otherwise.

SECTION 9. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any Director, Officer or Non-Officer Employee against any liability of any character asserted against or incurred by the Corporation or any such Director, Officer or Non-Officer Employee, or arising out of any such person's Corporate Status, whether or not the Corporation would have the power to indemnify such person against such liability under the DGCL or the provisions of this Article V.

SECTION 10. Other Indemnification. The Corporation's obligation, if any, to indemnify or provide advancement of Expenses to any person under this Article V as a result of such person serving, at the request of the Corporation, as a director, partner, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount such person may collect as indemnification or advancement of Expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or enterprise (the "Primary Indemnitor"). Any indemnification or advancement of Expenses under this Article V owed by the Corporation as a result of a person serving, at the request of the Corporation, as a director, partner, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall only be in excess of, and shall be secondary to, the indemnification or advancement of Expenses available from the applicable Primary Indemnitor(s) and any applicable insurance policies.

ARTICLE VI

Miscellaneous Provisions

SECTION 1. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

SECTION 2. Seal. The Board of Directors shall have power to adopt and alter the seal of the Corporation.

SECTION 3. Execution of Instruments. All deeds, leases, transfers, contracts, bonds, notes and other obligations to be entered into by the Corporation in the ordinary course of its business without director action may be executed on behalf of the Corporation by the Chairman of the Board, if one is elected, the President or the Treasurer or any other officer, employee or agent of the Corporation as the Board of Directors or the executive committee of the Board may authorize.

SECTION 4. Voting of Securities. Unless the Board of Directors otherwise provides, the Chairman of the Board, if one is elected, the President or the Treasurer may waive notice of and act on behalf of the Corporation, or appoint another person or persons to act as proxy or attorney in fact for the Corporation with or without discretionary power and/or power of substitution, at any meeting of stockholders or shareholders of any other corporation or organization, any of whose securities are held by the Corporation.

SECTION 5. Resident Agent. The Board of Directors may appoint a resident agent upon whom legal process may be served in any action or proceeding against the Corporation.

SECTION 6. Corporate Records. The original or attested copies of the Certificate, By-laws and records of all meetings of the incorporators, stockholders and the Board of Directors and the stock transfer books, which shall contain the names of all stockholders, their record addresses and the amount of stock held by each, may be kept outside the State of Delaware and shall be kept at the principal office of the Corporation, at an office of its counsel, at an office of its transfer agent or at such other place or places as may be designated from time to time by the Board of Directors.

SECTION 7. Certificate. All references in these By-laws to the Certificate shall be deemed to refer to the Amended and Restated Certificate of Incorporation of the Corporation, as amended and/or restated and in effect from time to time.

SECTION 8. Amendment of By-laws.

(a) Amendment by Directors. Except as provided otherwise by law, these By-laws may be amended or repealed by the Board of Directors by the affirmative vote of a majority of the directors then in office.

(b) Amendment by Stockholders. These By-laws may be amended or repealed at any Annual Meeting, or special meeting of stockholders called for such purpose in accordance with these By-Laws, by the affirmative vote of at least seventy-five percent (75%) of the outstanding shares entitled to vote on such amendment or repeal, voting together as a single class; provided, however, that if the Board of Directors recommends that stockholders approve such amendment or repeal at such meeting of stockholders, such amendment or repeal shall only require the affirmative vote of the majority of the outstanding shares entitled to vote on such amendment or repeal, voting together as a single class. Notwithstanding the foregoing, stockholder approval shall not be required unless mandated by the Certificate, these By-laws, or other applicable law.

SECTION 9. Notices. If mailed, notice to stockholders shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given to stockholders, any notice to stockholders may be given by electronic transmission in the manner provided in Section 232 of the DGCL.

SECTION 10. Waivers. A written waiver of any notice, signed by a stockholder or director, or waiver by electronic transmission by such person, whether given before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such person. Neither the business to be transacted at, nor the purpose of, any meeting need be specified in such a waiver.

Adopted _____, ____ and effective as of _____, ____.

ROPES & GRAY LLP
THREE EMBARCADERO CENTER
SAN FRANCISCO, CA 94111-4006
WWW.ROPESGRAY.COM

June 8, 2012

Atossa Genetics Inc.
4105 E. Madison Street, Suite 320
Seattle, Washington 98112

Re: Registration Statement on Form S-1 (File No. 333-179500)

Ladies and Gentlemen:

This opinion letter is furnished to you in connection with the above-referenced registration statement (the "Registration Statement"), filed with the Securities and Exchange Commission (the "Commission") on February 14, 2012 (as amended from time to time), for the registration under the Securities Act of 1933 (the "Act") of up to 1,150,000 shares of Common Stock, par value $0.001 per share (the "Shares"), of Atossa Genetics Inc., a Delaware corporation (the "Company"). The Shares, which include up to 150,000 shares of Common Stock issuable pursuant to an over-allotment option granted to the placement agents, are to be arranged for sale by the placement agents to the public as described in such Registration Statement.

We have acted as counsel for the Company in connection with the issuance of the Shares. For purposes of this opinion, we have examined and relied upon such documents, records, certificates and other instruments as we have deemed necessary.

The opinion expressed below is limited to the Delaware General Corporation Law.

Based upon and subject to the foregoing, once the price at which the Shares are to be sold has been approved by or on behalf of the Board of Directors of the Company and once the Shares have been issued and delivered against payment therefor in accordance with the terms of the placement agent agreement referred to in the prospectus which is a part of the Registration Statement, we are of the opinion that the Shares will have been duly authorized, validly issued, fully paid and non-assessable.

We hereby consent to your filing this opinion as an exhibit to the Registration Statement and to the use of our name therein and any amendments thereto and in the related prospectus under the caption "Legal Matters." In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ Ropes & Gray LLP

Ropes & Gray LLP

EXHIBIT 10.6

ATOSSA GENETICS INC.

2010 STOCK OPTION AND INCENTIVE PLAN

(as amended)

SECTION 1. GENERAL PURPOSE OF THE PLAN; DEFINITIONS

The name of the plan is the Atossa Genetics Inc. 2010 Stock Option and Incentive Plan (the "Plan"). The purpose of the Plan is to encourage and enable the officers, employees, Non-Employee Directors and other key persons (including Consultants and prospective employees) of Atossa Genetics Inc. (the "Company") and its Subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. It is anticipated that providing such persons with a direct stake in the Company's welfare will assure a closer identification of their interests with those of the Company and its stockholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

The following terms shall be defined as set forth below:

"*Act*" means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"*Administrator*" means either the Board or the compensation committee of the Board or a similar committee performing the functions of the compensation committee and which is comprised of not less than two Non-Employee Directors who are independent.

"*Award*" or "*Awards,*" except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Units, Restricted Stock Awards, Unrestricted Stock Awards, Cash-Based Awards, Performance Share Awards and Dividend Equivalent Rights.

"*Award Certificate*" means a written or electronic document setting forth the terms and provisions applicable to an Award granted under the Plan. Each Award Certificate is subject to the terms and conditions of the Plan.

"*Board*" means the Board of Directors of the Company.

"*Cash-Based Award*" means an Award entitling the recipient to receive a cash-denominated payment.

"*Code*" means the Internal Revenue Code of 1986, as amended, and any successor Code, and related rules, regulations and interpretations.

"*Consultant*" means any natural person that provides bona fide services to the Company, and such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities.

"*Covered Employee*" means an employee who is a "Covered Employee" within the meaning of Section 162(m) of the Code.

"*Dividend Equivalent Right*" means an Award entitling the grantee to receive credits based on cash dividends that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the grantee.

"*Effective Date*" means the date on which the Plan is approved by stockholders as set forth in Section 21.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"*Fair Market Value*" of the Stock on any given date means the fair market value of the Stock determined in good faith by the Administrator; provided, however, that if the Stock is admitted to quotation on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), NASDAQ Global Market or another national securities exchange, the determination shall be made by reference to market quotations. If there are no market quotations for such date, the determination shall be made by reference to the last date preceding such date for which there are market quotations; provided further, however, that if the date for which Fair Market Value is determined is the first day when trading prices for the Stock are reported on a national securities exchange, the Fair Market Value shall be the "Price to the Public" (or equivalent) set forth on the cover page for the final prospectus relating to the Company's Initial Public Offering.

"*Incentive Stock Option*" means any Stock Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

"*Initial Public Offering*" means the consummation of the first fully underwritten, firm commitment public offering pursuant to an effective registration statement under the Act covering the offer and sale by the Company of its equity securities, or such other event as a result of or following which the Stock shall be publicly held.

"*Non-Employee Director*" means a member of the Board who is not also an employee of the Company or any Subsidiary.

"*Non-Qualified Stock Option*" means any Stock Option that is not an Incentive Stock Option.

"*Option*" or "*Stock Option*" means any option to purchase shares of Stock granted pursuant to Section 5.

"*Performance-Based Award*" means any Restricted Stock Award, Restricted Stock Units, Performance Share Award or Cash-Based Award granted to a Covered Employee that is intended to qualify as "performance-based compensation" under Section 162(m) of the Code and the regulations promulgated thereunder.

"*Performance Criteria*" means the criteria that the Administrator selects for purposes of establishing the Performance Goal or Performance Goals for an individual for a Performance Cycle. The Performance Criteria (which shall be applicable to the organizational level specified by the Administrator, including, but not limited to, the Company or a unit, division, group, or Subsidiary of the Company) that will be used to establish Performance Goals are limited to the following: earnings before interest, taxes, depreciation and amortization, net income (loss) (either before or after interest, taxes, depreciation and/or amortization), changes in the market price of the Stock, economic value-added, funds from operations or similar measure, sales or revenue, acquisitions or strategic transactions, operating income (loss), cash flow (including, but not limited to, operating cash flow and free cash flow), return on capital, assets, equity, or investment, stockholder returns, return on sales, gross or net profit levels, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings (loss) per share of Stock, sales or market shares and number of customers, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group.

"*Performance Cycle*" means one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Criteria will be measured for the purpose of determining a grantee's right to and the payment of a Restricted Stock Award, Restricted Stock Units, Performance Share Award or Cash-Based Award. Each such period shall not be less than 12 months.

"*Performance Goals*" means, for a Performance Cycle, the specific goals established in writing by the Administrator for a Performance Cycle based upon the Performance Criteria.

"*Performance Share Award*" means an Award entitling the recipient to acquire shares of Stock upon the attainment of specified Performance Goals.

"*Restricted Stock Award*" means an Award entitling the recipient to acquire, at such purchase price (which may be zero) as determined by the Administrator, shares of Stock subject to such restrictions and conditions as the Administrator may determine at the time of grant.

"*Restricted Stock Units*" means an Award of phantom stock units to a grantee.

"*Sale Event*" shall mean (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (ii) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power immediately prior to such transaction do not own a majority of the outstanding voting power of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the Stock of the Company to an unrelated person or entity, or (iv) any other transaction in which the owners of the Company's outstanding voting power prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company.

"*Sale Price*" means the value as determined by the Administrator of the consideration payable, or otherwise to be received by stockholders, per share of Stock pursuant to a Sale Event.

"*Section 409A*" means Section 409A of the Code and the regulations and other guidance promulgated thereunder.

"*Stock*" means the Common Stock, par value $0.001 per share, of the Company, subject to adjustments pursuant to Section 3.

"*Stock Appreciation Right*" means an Award entitling the recipient to receive shares of Stock having a value equal to the excess of the Fair Market Value of the Stock on the date of exercise over the exercise price of the Stock Appreciation Right multiplied by the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised.

"*Subsidiary*" means any corporation or other entity (other than the Company) in which the Company has at least a 50 percent interest, either directly or indirectly.

"*Ten Percent Owner*" means an employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10 percent of the combined voting power of all classes of stock of the Company or any parent or subsidiary corporation.

"*Unrestricted Stock Award*" means an Award of shares of Stock free of any restrictions.

SECTION 2. ADMINISTRATION OF PLAN; ADMINISTRATOR AUTHORITY TO SELECT GRANTEES AND DETERMINE AWARDS

(a) Administration of Plan. The Plan shall be administered by the Administrator.

(b) Powers of Administrator. The Administrator shall have the power and authority to grant Awards consistent with the terms of the Plan, including the power and authority:

(i) to select the individuals to whom Awards may from time to time be granted;

(ii) to determine the time or times of grant, and the extent, if any, of Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Unrestricted Stock Awards, Cash-Based Awards, Performance Share Awards and Dividend Equivalent Rights, or any combination of the foregoing, granted to any one or more grantees;

(iii) to determine the number of shares of Stock to be covered by any Award;

(iv) to determine and modify from time to time the terms and conditions, including restrictions, not inconsistent with the terms of the Plan, of any Award, which terms and conditions may differ among individual Awards and grantees, and to approve the forms of Award Certificates;

(v) to accelerate at any time the exercisability or vesting of all or any portion of any Award;

(vi) subject to the provisions of Section 5(b), to extend at any time the period in which Stock Options may be exercised; and

(vii) at any time to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and to otherwise supervise the administration of the Plan.

All decisions and interpretations of the Administrator shall be binding on all persons, including the Company and Plan grantees.

(c) Award Certificate. Awards under the Plan shall be evidenced by Award Certificates that set forth the terms, conditions and limitations for each Award which may include, without limitation, the term of an Award and the provisions applicable in the event employment or service terminates.

(d) Indemnification. Neither the Board nor the Administrator, nor any member of either or any delegate thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and the members of the Board and the Administrator (and any delegate thereof) shall be entitled in all cases to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, reasonable attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under the Company's articles or bylaws or any directors' and officers' liability insurance coverage which may be in effect from time to time and/or any indemnification agreement between such individual and the Company.

(e) Foreign Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have employees or other individuals eligible for Awards, the Administrator, in its sole discretion, shall have the power and authority to: (i) determine which Subsidiaries shall be covered by the Plan; (ii) determine which individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to individuals outside the United States to comply with applicable foreign laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent the Administrator determines such actions to be necessary or advisable (and such subplans and/or modifications shall be attached to this Plan as appendices); provided, however, that no such subplans and/or modifications shall increase the share limitations contained in Section 3(a) hereof; and (v) take any action, before or after an Award is made, that the Administrator determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

SECTION 3. STOCK ISSUABLE UNDER THE PLAN; MERGERS; SUBSTITUTION

(a) Stock Issuable. The maximum number of shares of Stock reserved and available for issuance under the Plan shall be 1,000,000 shares (the "Initial Limit"), subject to adjustment as provided in Section 3(b), plus on January 1, 2013 and each January 1 thereafter, the number of shares of Stock reserved and available for issuance under the Plan shall be cumulatively increased by 4 percent (4%) of the number of shares of Stock issued and outstanding on the immediately preceding December 31 (the "Annual Increase"). Subject to such overall limitation, the maximum aggregate number of shares of Stock that may be issued in the form of Incentive Stock Options shall not exceed the Initial Limit cumulatively increased on January 1, 2013 and on each January 1 thereafter by the lesser of the Annual Increase for such year or 50% of the Initial Limit, subject in all cases to adjustment as provided in Section 3(b). For purposes of this limitation, the shares of Stock underlying any Awards that are forfeited, canceled, held back upon exercise of an Option or settlement of an Award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of Stock or otherwise terminated (other than by exercise) shall be added back to the shares of Stock available for issuance under the Plan. In the event the Company repurchases shares of Stock on the open market, such shares shall not be added to the shares of Stock available for issuance under the Plan. Subject to such overall limitations, shares of Stock may be issued up to such maximum number pursuant to any type or types of Award; provided, however, that Stock Options or Stock Appreciation Rights with respect to no more than 50% of the Initial Limit may be granted to any one individual grantee during any one calendar year period. The shares available for issuance under the Plan may be authorized but unissued shares of Stock or shares of Stock reacquired by the Company.

(b) Changes in Stock. Subject to Section 3(c) hereof, if, as a result of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in the Company's capital stock, the outstanding shares of Stock are increased or decreased or are exchanged for a different number or kind of shares or other securities of the Company, or additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Stock or other securities, or, if, as a result of any merger or consolidation, sale of all or substantially all of the assets of the Company, the outstanding shares of Stock are converted into or exchanged for securities of the Company or any successor entity (or a parent or subsidiary thereof), the Administrator shall make an appropriate or proportionate adjustment in (i) the maximum number of shares reserved for issuance under the Plan, including the maximum number of shares that may be issued in the form of Incentive Stock Options, (ii) the number of Stock Options or Stock Appreciation Rights that can be granted to any one individual grantee and the maximum number of shares that may be granted under a Performance-Based Award, (iii) the number and kind of shares or other securities subject to any then outstanding Awards under the Plan, (iv) the repurchase price, if any, per share subject to each outstanding Restricted Stock Award, and (v) the exercise price for each share subject to any then outstanding Stock Options and Stock Appreciation Rights under the Plan, without changing the aggregate exercise price (i.e., the exercise price multiplied by the number of Stock Options and Stock Appreciation Rights) as to which such Stock Options and Stock Appreciation Rights remain exercisable. The Administrator shall also make equitable or proportionate adjustments in the number of shares subject to outstanding Awards and the exercise price and the terms of outstanding Awards to take into consideration cash dividends paid other than in the ordinary course or any other extraordinary corporate event. The adjustment by the Administrator shall be final, binding and conclusive. No fractional shares of Stock shall be issued under the Plan resulting from any such adjustment, but the Administrator in its discretion may make a cash payment in lieu of fractional shares.

(c) Mergers and Other Transactions. Except as the Administrator may otherwise specify with respect to particular Awards in the relevant Award Certificate, in the case of and subject to the consummation of a Sale Event, the Plan and all outstanding Awards granted hereunder shall terminate, unless provision is made in connection with the Sale Event in the sole discretion of the parties thereto for the assumption or continuation of Awards theretofore granted by the successor entity, or the substitution of such Awards with new Awards of the successor entity or parent thereof, with appropriate adjustment as to the number and kind of shares and, if appropriate, the per share exercise prices, as such parties shall agree (after taking into account any acceleration hereunder). In the event of such termination, (i) the Company shall have the option (in its sole discretion) to make or provide for a cash payment to the grantees holding Options and Stock Appreciation Rights, in exchange for the cancellation thereof, in an amount equal to the difference between (A) the Sale Price multiplied by the number of shares of Stock subject to outstanding Options and Stock Appreciation Rights (to the extent then exercisable (after taking into account any acceleration hereunder) at prices not in excess of the Sale Price) and (B) the aggregate exercise price of all such outstanding Options and Stock Appreciation Rights; or (ii) each grantee shall be permitted, within a specified period of time prior to the consummation of the Sale Event as determined by the Administrator, to exercise all outstanding Options and Stock Appreciation Rights held by such grantee. The Administrator shall also have the discretion to accelerate the vesting of all other Awards.

(d) Substitute Awards. The Administrator may grant Awards under the Plan in substitution for stock and stock based awards held by employees, directors or other key persons of another corporation in connection with the merger or consolidation of the employing corporation with the Company or a Subsidiary or the acquisition by the Company or a Subsidiary of property or stock of the employing corporation. The Administrator may direct that the substitute awards be granted on such terms and conditions as the Administrator considers appropriate in the circumstances. Any substitute Awards granted under the Plan shall not count against the share limitation set forth in Section 3(a).

SECTION 4. ELIGIBILITY

Grantees under the Plan will be such full or part-time officers and other employees, Non-Employee Directors and key persons (including Consultants and prospective employees) of the Company and its Subsidiaries as are selected from time to time by the Administrator in its sole discretion.

SECTION 5. STOCK OPTIONS

Any Stock Option granted under the Plan shall be in such form as the Administrator may from time to time approve.

Stock Options granted under the Plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company or any Subsidiary that is a "subsidiary corporation" within the meaning of Section 424(f) of the Code. To the extent that any Option does not qualify as an Incentive Stock Option, it shall be deemed a Non-Qualified Stock Option.

Stock Options granted pursuant to this Section 5 shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable. If the Administrator so determines, Stock Options may be granted in lieu of cash compensation at the optionee's election, subject to such terms and conditions as the Administrator may establish.

(a) Exercise Price. The exercise price per share for the Stock covered by a Stock Option granted pursuant to this Section 5 shall be determined by the Administrator at the time of grant but shall not be less than 100 percent of the Fair Market Value on the date of grant. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the option price of such Incentive Stock Option shall be not less than 110 percent of the Fair Market Value on the grant date.

(b) Option Term. The term of each Stock Option shall be fixed by the Administrator, but no Stock Option shall be exercisable more than ten years after the date the Stock Option is granted. In the case of an Incentive Stock Option that is granted to a Ten Percent Owner, the term of such Stock Option shall be no more than five years from the date of grant.

(c) Exercisability; Rights of a Stockholder. Stock Options shall become exercisable at such time or times, whether or not in installments, as shall be determined by the Administrator at or after the grant date. The Administrator may at any time accelerate the exercisability of all or any portion of any Stock Option. An optionee shall have the rights of a stockholder only as to shares acquired upon the exercise of a Stock Option and not as to unexercised Stock Options.

(d) Method of Exercise. Stock Options may be exercised in whole or in part, by giving written or electronic notice of exercise to the Company, specifying the number of shares to be purchased. Payment of the purchase price may be made by one or more of the following methods to the extent provided in the Option Award Certificate:

(i) In cash, by certified or bank check or other instrument acceptable to the Administrator;

(ii) Through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the optionee on the open market or that have been beneficially owned by the optionee for at least six months and that are not then subject to restrictions under any Company plan. Such surrendered shares shall be valued at Fair Market Value on the exercise date;

(iii) By the optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price; provided that in the event the optionee chooses to pay the purchase price as so provided, the optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or

(iv) With respect to Stock Options that are not Incentive Stock Options, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price.

Payment instruments will be received subject to collection. The transfer to the optionee on the records of the Company or of the transfer agent of the shares of Stock to be purchased pursuant to the exercise of a Stock Option will be contingent upon receipt from the optionee (or a purchaser acting in his stead in accordance with the provisions of the Stock Option) by the Company of the full purchase price for such shares and the fulfillment of any other requirements contained in the Option Award Certificate or applicable provisions of laws (including the satisfaction of any withholding taxes that the Company is obligated to withhold with respect to the optionee). In the event an optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the optionee upon the exercise of the Stock Option shall be net of the number of attested shares. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Stock Options, such as a system using an internet website or interactive voice response, then the paperless exercise of Stock Options may be permitted through the use of such an automated system.

(e) Annual Limit on Incentive Stock Options. To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the shares of Stock with respect to which Incentive Stock Options granted under this Plan and any other plan of the Company or its parent and subsidiary corporations become exercisable for the first time by an optionee during any calendar year shall not exceed $100,000. To the extent that any Stock Option exceeds this limit, it shall constitute a Non-Qualified Stock Option.

SECTION 6. STOCK APPRECIATION RIGHTS

(a) Exercise Price of Stock Appreciation Rights. The exercise price of a Stock Appreciation Right shall not be less than 100 percent of the Fair Market Value of the Stock on the date of grant.

(b) Grant and Exercise of Stock Appreciation Rights. Stock Appreciation Rights may be granted by the Administrator independently of any Stock Option granted pursuant to Section 5 of the Plan.

(c) Terms and Conditions of Stock Appreciation Rights. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined from time to time by the Administrator. The term of a Stock Appreciation Right may not exceed ten years.

SECTION 7. RESTRICTED STOCK AWARDS

(a) Nature of Restricted Stock Awards. The Administrator shall determine the restrictions and conditions applicable to each Restricted Stock Award at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such Award Certificate shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees.

(b) Rights as a Stockholder. Upon the grant of the Restricted Stock Award and payment of any applicable purchase price, a grantee shall have the rights of a stockholder with respect to the voting of the Restricted Stock, subject to such conditions contained in the Restricted Stock Award Certificate. Unless the Administrator shall otherwise determine, (i) uncertificated Restricted Stock shall be accompanied by a notation on the records of the Company or the transfer agent to the effect that they are subject to forfeiture until such Restricted Stock are vested as provided in Section 7(d) below, and (ii) certificated Restricted Stock shall remain in the possession of the Company until such Restricted Stock is vested as provided in Section 7(d) below, and the grantee shall be required, as a condition of the grant, to deliver to the Company such instruments of transfer as the Administrator may prescribe.

(c) Restrictions. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided herein or in the Restricted Stock Award Certificate. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 18 below, in writing after the Award is issued, if a grantee's employment (or other service relationship) with the Company and its Subsidiaries terminates for any reason, any Restricted Stock that has not vested at the time of termination shall automatically and without any requirement of notice to such grantee from or other action by or on behalf of, the Company be deemed to have been reacquired by the Company at its original purchase price (if any) from such grantee or such grantee's legal representative simultaneously with such termination of employment (or other service relationship), and thereafter shall cease to represent any ownership of the Company by the grantee or rights of the grantee as a stockholder. Following such deemed reacquisition of unvested Restricted Stock that are represented by physical certificates, a grantee shall surrender such certificates to the Company upon request without consideration.

(d) Vesting of Restricted Stock. The Administrator at the time of grant shall specify the date or dates and/or the attainment of pre-established performance goals, objectives and other conditions on which the non-transferability of the Restricted Stock and the Company's right of repurchase or forfeiture shall lapse. Subsequent to such date or dates and/or the attainment of such pre-established performance goals, objectives and other conditions, the shares on which all restrictions have lapsed shall no longer be Restricted Stock and shall be deemed "vested." Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 18 below, in writing after the Award is issued, a grantee's rights in any shares of Restricted Stock that have not vested shall automatically terminate upon the grantee's termination of employment (or other service relationship) with the Company and its Subsidiaries and such shares shall be subject to the provisions of Section 7(c) above.

SECTION 8. RESTRICTED STOCK UNITS

(a) Nature of Restricted Stock Units. The Administrator shall determine the restrictions and conditions applicable to each Restricted Stock Unit at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives. The terms and conditions of each such Award Certificate shall be determined by the Administrator, and such terms and conditions may differ among individual Awards and grantees. At the end of the deferral period, the Restricted Stock Units, to the extent vested, shall be settled in the form of shares of Stock. To the extent that an award of Restricted Stock Units is subject to Section 409A, it may contain such additional terms and conditions as the Administrator shall determine in its sole discretion in order for such Award to comply with the requirements of Section 409A.

(b) Election to Receive Restricted Stock Units in Lieu of Compensation. The Administrator may, in its sole discretion, permit a grantee to elect to receive a portion of future cash compensation otherwise due to such grantee in the form of an award of Restricted Stock Units. Any such election shall be made in writing and shall be delivered to the Company no later than the date specified by the Administrator and in accordance with Section 409A and such other rules and procedures established by the Administrator. Any such future cash compensation that the grantee elects to defer shall be converted to a fixed number of Restricted Stock Units based on the Fair Market Value of Stock on the date the compensation would otherwise have been paid to the grantee if such payment had not been deferred as provided herein. The Administrator shall have the sole right to determine whether and under what circumstances to permit such elections and to impose such limitations and other terms and conditions thereon as the Administrator deems appropriate. Any Restricted Stock Units that are elected to be received in lieu of cash compensation shall be fully vested, unless otherwise provided in the Award Certificate.

(c) Rights as a Stockholder. A grantee shall have the rights as a stockholder only as to shares of Stock acquired by the grantee upon settlement of Restricted Stock Units; provided, however, that the grantee may be credited with Dividend Equivalent Rights with respect to the phantom stock units underlying his Restricted Stock Units, subject to such terms and conditions as the Administrator may determine.

(d) Termination. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 18 below, in writing after the Award is issued, a grantee's right in all Restricted Stock Units that have not vested shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 9. UNRESTRICTED STOCK AWARDS

Grant or Sale of Unrestricted Stock. The Administrator may, in its sole discretion, grant (or sell at par value or such higher purchase price determined by the Administrator) an Unrestricted Stock Award under the Plan. Unrestricted Stock Awards may be granted in respect of past services or other valid consideration, or in lieu of cash compensation due to such grantee.

SECTION 10. CASH-BASED AWARDS

Grant of Cash-Based Awards. The Administrator may, in its sole discretion, grant Cash-Based Awards to any grantee in such number or amount and upon such terms, and subject to such conditions, as the Administrator shall determine at the time of grant. The Administrator shall determine the maximum duration of the Cash-Based Award, the amount of cash to which the Cash-Based Award pertains, the conditions upon which the Cash-Based Award shall become vested or payable, and such other provisions as the Administrator shall determine. Each Cash-Based Award shall specify a cash-denominated payment amount, formula or payment ranges as determined by the Administrator. Payment, if any, with respect to a Cash-Based Award shall be made in accordance with the terms of the Award and may be made in cash or in shares of Stock, as the Administrator determines.

SECTION 11. PERFORMANCE SHARE AWARDS

(a) Nature of Performance Share Awards. The Administrator may, in its sole discretion, grant Performance Share Awards independent of, or in connection with, the granting of any other Award under the Plan. The Administrator shall determine whether and to whom Performance Share Awards shall be granted, the Performance Goals, the periods during which performance is to be measured, and such other limitations and conditions as the Administrator shall determine.

(b) Rights as a Stockholder. A grantee receiving a Performance Share Award shall have the rights of a stockholder only as to shares actually received by the grantee under the Plan and not with respect to shares subject to the Award but not actually received by the grantee. A grantee shall be entitled to receive shares of Stock under a Performance Share Award only upon satisfaction of all conditions specified in the Performance Share Award Certificate (or in a performance plan adopted by the Administrator).

(c) Termination. Except as may otherwise be provided by the Administrator either in the Award agreement or, subject to Section 18 below, in writing after the Award is issued, a grantee's rights in all Performance Share Awards shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 12. PERFORMANCE-BASED AWARDS TO COVERED EMPLOYEES

(a) Performance-Based Awards. Any employee or other key person providing services to the Company and who is selected by the Administrator may be granted one or more Performance-Based Awards in the form of a Restricted Stock Award, Restricted Stock Units, Performance Share Awards or Cash-Based Award payable upon the attainment of Performance Goals that are established by the Administrator and relate to one or more of the Performance Criteria, in each case on a specified date or dates or over any period or periods determined by the Administrator. The Administrator shall define in an objective fashion the manner of calculating the Performance Criteria it selects to use for any Performance Cycle. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, or an individual. The Administrator, in its discretion, may adjust or modify the calculation of Performance Goals for such Performance Cycle in order to prevent the dilution or enlargement of the rights of an individual (i) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development, (ii) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or (iii) in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions provided however, that the Administrator may not exercise such discretion in a manner that would increase the Performance-Based Award granted to a Covered Employee. Each Performance-Based Award shall comply with the provisions set forth below.

(b) Grant of Performance-Based Awards. With respect to each Performance-Based Award granted to a Covered Employee, the Administrator shall select, within the first 90 days of a Performance Cycle (or, if shorter, within the maximum period allowed under Section 162(m) of the Code) the Performance Criteria for such grant, and the Performance Goals with respect to each Performance Criterion (including a threshold level of performance below which no amount will become payable with respect to such Award). Each Performance-Based Award will specify the amount payable, or the formula for determining the amount payable, upon achievement of the various applicable performance targets. The Performance Criteria established by the Administrator may be (but need not be) different for each Performance Cycle and different Performance Goals may be applicable to Performance-Based Awards to different Covered Employees.

(c) Payment of Performance-Based Awards. Following the completion of a Performance Cycle, the Administrator shall meet to review and certify in writing whether, and to what extent, the Performance Goals for the Performance Cycle have been achieved and, if so, to also calculate and certify in writing the amount of the Performance-Based Awards earned for the Performance Cycle. The Administrator shall then determine the actual size of each Covered Employee's Performance-Based Award, and, in doing so, may reduce or eliminate the amount of the Performance-Based Award for a Covered Employee if, in its sole judgment, such reduction or elimination is appropriate.

(d) Maximum Award Payable. The maximum Performance-Based Award payable to any one Covered Employee under the Plan for a Performance Cycle is up to 50% of the Initial Limit (subject to adjustment as provided in Section 3(b) hereof) or $500,000 in the case of a Performance-Based Award that is a Cash-Based Award.

SECTION 13. DIVIDEND EQUIVALENT RIGHTS

(a) Dividend Equivalent Rights. A Dividend Equivalent Right may be granted hereunder to any grantee as a component of an award of Restricted Stock Units, Restricted Stock Award or Performance Share Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the Award Certificate. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment or such other price as may then apply under a dividend reinvestment plan sponsored by the Company, if any. Dividend Equivalent Rights may be settled in cash or shares of Stock or a combination thereof, in a single installment or installments. A Dividend Equivalent Right granted as a component of an award of Restricted Stock Units, Restricted Stock Award or Performance Share Award may provide that such Dividend Equivalent Right shall be settled upon settlement or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award. A Dividend Equivalent Right granted as a component of a Restricted Stock Units, Restricted Stock Award or Performance Share Award may also contain terms and conditions different from such other Award.

(b) Interest Equivalents. Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide in the grant for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

(c) Termination. Except as may otherwise be provided by the Administrator either in the Award Certificate or, subject to Section 18 below, in writing after the Award is issued, a grantee's rights in all Dividend Equivalent Rights or interest equivalents granted as a component of an award of Restricted Stock Units, Restricted Stock Award or Performance Share Award that has not vested shall automatically terminate upon the grantee's termination of employment (or cessation of service relationship) with the Company and its Subsidiaries for any reason.

SECTION 14. TRANSFERABILITY OF AWARDS

(a) Transferability. Except as provided in Section 14(b) below, during a grantee's lifetime, his or her Awards shall be exercisable only by the grantee, or by the grantee's legal representative or guardian in the event of the grantee's incapacity. No Awards shall be sold, assigned, transferred or otherwise encumbered or disposed of by a grantee other than by will or by the laws of descent and distribution or pursuant to a domestic relations order. No Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

(b) Administrator Action. Notwithstanding Section 14(a), the Administrator, in its discretion, may provide either in the Award Certificate regarding a given Award or by subsequent written approval that the grantee (who is an employee or director) may transfer his or her Awards (other than any Incentive Stock Options or Restricted Stock Units) to his or her immediate family members, to trusts for the benefit of such family members, or to partnerships in which such family members are the only partners, provided that the transferee agrees in writing with the Company to be bound by all of the terms and conditions of this Plan and the applicable Award. In no event may an Award be transferred by a grantee for value.

(c) Family Member. For purposes of Section 14(b), "family member" shall mean a grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the grantee's household (other than a tenant of the grantee), a trust in which these persons (or the grantee) have more than 50 percent of the beneficial interest, a foundation in which these persons (or the grantee) control the management of assets, and any other entity in which these persons (or the grantee) own more than 50 percent of the voting interests.

(d) Designation of Beneficiary. Each grantee to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to exercise any Award or receive any payment under any Award payable on or after the grantee's death. Any such designation shall be on a form provided for that purpose by the Administrator and shall not be effective until received by the Administrator. If no beneficiary has been designated by a deceased grantee, or if the designated beneficiaries have predeceased the grantee, the beneficiary shall be the grantee's estate.

SECTION 15. TAX WITHHOLDING

(a) Payment by Grantee. Each grantee shall, no later than the date as of which the value of an Award or of any Stock or other amounts received thereunder first becomes includable in the gross income of the grantee for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld by the Company with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the grantee. The Company's obligation to deliver evidence of book entry (or stock certificates) to any grantee is subject to and conditioned on tax withholding obligations being satisfied by the grantee.

(b) Payment in Stock. Subject to approval by the Administrator, a grantee may elect to have the Company's minimum required tax withholding obligation satisfied, in whole or in part, by authorizing the Company to withhold from shares of Stock to be issued pursuant to any Award a number of shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due.

SECTION 16. SECTION 409A AWARDS

To the extent that any Award is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A (a "409A Award"), the Award shall be subject to such additional rules and requirements as specified by the Administrator from time to time in order to comply with Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" (within the meaning of Section 409A) to a grantee who is then considered a "specified employee" (within the meaning of Section 409A), then no such payment shall be made prior to the date that is the earlier of (i) six months and one day after the grantee's separation from service, or (ii) the grantee's death, but only to the extent such delay is necessary to prevent such payment from being subject to interest, penalties and/or additional tax imposed pursuant to Section 409A. Further, the settlement of any such Award may not be accelerated except to the extent permitted by Section 409A.

SECTION 17. TRANSFER, LEAVE OF ABSENCE, ETC.

For purposes of the Plan, the following events shall not be deemed a termination of employment:

(a) a transfer to the employment of the Company from a Subsidiary or from the Company to a Subsidiary, or from one Subsidiary to another; or

(b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the employee's right to re-employment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Administrator otherwise so provides in writing.

SECTION 18. AMENDMENTS AND TERMINATION

The Board may, at any time, amend or discontinue the Plan and the Administrator may, at any time, amend or cancel any outstanding Award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect rights under any outstanding Award without the holder's consent. The Administrator is specifically authorized to exercise its discretion to reduce the exercise price of outstanding Stock Options or Stock Appreciation Rights or effect the repricing through cancellation and re-grants. To the extent required under the rules of any securities exchange or market system on which the Stock is listed, to the extent determined by the Administrator to be required by the Code to ensure that Incentive Stock Options granted under the Plan are qualified under Section 422 of the Code, or to ensure that compensation earned under Awards qualifies as performance-based compensation under Section 162(m) of the Code, Plan amendments shall be subject to approval by the Company stockholders entitled to vote at a meeting of stockholders. Nothing in this Section 18 shall limit the Administrator's authority to take any action permitted pursuant to Section 3(b) or 3(c).

SECTION 19. STATUS OF PLAN

With respect to the portion of any Award that has not been exercised and any payments in cash, Stock or other consideration not received by a grantee, a grantee shall have no rights greater than those of a general creditor of the Company unless the Administrator shall otherwise expressly determine in connection with any Award or Awards. In its sole discretion, the Administrator may authorize the creation of trusts or other arrangements to meet the Company's obligations to deliver Stock or make payments with respect to Awards hereunder, provided that the existence of such trusts or other arrangements is consistent with the foregoing sentence.

SECTION 20. GENERAL PROVISIONS

(a) No Distribution. The Administrator may require each person acquiring Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to distribution thereof.

(b) Delivery of Stock Certificates. Stock certificates to grantees under this Plan shall be deemed delivered for all purposes when the Company or a stock transfer agent of the Company shall have mailed such certificates in the United States mail, addressed to the grantee, at the grantee's last known address on file with the Company. Uncertificated Stock shall be deemed delivered for all purposes when the Company or a Stock transfer agent of the Company shall have given to the grantee by electronic mail (with proof of receipt) or by United States mail, addressed to the grantee, at the grantee's last known address on file with the Company, notice of issuance and recorded the issuance in its records (which may include electronic "book entry" records). Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Stock pursuant to the exercise of any Award, unless and until the Administrator has determined, with advice of counsel (to the extent the Administrator deems such advice necessary or advisable), that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed, quoted or traded. All Stock certificates delivered pursuant to the Plan shall be subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state or foreign jurisdiction, securities or other laws, rules and quotation system on which the Stock is listed, quoted or traded. The Administrator may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Administrator may require that an individual make such reasonable covenants, agreements, and representations as the Administrator, in its discretion, deems necessary or advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any individual to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(c) Stockholder Rights. Until Stock is deemed delivered in accordance with Section 20(b), no right to vote or receive dividends or any other rights of a stockholder will exist with respect to shares of Stock to be issued in connection with an Award, notwithstanding the exercise of a Stock Option or any other action by the grantee with respect to an Award.

(d) Other Compensation Arrangements; No Employment Rights. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, including trusts, and such arrangements may be either generally applicable or applicable only in specific cases. The adoption of this Plan and the grant of Awards do not confer upon any employee any right to continued employment with the Company or any Subsidiary.

(e) Trading Policy Restrictions. Option exercises and other Awards under the Plan shall be subject to the Company's insider trading policies and procedures, as in effect from time to time.

(f) Forfeiture of Awards under Sarbanes-Oxley Act. If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, then any grantee who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 shall reimburse the Company for the amount of any Award received by such individual under the Plan during the 12-month period following the first public issuance or filing with the United States Securities and Exchange Commission, as the case may be, of the financial document embodying such financial reporting requirement.

SECTION 21. EFFECTIVE DATE OF PLAN

This Plan shall become effective upon stockholder approval in accordance with applicable state law, the Company's bylaws and articles of incorporation, and applicable stock exchange rules or pursuant to written consent. No grants of Stock Options and other Awards may be made hereunder after the tenth anniversary of the Effective Date and no grants of Incentive Stock Options may be made hereunder after the tenth anniversary of the date the Plan is approved by the Board.

SECTION 22. GOVERNING LAW

This Plan and all Awards and actions taken thereunder shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles.

DATE APPROVED BY BOARD OF DIRECTORS: June 6, 2012

DATE APPROVED BY STOCKHOLDERS: June , 2012

INCENTIVE STOCK OPTION AGREEMENT
UNDER THE ATOSSA GENETICS INC.
2010 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee: _____

No. of Option Shares: _____

Option Exercise Price per Share: $ _____
[FMV on Grant Date (110% of FMV if a 10% owner)]

Grant Date: _____

Expiration Date: _____
[up to 10 years (5 if a 10% owner)]

Pursuant to the Atossa Genetics Inc. 2010 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Atossa Genetics Inc. (the "Company") hereby grants to the Optionee named above an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock, par value $0.001 per share (the "Stock"), of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated:

Incremental Number of Option Shares Exercisable*	Exercisability Date
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____

* Max. of $100,000 per yr.

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; or (iv) a combination of (i), (ii) and (iii) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such issuance and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) The minimum number of shares with respect to which this Stock Option may be exercised at any one time shall be 100 shares, unless the number of shares with respect to which this Stock Option is being exercised is the total number of shares subject to exercise under this Stock Option at the time.

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Employment. If the Optionee's employment by the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's employment terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date shall become fully exercisable and may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier.

(b) Termination Due to Disability. If the Optionee's employment terminates by reason of the Optionee's disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date shall become fully exercisable and may thereafter be exercised by the Optionee for a period of 12 months from the date of termination or until the Expiration Date, if earlier.

(c) Termination for Cause. If the Optionee's employment terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect. For purposes hereof, "Cause" shall mean, unless otherwise provided in an employment agreement between the Company and the Optionee, a determination by the Administrator that the Optionee shall be dismissed as a result of (i) any material breach by the Optionee of any agreement between the Optionee and the Company; (ii) the conviction of, indictment for or plea of nolo contendere by the Optionee to a felony or a crime involving moral turpitude; or (iii) any material misconduct or willful and deliberate non-performance (other than by reason of disability) by the Optionee of the Optionee's duties to the Company.

(d) Other Termination. If the Optionee's employment terminates for any reason other than the Optionee's death, the Optionee's disability, or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's employment shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Status of the Stock Option. This Stock Option is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), but the Company does not represent or warrant that this Stock Option qualifies as such. The Optionee should consult with his or her own tax advisors regarding the tax effects of this Stock Option and the requirements necessary to obtain favorable income tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements. To the extent any portion of this Stock Option does not so qualify as an "incentive stock option," such portion shall be deemed to be a non-qualified stock option. If the Optionee intends to dispose or does dispose (whether by sale, gift, transfer or otherwise) of any Option Shares within the one-year period beginning on the date after the transfer of such shares to him or her, or within the two-year period beginning on the day after the grant of this Stock Option, he or she will so notify the Company within 30 days after such disposition.

7. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the minimum required tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

8. No Obligation to Continue Employment. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the employment of the Optionee at any time.

9. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

10. Amendment. Pursuant to Section 18 of the Plan, the Administrator may at any time amend or cancel any outstanding portion of this Stock Option, but no such action may be taken that adversely affects the Optionee's rights under this Agreement without the Optionee's consent.

ATOSSA GENETICS INC.

By: _____
Name: _____
Title: _____

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: _____

_____

Optionee's Signature

Optionee's name and address:

_____

_____

_____

[OPTIONEE SIGNATURE PAGE TO STOCK OPTION AGREEMENT]

NON-QUALIFIED STOCK OPTION AGREEMENT
FOR COMPANY EMPLOYEES
UNDER THE ATOSSA GENETICS INC.
2010 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee: _____

No. of Option Shares: _____

Option Exercise Price per Share: $ _____
[FMV on Grant Date]

Grant Date: _____

Expiration Date: _____

Pursuant to the Atossa Genetics Inc. 2010 Stock Option and Incentive Plan as amended through the date hereof (the "Plan"), Atossa Genetics Inc., a Delaware corporation (the "Company"), hereby grants to the Optionee named above an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock, par value $0.001 per share (the "Stock") of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan. This Stock Option is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated:

Incremental Number of Option Shares Exercisable	Exercisability Date
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; (iv) by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; or (v) a combination of (i), (ii), (iii) and (iv) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such issuance and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) The minimum number of shares with respect to which this Stock Option may be exercised at any one time shall be 100 shares, unless the number of shares with respect to which this Stock Option is being exercised is the total number of shares subject to exercise under this Stock Option at the time.

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Employment. If the Optionee's employment by the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's employment terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date shall become fully exercisable and may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier.

(b) Termination Due to Disability. If the Optionee's employment terminates by reason of the Optionee's disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date shall become fully exercisable and may thereafter be exercised by the Optionee for a period of 12 months from the date of termination or until the Expiration Date, if earlier.

(c) Termination for Cause. If the Optionee's employment terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect. For purposes hereof, "Cause" shall mean, unless otherwise provided in an employment agreement between the Company and the Optionee, a determination by the Administrator that the Optionee shall be dismissed as a result of (i) any material breach by the Optionee of any agreement between the Optionee and the Company; (ii) the conviction of, indictment for or plea of nolo contendere by the Optionee to a felony or a crime involving moral turpitude; or (iii) any material misconduct or willful and deliberate non-performance (other than by reason of disability) by the Optionee of the Optionee's duties to the Company.

(d) Other Termination. If the Optionee's employment terminates for any reason other than the Optionee's death, the Optionee's disability or Cause, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's employment shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the minimum required tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

7. No Obligation to Continue Employment. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the employment of the Optionee at any time.

8. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

9. Amendment. Pursuant to Section 18 of the Plan, the Administrator may at any time amend or cancel any outstanding portion of this Stock Option, but no such action may be taken that adversely affects the Optionee's rights under this Agreement without the Optionee's consent.

ATOSSA GENETICS INC.

By: _____
Name: _____
Title: _____

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: _____

_____
Optionee's Signature

Optionee's name and address:

_____

_____

_____

[OPTIONEE SIGNATURE PAGE TO STOCK OPTION AGREEMENT]

NON-QUALIFIED STOCK OPTION AGREEMENT
FOR NON-EMPLOYEE DIRECTORS
UNDER THE ATOSSA GENETICS INC.
2010 STOCK OPTION AND INCENTIVE PLAN

Name of Optionee: _____

No. of Option Shares: _____

Option Exercise Price per Share: $_____
[FMV on Grant Date]

Grant Date: _____

Expiration Date: _____
[No more than 10 years]

Pursuant to the Atossa Genetics Inc. 2010 Stock Option and Incentive Plan, as amended through the date hereof (the "Plan"), Atossa Genetics Inc. (the "Company") hereby grants to the Optionee named above, who is a Director of the Company but is not an employee of the Company, an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock, par value $0.001 per share (the "Stock"), of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein and in the Plan. This Stock Option is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable. Except as set forth below, and subject to the discretion of the Administrator (as defined in Section 2 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the following number of Option Shares on the dates indicated:

Incremental Number of Option Shares Exercisable	Exercisability Date
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____

In the event of the termination of the Optionee's service as a director of the Company because of death, this Stock Option shall become immediately exercisable in full, whether or not exercisable at such time. Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; (iv) by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; or (v) a combination of (i), (ii), (iii) and (iv) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously-owned shares of Stock through the attestation method, the number of shares of Stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the Shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) The minimum number of shares with respect to which this Stock Option may be exercised at any one time shall be 100 shares, unless the number of shares with respect to which this Stock Option is being exercised is the total number of shares subject to exercise under this Stock Option at the time.

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination as Director. If the Optionee ceases to be a Director of the Company, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee ceases to be a Director by reason of the Optionee's death, any portion of this Stock Option outstanding on such date may be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier.

(b) Termination Due to Disability. If the Optionee ceases to be a Director by reason of the Optionee's disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date shall become fully exercisable and may thereafter be exercised by the Optionee for a period of 12 months from the date of termination or until the Expiration Date, if earlier.

(c) Other Termination. If the Optionee ceases to be a Director for any reason other than the Optionee's death or disability, and unless otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date, to the extent exercisable, may be exercised for a period of six months from the date of termination or until the Expiration Date, if earlier.

4. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Stock Option shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. No Obligation to Continue as a Director. Neither the Plan nor this Stock Option confers upon the Optionee any rights with respect to continuance as a Director.

7. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

8. Amendment. Pursuant to Section 18 of the Plan, the Administrator may at any time amend or cancel any outstanding portion of this Stock Option, but no such action may be taken that adversely affects the Optionee's rights under this Agreement without the Optionee's consent.

ATOSSA GENETICS INC.

By: _____
Name: _____
Title: _____

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: _____

_____
Optionee's Signature

Optionee's name and address:

_____

_____

_____

[OPTIONEE SIGNATURE PAGE TO STOCK OPTION AGREEMENT]

RESTRICTED STOCK AWARD AGREEMENT
UNDER THE ATOSSA GENETICS INC.
2010 STOCK OPTION AND INCENTIVE PLAN

Name of Grantee: _____

No. of Shares: _____

Grant Date: _____

Pursuant to the Atossa Genetics Inc. 2010 Stock Option and Incentive Plan, as amended through the date hereof (the "Plan"), Atossa Genetics Inc. (the "Company") hereby grants a Restricted Stock Award (an "Award") to the Grantee named above. Upon acceptance of this Award, the Grantee shall receive the number of shares of Common Stock, par value $0.001 per share (the "Stock") of the Company specified above, subject to the restrictions and conditions set forth herein and in the Plan. The Company acknowledges the receipt from the Grantee of consideration with respect to the par value of the Stock in the form of cash, past or future services rendered to the Company by the Grantee or such other form of consideration as is acceptable to the Administrator.

1. Acceptance of Award. The Grantee shall have no rights with respect to this Award unless he or she shall have accepted this Award by (i) signing and delivering to the Company a copy of this Award Agreement, and (ii) delivering to the Company a stock power endorsed in blank. Upon acceptance of this Award by the Grantee, the shares of Restricted Stock so accepted shall be issued and held by the Company's transfer agent in book entry form, and the Grantee's name shall be entered as the stockholder of record on the books of the Company. Thereupon, the Grantee shall have all the rights of a stockholder with respect to such shares, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below.

2. Restrictions and Conditions.

(a) Any book entries for the shares of Restricted Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) Shares of Restricted Stock granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to vesting.

(c) If the Grantee's employment (or other service relationship) with the Company and its Subsidiaries is voluntarily or involuntarily terminated for any reason (including death) prior to vesting of shares of Restricted Stock granted herein, all shares of Restricted Stock shall immediately and automatically be forfeited and returned to the Company.

3. Vesting of Restricted Stock. The restrictions and conditions in Paragraph 2 of this Agreement shall lapse on the Vesting Date or Dates specified in the following schedule so long as the Grantee remains an employee of the Company or a Subsidiary (or otherwise continues to provide services to the Company or a Subsidiary) on such Dates. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 2 shall lapse only with respect to the number of shares of Restricted Stock specified as vested on such date.

Number of Shares Vested	Vesting Date
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____
_____ (___%)	_____

Subsequent to such Vesting Date or Dates, the shares of Stock on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 3.

4. Dividends. Dividends on Shares of Restricted Stock shall be paid currently to the Grantee.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

7. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. Except in the case where an election is made pursuant to Paragraph 8 below, the Company shall have the authority to cause the required minimum tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued or released by the transfer agent a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

8. Election Under Section 83(b). The Grantee and the Company hereby agree that the Grantee may, within 30 days following the acceptance of this Award as provided in Paragraph 1 hereof, file with the Internal Revenue Service and the Company an election under Section 83(b) of the Internal Revenue Code. In the event the Grantee makes such an election, he or she agrees to provide a copy of the election to the Company. The Grantee acknowledges that he or she is responsible for obtaining the advice of his or her tax advisors with regard to the Section 83(b) election and that he or she is relying solely on such advisors and not on any statements or representations of the Company or any of its agents with regard to such election.

9. No Obligation to Continue Employment or Service Relationship. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee in employment (or any other service relationship) and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the employment (or other service relationship) of the Grantee at any time.

10. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

ATOSSA GENETICS INC.

By: _____
Name: _____
Title: _____

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned.

Dated: _____

_____
Grantee's Signature

Grantee's name and address:

_____

_____

_____

[GRANTEE SIGNATURE PAGE TO RESTRICTED STOCK AWARD AGREEMENT]

CONFIDENCIAL TREATMENT REQUESTED

Redacted Portions are indicated by [****]

TERM SHEET FOR LICENSE AGREEMENT (Term Sheet)

This Term Sheet is not a binding contract between the parties, but it shall be kept confidential.

The Term Sheet is the initial basis for an offer to license the intellectual property rights specified below, and sets forth the primary licensing terms as agreed upon by the undersigned parties, to be codified in a license agreement which is to be negotiated in full between the parties.

Subject	Terms
Licensor	Inven2 AS (Inven2) on behalf of the University of Oslo (UiO) and Oslo University Hospital HF (OUS)
Licensee	Atossa Genetics, Inc
Contact name(s) and information	Steven Quay, CEO and President, Atossa Genetics, Inc. 4105 E Madison St, Suite 320, Seattle, WA 98112 T: 206.325.6086.
Object of license	IPR including know how related to DOFI B-11035 "Combining Gene Signatures Improves Prediction of Breast Cancer Survival" as well as patent/patent application(s) to be filed to protect this IPR.
Ownership to patent application(s) to be licensed	UiO/OUS. Inven2 is empowered to administer UiO's/OUS' intellectual property rights, including entering into license agreements
Patent filing, prosecution and defense	At national/regional filing, Inven2 will file the patent application in the following countries: USA. Licensee may ask Inven2 to file in additional countries regions at Licensee's cost. Licensee may choose to exclude certain countries from the license agreement. Patent defense: Licensee has first right but no obligation. Inven2 gets the right to defend the patent rights if Licensee does not exercise its first right.
Publication	Licensor has the right to publish, and use in teaching and for research purposes, the research results covered in the license agreement
Type of license granted	EXCLUSIVE
Geographical scope for License	Worldwide
Right to transfer entire license agreement	Yes.
Field of use	Breast cancer and precancerous breast lesions.
Responsible for product development, introduction on the market, advertisement	Licensee
Signing fee and patent costs reimbursement	USD [****]; payment due within 60 days after signing of license agreement. All current and future patent costs will be paid by Licensee in countries chosen by Licensee.
Payments when reaching certain development steps (milestone payments)	Upon market entry in the first country USD [****] Upon selling the 500th test/sample in each country USD [****] Milestone payments are due within 60 days after achieving the milestone.
Royalties from Licensee	[****] on net income with a minimum of USD [****] per test/sample. Royalties are to be paid 31 of January each year, semi-annual reports of status
Minimum annual royalty	[****]

IN WITNESS THEREOF,

/s/ Steven Quay	/s/ Jostein Chr Dalland
Atossa Genetics, Inc.	Inven2 AS
Name: Steven Quay	Name: Jostein Chr Dalland
Title: CEO	Title: CEO
Date: 06.20.2011	Dated: 17/6 ‘11

TERM SHEET FOR LICENSE OPTION AGREEMENT (Term Sheet)

This Term Sheet is a non-binding contract between the parties.

The Term Sheet is the initial basis for a license the intellectual property rights specified below, and sets forth the primary licensing terms as agreed upon by the undersigned parties, to be codified in a license agreement which is to be negotiated in full between the parties.

Subject	**Terms**
Licensor	Inven2 AS (Inven2) on behalf of the University of Oslo (UiO) and Oslo University Hospital HF (OUS)
Licensee	Atossa Genetics, Inc.
Contact name(s) and information	Steven Quay, CEO and President, Atossa Genetics, Inc. 4105 E Madison St, Suite 320, Seattle, WA 98112 T: 206.325.6086.
Option IPR	IPR related to possible breast cancer and precancerous breast lesions resulting from the research by Professor Anne-Lise Børresen-Dale at OUS and Professor Ole Christian Lingjaerde at UiO within the Option Period.
Option To License	Licensee is granted a **** exclusive negotiation period starting from Licensor's decision to commercialize Option IPR. The Option To Licence is limited to Option IPR reported to Licensor as a Disclosure of Invention (DOFI) within **** after the end of the Option Period where Professor Anne-Lise Børresen-Dale and/or Professor Ole Christian Lingjaerde minimum has 50% inventorship. Licensor will notify Licensee about its decision to commercialize. Upon receiving the notification Licensee must within **** notify Licensor in writing if Licensee wants to the exercise its right to enter exclusive negotiations.
Ownership to IPR to be licensed	UiO/OUS. Inven2 is empowered to administer UiO's/OUS' intellectual property rights, including entering into license agreements
Option Period	From the signature date of the license option agreement until ****.
Publication	Licensor has the right to publish, and use in teaching and for research purposes, the research results covered in the license agreement.
Payments	1. ****; payment due within 60 days after signing the license option agreement. 2. ****, payment due within ****.

IN WITNESS THEREOF,

Atossa Genetics, Inc.	Inven2 AS
Name: Steven Quay	Name: Olay Steinnes
Title: /s/ Steven Quay	Title: Acting CEO
Date: 02.15.2012	Dated: /s/ Olay Steinnes_14/2-12

CONFIDENTIAL TREATED
REQUESTED
Redacted Portions are indicated by [****]

FirstCyte Ductal Lavage
Idea Center Proposal
1020451

Presented to:

Steven Quay
Atossa Genetics

Presented by:

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Executive Summary

Background

Atossa Genetics Inc is a privately held company focused on the development and marketing of a novel cellular and molecular diagnostic risk assessment for breast cancer. Steven C. Quay, M.D., Ph.D. Chairman, President, and Chief Executive Officer is a physician scientist and biotechnology entrepreneur who has founded six companies and rebranded a seventh over a 25+ year career.

Atossa has purchased the rights to the Cytec FirstCyte Aspirator, E.Z Microcatheter, UltraSlim and tapered Dilator products previously produced by MedSource.

Atossa would like Accellent to resurrect the Cytec FirstCyte Aspirator, E.Z Microcatheter, UltraSlim and tapered Dilator products previously produced by MedSource (and subsequently by Hologic/Cytyc in its Costa Rica facility) and begin manufacturing of these devices. To do this, Accellent will need to re-establish the supply chain and a validated manufacturing process.

Project Scope

The objective of this project is to re-introduce into manufacturing the FirstCyte Ductal Lavage system that was previously produced by MedSource in its Newton, MA facility.

To accomplish this, Accellent proposes three project phases: Phase I: Transfer preparation

- Updates to design and manufacturing documents as required.
- Re-establish supply chain for each device.
- Execute Pre-DV builds and testing.

Phase II: Design Verification

- Establish Master Validation Plan for the devices.
- Finalize design and manufacturing documentation.
- Execute DV builds for the devices.
- Execute DV testing for the devices.
- Complete a clinical build and provide devices to Atossa after executing Accellent's sterile lot release process. Estimated availability of clinical devices is ~7.5-8 months after project start.

Phase III: Validation

- Complete all tooling / component validation activity.
- Conduct PQ builds and testing.
- Sterilization Validation.
- Complete and audit the DHF and DMR.
- Commercial release of the devices.

The detailed tasks to accomplish this are outlined in the Project Gantt located in Appendix V. The Key Deliverables from the activities included in this program are outlined in Appendix VI.

Timeline & NRE Price Estimate	Phase I: 13 Weeks –	[****]
	Phase II: 11 Weeks	[****]
	Phase III: 15 Weeks	[****]
	Phase I-III: 39 Weeks	**[****]**

Estimated availability of clinical devices is ~7.5-8 months after project start.

Unit Price Estimate

Pricing for kit containing 5 of each device.

	[****]
Kit containing 5	[****]
of each device	[****]

See detailed unit pricing table on page 8 for more information.

Prototype & Pre-production units are billed on a Time & Materials basis.

Customer Deliverables

In order to ensure program success, Accellent requires the following Customer Deliverables prior to the project start:

- Signed Proposal
- Purchase Order

Key Assumptions

In preparing this proposal for Atossa, Accellent has made the following assumptions:

- Estimates provided are based upon the released documents that were contained in MedSource's system at the time these devices were produced in its former Newton, MA facility. Accellent cannot guarantee that its records carried over from MedSource represent the latest embodiment of the devices, especially given that the device was manufactured by Hologic/Cytyc in its Costa Rica facility after MedSource completed its production of devices. A thorough review of the device drawings and manufacturing documentation is included in the scope of this proposal. A milestone is to be established in the project for Accellent and Atossa to review and agree upon the design to be built, tested, and released into production.

- The Design History File (DHF) for the devices is not available requiring that it must be rebuilt prior to releasing these devices into production. The scope of this project is based upon the initial DHF gap analysis that Accellent has executed. Based upon the results of that documentation assessment, it is assumed that the Accellent project team will have documents to be used as starting points. However, effort will be required as part of this project to update the documentation and to generate the official reports demonstrating compliance. Additionally, testing required to support those reports may be required and is included in the scope of this proposal.

- It is assumed that all tooling for components is available and appropriate for production use, though re-validation may be required. If it is determined that new tooling for any component is required, the effect on cost and timing will be communicated to Atossa prior to incurring the additional cost associated with the scope change.

- Included in the scope of this project is the transfer of the models and drawings into Accellent's current system. The time estimated to complete this task is based upon an initial assessment of drawings sampled from the MedSource archive. When transferring documents of this type, compatibility issues could arise that may require creating drawings from scratch rather than a simple transfer. If it is determined during the transfer process that drawings need to be generated from scratch, this change will be communicated to Atossa and the effect on timing and cost will be reviewed prior to incurring the additional cost.

- A new kit configuration consisting of 5 of each device is assumed to be required. This proposal includes the packaging design and testing required for the new shelf carton and shipper boxes required to meet this requirement.

- Existing fixture designs available in Accellent's archived project folders will be used as a baseline for fixture designs for this project. However, due to EH&S requirements some designs may need to be updated.

- Maximum lead time for any given component is assumed to be 4 weeks. This will be updated when final quotes from all suppliers are received based upon the final updated drawings being released for each device.

- Maximum lead time for equipment and fixtures is assumed to be 4 weeks. This will be updated when final quotes from all suppliers are received based upon the final updated manufacturing procedures being released for each device.
- One round of pre-DV testing is sufficient to achieve confidence in passing DV. If an additional round of build and testing is required, Accellent will review the effect on cost and timing with Atossa prior to executing the additional work.
- 1-year shelf life assumed.
- Parts for Design Verification, tooling validation, OQ, PQ, and the clinical build will all be ordered concurrently.
- Clinical devices will be built at risk following the DV build and made available to Atossa following sterile lot release process and successful completion of transit, aging, and biocompatibility testing.
- PQ builds are set to start after successful completion of transit, aging, biocompatibility. Starting PQ at risk before test completion could reduce timeline by ~1 month.
- Existing bar and tray sealer equipment in Laconia will be used for this project. If it is determined that dedicated equipment is required to support this line, the cost of this equipment will be quoted separately.
- Gamma sterilization is assumed for all devices.
- Accellent assumes Form-Fit-Function prototypes in Phase I require 50 units, which are NOT FOR HUMAN USE, and Design Verification in Phase II requires 100 units.
- Accellent has estimated the cost of the Materials for pre-production units in our Cost Estimate Section on page 8 and has planned the timeline accordingly; any change to the number of units may affect the Materials cost and/or the project Timeline. Estimated not included in this version of the proposal, but will be added to next revision.
- Accellent assumes Design Validation requires 300 PQ units and human use Clinical trials performed by Atossa require 200 units; these units will be billed at the lowest volume Unit Price Estimate in our Cost Estimate Section on page 9. The material cost estimates on Page 8 includes the cost for the clinical devices in Phase II.
- Atossa is responsible for defining product inputs and is ultimately responsible for assessing clinical efficacy; Accellent will work closely with Atossa to translate design inputs in to measurable specifications.
- An approved supplier will perform sterilization services as an Outside Service. Accellent and Atossa will jointly review the sterilization protocol and report, which will include the results of the Sterilization Validation/Revalidation. Atossa will have final approval responsibility for all sterilization documentation and is ultimately responsible for verification and certification of product sterility. A Supply Agreement between Accellent and Atossa will define the product transfer and terms of sterile lot release.

- Atossa is responsible for the cost of Quarterly Dose Audits (Gamma), which include sterilization charges, transportation charges, test lab charges, product (destructive test units) costs and documentation costs.
- Atossa is responsible for ensuring Atossa-supplied materials meet incoming inspection requirements and comply with quality requirements per the drawings.
- The timeline estimated in this proposal is contingent on the timely receipt of documentation, drawings and approvals from Atossa; delays outside of Accellent's direct control may affect the timeline and schedule provided.
- Atossa will work with Accellent prior to the project start to align Accellent's project plan with Atossa's project plan.
- Additional Terms & Conditions that apply to this proposal are located in Appendix I.

Cost Estimate for the Project

	Phase	Labor	Materials	Tooling & Equipment	Travel & Shipping	Outside Services	Total
Quoted	Phase I Preparation 13 Weeks	**[****]**	**[****]**	**[****]**	**[****]**	**[****]**	**[****]**
			[****]	**[****]**	**[****]**	**[****]**	**[****]**
Budgetary	Phase II Design Verification 11 Weeks	**[****]**	**[****]**	**[****]**	**[****]**	**[****]**	**[****]**
			[****]	**[****]**	**[****]**	**[****]**	**[****]**
	Phase III Design Validation & Transfer 15 Weeks	**[****]**	**[****]**	**[****]**	**[****]**	**[****]**	**[****]**
		[****]	**[****]**	**[****]**	**[****]**	**[****]**	**[****]**
Total Estimate	**Phase I-III 39 Weeks**	**[****]**	**[****]**	**[****]**	**[****]**	**[****]**	**[****]**

This is a good faith estimate based on managing projects of similar scope and complexity. If unanticipated contingencies or changes in project scope potentially cause the estimate to be exceeded, Atossa's written authorization will be required prior to incurring expenses beyond this estimate. Travel Expenses are in addition and will be billed at cost, as incurred.

§ See Appendix VII for the equipment list that is assumed to be required to reestablish the production of these devices.

§ Phase II material estimate includes ~100 devices for DV and ~200 devices to be provided to Atossa for human use clinical testing.

§ Saleable PQ devices will be built in Phase III and will be billed at the lowest volume Unit Price Estimate in our Cost Estimate Section on page 9.

Part Number	**[****]**	**[****]**	**[****]**	**[****]**	**[****]**
160-08427-00 FirstCyte Microcatheter	[****]	[****]	[****]	[****]	**[****]**
160-08417-00 FirstCyte Aspirator	[****]	[****]	[****]	[****]	[****]
160-08788-00 FirstCyte UltraSlim Dilator	[****]	[****]	[****]	[****]	[****]
160-08782-00 FirstCyte Tapered Dilator	[****]	[****]	[****]	[****]	[****]
Kit containing 5 of each device	[****]	[****]	[****]	[****]	[****]

§ Accellent reserves the right to revise the Unit Price Estimates; the above pricing reflects Accellent's best estimate based on the current product concept and/or Bill of Materials (BOM) received from Atossa and assumes lot purchasing for optimum supply chain management. Any changes to the BOM, component material selection or quantities per may require Accellent to re-estimate the Unit Price.

§ As design and development progress and annual volumes are established, a more accurate Unit Price Estimate can be determined. A Manufacturing Agreement will establish final Unit Price and Volume Breaks.

§ Aspirator cup and f-adaptor in MicroCatheter are assumed to be made from RX2530 Macrolon, which is what the supplier stated was used when parts were supplied to Cytyc. MedSource prints state Lexan, which must be an old revision.

§ MicroCatheter: Sheath 110-08987-00 shall be manufactured from LDPE and not HDPE as the drawing states.

Payment Terms and Execution

To initiate this proposed project, we require an authorization of $296,000 for Engineering Services and related expenses, which may include tooling, travel, materials, outside services and other items allocated to this project. A deposit of $50,000, which will be credited against final invoices, is also required prior to the project start.

Prior to the end of each phase of the project, Accellent will provide Atossa with an updated cost estimate for the following phase. A purchase order will then be required to continue into the next phase of this project.

Invoices will be sent monthly on a Time & Materials basis; a final invoice for final expenses will be sent upon completion of this work.

Payment Terms are Net 30; past due invoices will incur interest charges at the rate of 1.5% per month.

A full set of Terms & Conditions related to Accellent's Engineering Services is provided in Appendix I of this proposal and shall have full force and effect over the content of this proposal. Terms & Conditions for production components and assemblies developed under this agreement shall be subject to Accellent's standard Terms & Conditions. A copy of this document can be provided upon request.

This proposal is valid for 30 days.

To proceed, please return this proposal with:

1) The required signature acknowledging your acceptance.

2) A Phase I Purchase Order for [****] referencing Proposal No. 1020451.

3) A deposit/retainer for [****] prior to the project kick-off meeting.

This program may be canceled at any time and by either party with 10 days written notice. Atossa will be responsible only for charges incurred up to the termination date (including material, tooling purchases and cancellation charges).

Accepted For Accellent Inc		*Accepted For* Atossa	
Signature:	/s/ Gary Falwell	Signature:	
Name:	Gary Falwell	Name:	Steven Quay
Title:	Technical Business Development Leader	Title:	President
Date:	August 8, 2011	Date:	

Accellent Inc

Accellent is the established leader in the field of medical device outsourcing. We have over 3,000 employees and focus the breadth of our expertise on:

· Increased speed to market

· Lower total delivered cost

· Continuous improvement

Accellent provides complete design to assembly services of custom precision components and completed devices on a global basis. We have manufacturing facilities in the United States, Mexico and Europe. Our Integrated OutsourcingSM model provides supply chain management to companies looking to bring new products to market quickly and cost-effectively.

The comprehensive scope of our services includes product development, functional design and analysis, complete project management, thin wall plastic and metal tubing, precision machining, metal stamping and wire forming, metal and plastic injection molding, grinding and coiling, laser processing, radiopaque markers, assembly, packaging, labeling, contract sterilization and order fulfillment. Accellent has the capability to accommodate a product anywhere in its lifecycle - from rapid prototyping of early designs to pilot production, to large scale, off-shore manufacturing in a QSR-compliant operation. Our product experience is very broad within the three core market segments we serve; endoscopy, cardiology and orthopaedics.

The Engineering Services group in our Boston Technical Center numbers more than 35 professionals with backgrounds in mechanical engineering, material science, manufacturing and quality engineering and project management. Dedicated teams handle your project from initiation through validation ensuring a seamless transition from design to manufacturing. Our Project Manager is accountable to you until the successful transition of the project to production manufacturing.

Accellent is ISO 13485 certified and registered with the FDA and is committed to continuous improvement of its business processes. Additional information can be found on our web site, www.Accellent.com.

Appendix I: Engineering Services Terms and Conditions

To effectively execute the Project Scope outlined in this proposal, Accellent establishes the following terms and conditions for Services it provides.

Services. "Services" means all work performed by Accellent as detailed in this proposal.

Statement of Confidential Intent
Accellent is providing this proposal at the request of Atossa. The project goals and product details are as described to us by Atossa. The development process and techniques presented herein for accomplishing those goals are the property of Accellent and are intended exclusively for our use while under contract to Atossa.

Purchase Orders; Payment Terms; Inconsistencies. Accellent's Services will be performed according to this Proposal. Atossa shall make payment to Accellent for the Services in accordance with the terms of this Proposal. Any payment not made when due shall at Accellent's option accrue interest at the rate of 18% per annum until paid in full. To the extent that the terms of the purchase orders or any other documents related to the Services differ from or are inconsistent with the terms of this Proposal, the terms of this Proposal will control.

Accellent may discontinue Services for any Purchase Order if the Company has failed to make timely payment in full as agreed by the parties with respect to those or any other Services

Force Majeure. Neither Accellent nor Atossa shall be liable to the other for any loss or damage suffered because of the impossibility of either party performing any of its obligations to the other by reason of any fire, strike, riot, sabotage, war delay, damage by the elements, act of God, act of the public enemy, or any other unavoidable casualty of like nature beyond the control of the party in default. There shall be no liability for interruptions or delays in the making of any delivery or the performance of any act provided such interruption or delay results from any legally enforceable order of a State or Federal Government or any agency thereof. The foregoing shall not apply to any obligation of Atossa to make timely payment for Services.

The Services, or the result of any Services, produced under this Proposal shall become the property of Atossa after full payment for all Services and expenses have been received by Accellent.

Responsibilities for Accepted Services.

Accellent. With respect to any Services accepted by Atossa, Accellent shall be responsible for its warranty and indemnity obligations as provided below.

Atossa. Subject to Accellent's warranty and indemnity obligations below, upon acceptance by Atossa of any Services, (i) Atossa shall be fully and solely responsible for such Services and the consequences of any implementation or use by Atossa or others of such Services, including without limitation, compliance with applicable laws and regulations and claims of any third parties arising from such implementation and use and, (ii) Accellent will work closely with Atossa to translate design inputs into measurable specifications however, Atossa is responsible for defining product inputs and is solely responsible for assessing clinical efficacy, or for transfers to production (iii) Accellent will work closely with Atossa to transfer the product design into production processes however, Atossa is responsible for defining product inputs and is solely responsible for assessing clinical efficacy.

Sterilization Services. Sterilization services with respect to any Product will be provided only if requested by Atossa and will only be performed as an outside service by a supplier approved by Atossa.

With respect to any such sterilization services, Accellent and Atossa will jointly review the sterilization protocol and report, which will include the results of the Sterilization Validation/Revalidation. Atossa will have final approval responsibility for all sterilization documentation (and the services provided thereunder) and is ultimately responsible for verification and certification of product sterility. Accellent and Atossa will define the product transfer and mutually agree to the terms of sterile lot release.

Warranty

Accellent Warranty. Accellent warrants that the Services hereunder shall be performed in a manner consistent with prevailing industry standards. If any Services do not comply with this warranty, Accellent shall be obligated, as Atossa's sole and exclusive remedy, to make commercially diligent efforts to bring the non-complying Services into compliance at Accellent's expense.

THE WARRANTY EXPRESSLY STATED ABOVE IS THE ONLY WARRANTY APPLICABLE TO THE SERVICES. ACCELLENT MAKES NO REPRESENTATION OR WARRANTY IN THIS AGREEMENT TO Atossa CONCERNING ANY PRODUCTS CONTEMPLATED BY ANY SERVICES, INCLUDING TITLE TO ANY INTELLECTUAL PROPERTY INVOLVED IN THE DESIGN OR MANUFACTURE OF SUCH PRODUCTS, THE PERFORMANCE OF ANY SUCH PRODUCTS, OR THEIR SAFETY OR THEIR FUNCTIONALITY. ALL WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE DISCLAIMED. ACCELLENT SHALL NOT BE LIABLE UNDER THIS AGREEMENT FOR ANY PUNITIVE, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, PERSONAL INJURY AND PROPERTY DAMAGE, EQUIPMENT DAMAGE, LOSS OF PROFITS OR REVENUES OR BUSINESS, COST OF CAPITAL, COST OF PURCHASE, COST OF RECALL, OR COST OF REPLACEMENT GOODS. EXCEPT WITH RESPECT TO ACCELLENT'S INDEMNIFICATION OBLIGATIONS BELOW, IN NO EVENT SHALL ACCELLENT'S LIABILITY UNDER THIS AGREEMENT, WHETHER BASED UPON CONTRACT, TORT, OR OTHERWISE EXCEED THE ACTUAL AMOUNTS PAID BY Atossa HEREUNDER DURING THE IMMEDIATELY PRECEDING TWELVE (12) MONTH PERIOD FROM WHEN THE CLAIM FOR LIABILITY AROSE.

Indemnities

Accellent. Accellent agrees to defend and indemnify and hold Atossa and its officers, directors, employees, and agents harmless against any and all claims, suits, proceedings, expenses, recoveries, and damages, including court costs and reasonable attorneys fees and expenses, by third parties against Atossa to the extent they arise out of, are based on, or are caused by Accellent's negligence in the performance of Services, except to the extent that such arise from or are aggravated by acts of or failure to act by Atossa. Atossa will promptly notify Accellent of any such claim or demand that comes to its attention.

Atossa. Atossa agrees to defend and indemnify and hold Accellent and its officers, directors, employees, and agents, harmless against any and all claims, suits, proceedings, expenses, recoveries, and damages, including court costs and reasonable attorneys fees and expenses, by third parties against Accellent to the extent they arise out of, are based on, or are caused by (i) alleged defects in the design of any products which are the subject of the Services, (ii) any claim that any such product or its design infringes upon the intellectual property rights of third parties, (iii) statements, whether written or oral, made or alleged to be made by Atossa or its Affiliates or others on the packaging or labeling on any of such products, or in the advertising, publicity, promotion, or sale of any of such products, (iv) the storage, sale, shipment, promotion, or distribution of such products, , or (v) the implementation or use of the Design; in each case except to the extent that such arise from or are aggravated by acts of or failure to act by Accellent. Accellent will promptly notify Atossa if any such claim or demand that comes to its attention.

Benefits; Assignment; Binding Notice. This agreement is not intended to confer upon any person other than the parties, any rights or remedies hereunder and may not be assigned by either party without the prior written consent of the other party provided however, either party may assign this agreement without the prior written consent of the other, to any of its Affiliates or in connection with the sale by such party of substantially all of its assets or the business to which this agreement relates. A sale of the shares of a party or a public offering of its shares, or its merger, consolidation, or reorganization, shall not constitute an assignment of this agreement requiring the consent of the other party. Any attempted assignment in violation of the terms hereof will be null and void and of no force or effect. This agreement will be binding upon and inure to the benefit of the parties and their respective successors and assigns.

Severability. If any term or provision of this agreement is deemed to be invalid or unenforceable, the remainder of this agreement will be unaffected thereby and each other term or provision of this agreement will be valid and enforced to the fullest extent permitted by law.

Governing Law. The validity and interpretation of this agreement and the legal relations of the parties to it shall be governed by the internal laws of the State of Massachusetts.

Appendix II: Key Personnel

TBD – contingent upon receipt date of P.O. to initiate the project.

For consistency, Accellent will make every effort to use the team members that executed the DHF audit as part of the team for this project.

Appendix III: Accellent Commitment to Quality

ONESOURCE FOR QUALITY -- Accellent recognizes that quality is among the most important factors for medical device companies. Consequently, we have chosen to focus our business exclusively on manufacturing for medical device companies.

Accellent Quality Policy
As A Medical Device Engineering, Product Development and Manufacturing Services Provider,
Accellent Is Committed To:
Exceeding Our Customers' Expectations By:
Accelerating Time to Market
Reducing Total Delivered Cost
Providing Superior Customer Product Acceptance Through:
Business Excellence
Continuous Improvement
Teamwork

Accellent utilizes an enterprise-wide common Quality System, which ensures our customers consistent and repeatable quality from each and every Accellent facility worldwide.

The Accellent Quality System outlined in the Quality Manual complies with the following standards:

- International Standard ISO 13485
- International Standard ISO 9001
- FDA Quality System Regulation (QSRs) 21 CFR 820
- European Community Medical Device Directive (MDD) 93/42/EEC

The Accellent Quality System ensures customers receive the same high standards with respect to quality results, regulatory compliance, systematic monitoring and continuous improvement throughout Accellent. While remaining in compliance with FDA and ISO requirements, we maintain flexibility within our system to accommodate our customer's quality needs.

TÜV Product Service is the world leader in medical device certification and is the Quality System registrar for Accellent. All Accellent facilities are registered under one certificate with TUV Product Services; this integration allows Accellent to standardize design procedures, reduce inspection cost and minimize auditing activities for our customers.

Accellent and all of its employees are committed to the highest standards of quality, delivery, and service of our products to all of our customers.

Appendix IV: Accellent Three Phase Design Control

Accellent has a Three Phase Design Control Procedure fully compliant with the current FDA QSR's and ISO 9001 / ISO 13485. Each project is assigned an experienced Program Manager with direct responsibility in meeting customer expectations, project plan integrity, budget management, team member selection (Quality Assurance Engineer, Manufacturing Engineer, Designer, Technicians, etc.), overall coordination of activities both internal to Accellent as well as with outside suppliers and service providers.

Phase I and II are the concept development and design for manufacturing phases. Phase I consists of taking customer inputs and product specifications and transferring them into preliminary engineering drawings or prototypes. Phase II consists of design verification testing, Design Failure Modes Effects Analysis (FMEA), Design Review and may include builds for clinical or animal trials.

Phase III consists of the transfer to manufacturing and supply chain development. Production tooling is designed and procured, critical suppliers are identified and audited, manufacturing validations are carried out (including sterilization), a process FMEA is developed, all manufacturing documentation is formally introduced, operator training is conducted and all required process validations (accelerated age, transit, bioburden, etc…) are completed. Then, final unit pricing is determined. This phase ends with an extensive design review with all parties present for approval to release product.

Appendix V: Preliminary Project Gantt

(Please see the next inserted page.)

Appendix VI: Deliverables Checklist

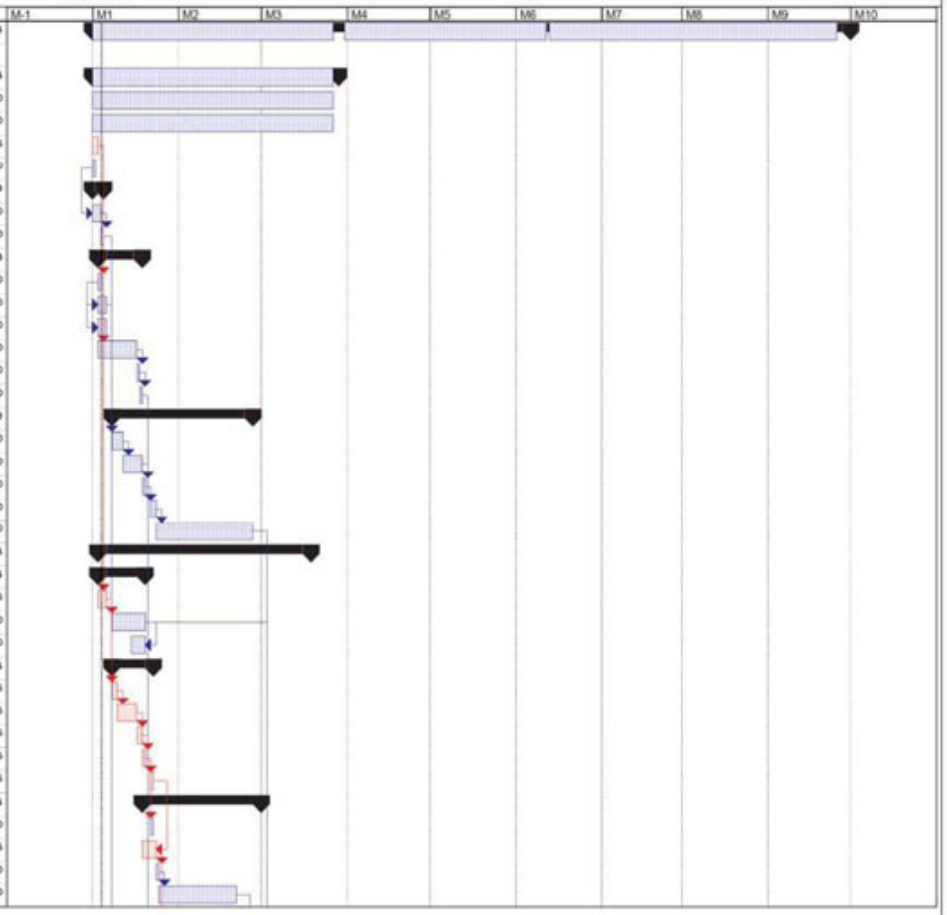
(Inserted after Gantt.)

Appendix VII: Equipment and Fixture List

(Inserted after Deliverables Checklist.)

Appendix V

ID	Task Name	Critical
1	**Atossa FirstCyte Project Plan**	**Yes**
2		
3	**Phase I: Transfer Preparation**	**Yes**
4	Program Management	No
5	Weekly Meetings	No
6	**Project Kick-Off**	Yes
7	Review project schedule	No
8	**Quality Plan**	**No**
9	Draft Quality plan	No
10	Review with Atossa and update	No
11	**Update Design Documentation**	**No**
12	Receive and review design input document from Atossa	No
13	Initial Product Specification	No
14	Generate / update DFMEA and risk management plan	No
15	Review and update all design drawings and specifications	No
16	Internal Design Review w/ Independent Reviewer	No
17	Review design with client w/ Independent Reviewer	No
18	**Packaging Design to Accommodate Kit with 5 of each Device**	**No**
19	Generate shelf carton and shipper design for Kit	No
20	Quote with suppliers and obtain feedback	No
21	Packaging Design Review with Atossa	No
22	Update design and finalize drawings	No
23	Procure samples for use in Pre-UV testing	No
24	**Pre-DV Build**	**Yes**
25	**Manufacturing Documentation**	**Yes**
26	Review all manufacturing documentation - extract fixture requirements	Yes
27	Update all manufacturing documentation, routers, and BOM	No
28	Prepare preliminary PFMEA - leverage existing documents	No
29	**Design/spec fixtures/equipment for assembly - leverage past project information**	**Yes**
30	Assembly Fixture Requirements	Yes
31	Generate / Update Assembly Fixture Designs and Equipment Specs	Yes
32	Assembly Fixture/Equipment Drawings and Specs	Yes
33	Conduct design review on fixtures	Yes
34	Modify fixture design based on design review feedback	Yes
35	**Assembly equipment and fixture ordering and fabrication**	**Yes**
36	Provide supplier with fixture documentation and review objective	No
37	Supplier to provide quote	Yes
38	Issue P.O. to suppliers for Equipment	No
39	Equipment lead time	No

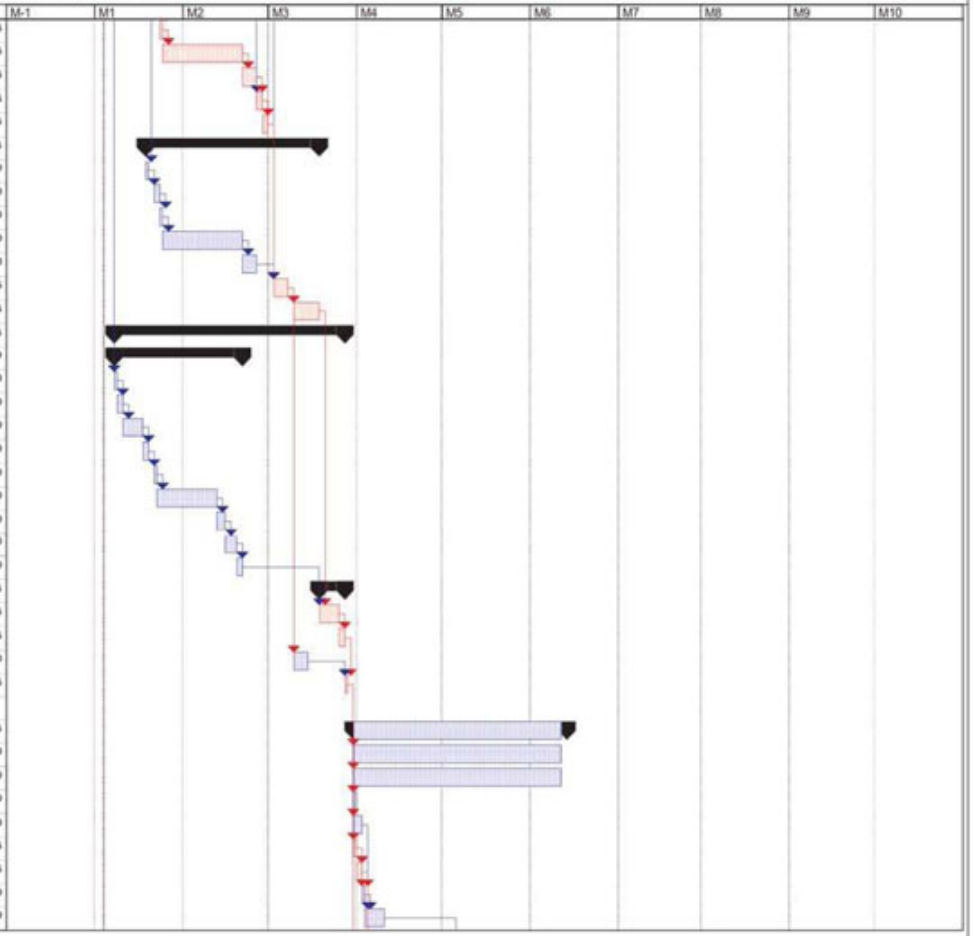


Accellent CONFIDENTIAL

Task
Critical Task
Progress
Milestone
Summary
Rolled Up Task
Rolled Up Critical Task
Rolled Up Milestone
Rolled Up Progress
Split
External Tasks
Project Summary
External Milestone
External Milestone
External Milestone
Deadline

Appendix V

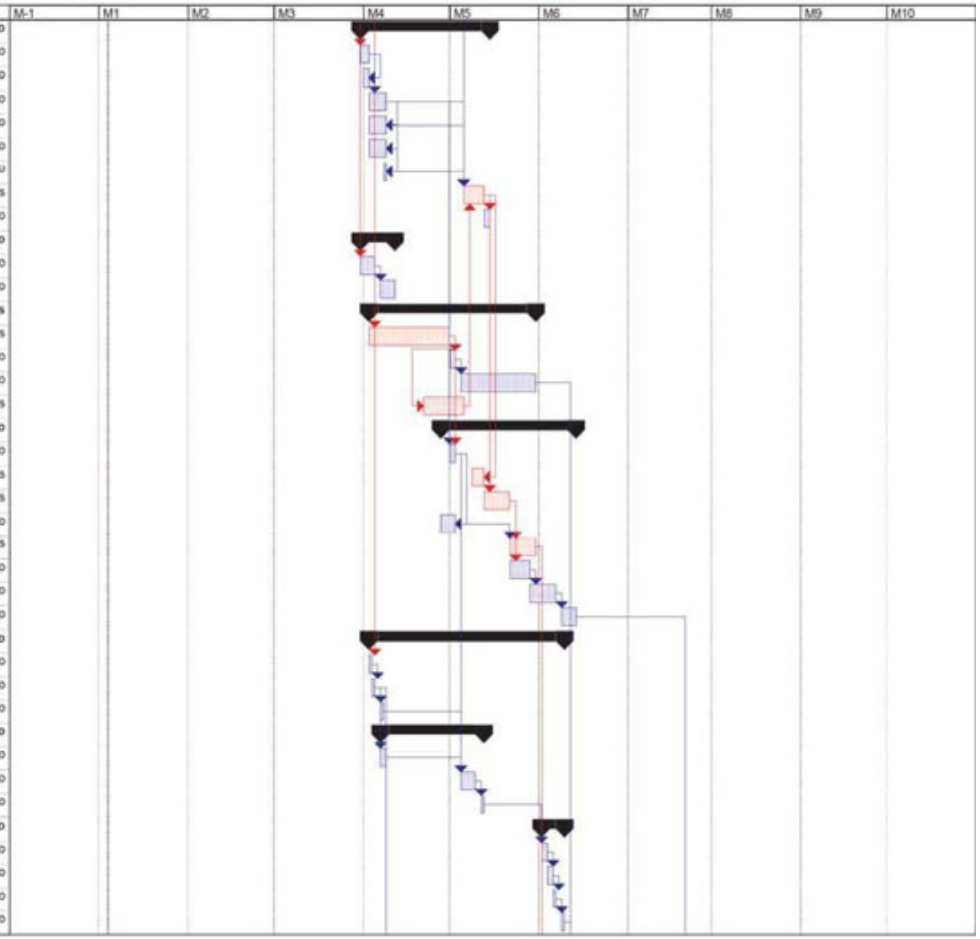
ID	Task Name	Critical
40	Issue P.O. to supplier for fixtures	Yes
41	Assembly Fixture Fabrication	Yes
42	Assemble Fixturing	Yes
43	Assembly Fixture IQ	Yes
44	Assembly Fixture IQ Report	Yes
45	**Component Procurement and Pre-DV Build**	**Yes**
46	Provide supplier with updated part drawings	No
47	Updated supplier quotes for components	No
48	Issue P.O. to supplier	No
49	Fabricate components	No
50	Inspection of components	No
51	Build pre-DV devices, N=50	Yes
52	Sterilize DV devices	Yes
53	**Pre-DV Testing**	**Yes**
54	**Test Fixtures**	**No**
55	Prototype Test Plan	No
56	Prototype Test Methods	No
57	Test Equipment Design	No
58	Quote fabrication	No
59	Issue P.O.	No
60	Test Equipment Fabrication	No
61	Test Equipment Assembly	No
62	Test Equipment IQ	No
63	Test Equipment IQ Report	No
64	**Prototype Testing**	**Yes**
65	Pre-DV Testing (include preliminary simulated transit / age)	Yes
66	Pre-DV report	Yes
67	Update COGS for devices	No
68	Design Review	Yes
69		
70	**Phase II: Design Development and Verification**	**Yes**
71	Program Management	No
72	Weekly Meetings	No
73	Review project schedule	No
74	Update Quality Plan	No
75	Update Product Specification	Yes
76	Update Models and Drawings	Yes
77	Update DFMEA	No
78	Create Master Validation Plan	No



Task
Critical Task
Progress
Milestone
Summary
Rolled Up Task
Rolled Up Critical Task
Rolled Up Milestone
Rolled Up Progress
Split
External Tasks
Project Summary
External Milestone
External Milestone
External Milestone
Deadline

Appendix V

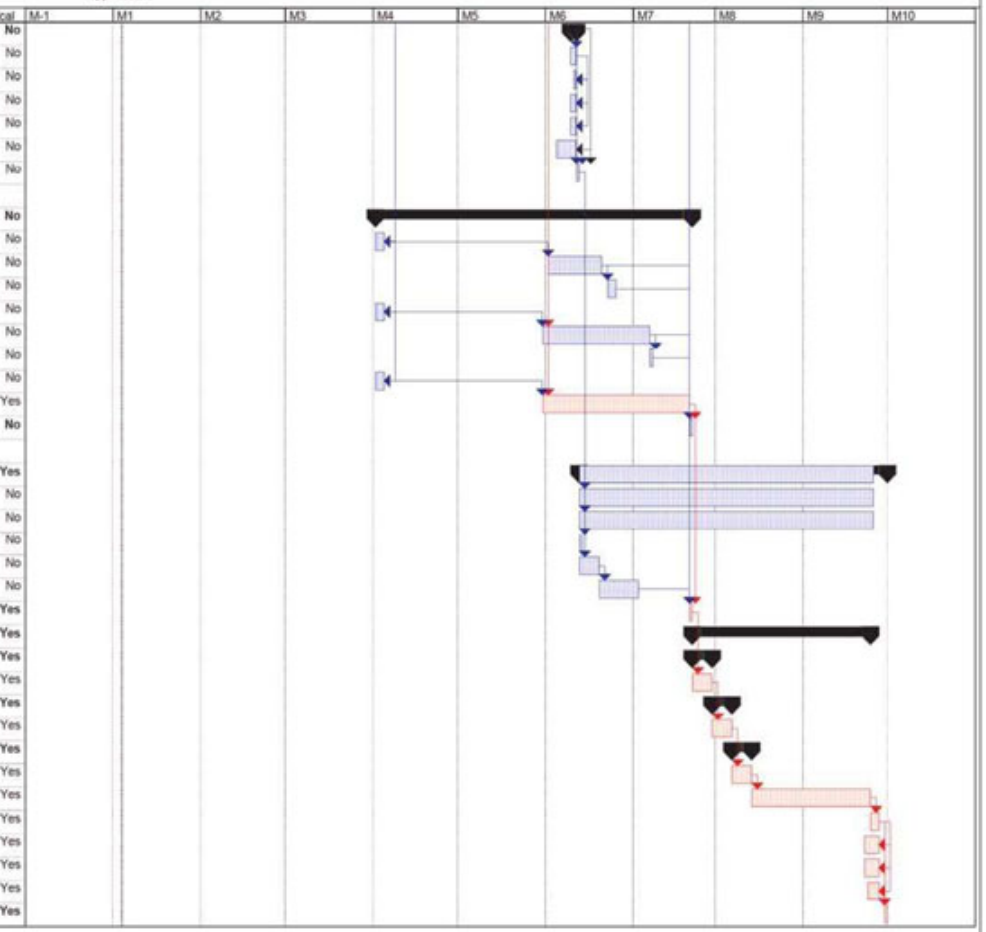
ID	Task Name	Critical
79	**Manufacturing**	**No**
80	Update Fixture and equipment as required	No
81	Update PFMEA	No
82	Update Manufacturing Assembly and Inspection Procedures	No
83	Release IMS documentation	No
84	Update routing forms	No
85	BOM into the ERP system	No
86	Equipment Fixture IQ, OQ	Yes
87	Update Cost Estimates	No
88	**Labeling and DFU - Client**	**No**
89	Receive Label & DFU--enter into system, create inspection techniques	No
90	Create Label Design	No
91	**Procure DV Components**	**Yes**
92	Procure DV Components - order parts for validation, clinical, and PQ concurrently	Yes
93	Add suppliers to ASL	No
94	Review Production Tooling Validations from Vendors	No
95	Incoming Inspection of Components	Yes
96	**Design Verification and Clinical Build**	**No**
97	Train assembly personnel on assembly of product	No
98	Genarate Pilot Work Order	Yes
99	Build and Package Verification Devices, N=100	Yes
100	Sterilization Protocol	No
101	Sterilize Units (2x)	Yes
102	Build clinical devices (~100)	No
103	Sterilize Clinical devices	No
104	Sterile Lot release process for clinical devices	No
105	**DV Testing**	**No**
106	Update DV Test Plan	No
107	Update DV Test Method	No
108	Create Test Method Validation Plan	No
109	**DV Fixtures and Test Method Validation**	**No**
110	Update DV fixtures as needed	No
111	Execute test method validation on all fixtures (use devices from training build)	No
112	Write Gage R&R report	No
113	**Execute DV Tests**	**No**
114	DV test 1	No
115	DV test 2	No
116	DV test 3	No
117	DV test 4	No



Task
Critical Task
Progress
Milestone
Summary
Rolled Up Task
Rolled Up Critical Task
Rolled Up Milestone
Rolled Up Progress
Split
External Tasks
Project Summary
External Milestone
External Milestone
External Milestone
Deadline

Appendix V

ID	Task Name	Critical
118	**Design Review preparation**	**No**
119	Complete Design Verification report	No
120	Update Product Specification	No
121	Update PFMEA	No
122	Update DFMEA	No
123	Design History File Update and Audit	No
124	Design Review	No
125		
126	**Transit, Aging, Biocompatibility**	**No**
127	Complete Transit Test Protocol	No
128	Conduct Transit Testing	No
129	Complete Transit Testing Report	No
130	Ambient/Accelerated Aging Protocol	No
131	Start Aging Testing (1yr)	No
132	Accelerated aging report	No
133	Biocompatability Test Protocol	No
134	Biocompatibility testing & Report	Yes
135	**Clincal Devices available for shipment to Atossa**	**No**
136		
137	**Phase III: Design Validation and Transfer**	**Yes**
138	Program Management	No
139	Weekly Meetings	No
140	Review project schedule	No
141	Finalize Master Validation Plan and obtain Customer approval	No
142	Update all documentation in preparation for PQ builds	No
143	**PQ Readiness Review Meeting**	**Yes**
144	**Conduct Three-Lot manufacturing Validation - (PQ)**	**Yes**
145	**Lot 1**	**Yes**
146	Build / Inspect Units	Yes
147	**Lot 2**	**Yes**
148	Build / Inspect Units	Yes
149	**Lot 3**	**Yes**
150	Build / Inspect Units	Yes
151	Perform Bioburden and Sterility Testing	Yes
152	Complete Sterilization Validation Report	Yes
153	Complete DMR - includes all Manufacturing Documentation	Yes
154	Design History File audit	Yes
155	Documentation updates for design review	Yes
156	**Design Review - Commercial Release**	**Yes**



Accellent CONFIDENTIAL

Task
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Summary
Rolled Up Task
Rolled Up Critical Task
Rolled Up Milestone
Rolled Up Progress
Split
External Tasks
Project Summary
External Milestone
External Milestone
External Milestone
Deadline

Appendix VI

DELIVERABLES CHECKLIST

Project Name FirstCyte Ductal Lavage	**Project Manager** _____
Project Number _____	**Customer** Atossa Genetics

Customer Deliverables to Accellent Prior to Project Initiation	Accellent	Customer	Description
Informal Design Inputs/Product Requirements*		X	List of user requirements including customer and regulatory requirements applicable to the device.
Customer Project Team		X	List of project team members and/or charter.
Device COGS Targets		X	Estimate of product cost to customer.
Product Samples		X	Physical samples of competive or predicate devices.
Customer Quality System Requirements		X	When customer wants Accellent to use their assembly, inspection, quality system or equipment drawings, these documents are either provided at this time or defined. This can also be in the form of a quality , design and development or supply agreement.
Regulatory Plan		X	A plan that defines the anticipated international and federal regulatory requirements for submissions and labeling.
Production Volume/Market Size Expectations		X	Customers marketing plan and/or timing and volume expectations for product launch.

Phase I Deliverables Transfer Preparation	Accellent	Customer	Description
Project Plan	X		Updated Gantt chart outlining phase activities and responsibilities which can be used in conjunction with this checklist or this checklist may be used as the project schedule for less complex projects.
Design History File gap analysis	X		Gap Analysis to determine the full scope of re-building the DHF required prior to releasing the devices into production.
Design Inputs Document		X	Requirements for product features and performance.
Product Development Quality Plan	X	Review and approve	This document sets forth the procedure by which Accellent defines, plans for, controls, documents, and assures that the design of all new and/or redesigned products complies with specified design requirements, customer expectations and quality system regulations. This checklist is attached to the product Development Quality Plan and updated as appropriate.
Product Specification	X	Review and approve	Measureable performance requirements.
CAD Models	X		CAD models for part making up the devices.
CAD drawings	X		Dimensioned drawings adequate for production quoting and manufacturing.
Packaging Design (CAD Models & Drawings)	X		CAD models for final release. Dimensioned drawing for part and tooling release.
Pre-DV Test Plan	X	Review and approve	List of tests to be performed on prototypes.
Pre-DV Test Protocol	X	Review and approve	Methods to be used to test prototypes against requirements.
Assembly Fixture Requirements	X		Report summarizing the fixture needs.
Assembly Fixture Concepts (CAD Models)	X		3-D design for fixturing.

Appendix VI

DELIVERABLES CHECKLIST

Assembly Fixture CAD Drawings	X		2-D drawings of fixture design and support documentation for fabrication of fixturing
Assembly Fixture Fabrication	X		Machining of assembly fixturing
Assembly Fixture IQ	X		Conduct IQ/FAI on assembly fixtures
Assembly Fixture IQ Report	X		Prepare IQ/FAI on assembly fixture report
Test Equipment Design	X		Design test equipment
Test Equipment Fabrication & Assembly	X		Machine test equipment
Test Equipment IQ (Protocol and Execution)	X		Develop protocol and perform IQ on equipment
Test Equipment IQ Report	X		Report IQ on equipment
Pre-DV build	X		Assembly of pre-DV devices.
Pre-DV testing	X		Tests conduced on pre-DV devices.
Pre-DV report	X	Review and approve	Report summarizing the results of testing.
Updated Bill Of Materials (BOM) & Cost Estimate	X	Review and approve	Preliminary list of components required for assembly of the product including estimated labor required for product assembly.
Application FMEA		X	A hazard analysis that looks at the functionality of the product and other product interface based on types of hazards such as chemical, electrical, user etc.
Design Review	X	X	Technical review of the product design.
Phase Review	X	X	Phase deliverable summary meeting including project risk analysis, project plan update and business review.

Phase II Deliverables Design Development and Verification	**Accellent**	**Customer**	**Description**
Project Plan	X		Updated Gantt chart outlining phase activities and responsibilities which can be used in conjunction with this checklist or this checklist may be used as the project schedule for less complex projects.
Product Development Quality Plan	X	Review and approve	This document sets forth the procedure by which Accellent defines, plans for, controls, documents, and assures that the design of all new and/or redesigned products complies with specified design requirements, customer expectations and quality system regulations.
Product Specification	X	Review and approve	Measureable performance requirements.
Design FMEA	X	Review and approve	Failure risk analysis related to the design of the product.
3D CAD Models	X		CAD models for final release.
2D CAD Drawings	X		Dimensioned drawing for part and tooling release.
Production Tooling Verification - Qualify Components	X		Fabrication of components and Inspection of components to confirm designed dimensions/features are meeting specification and that a process for molding has been finalized.
Production Tooling Parts	X		Fabrication of components.
Process FMEA	X		Failure risk analysis related to the manufacturing of the product.
Packaging Design (CAD Models & Drawings)	X		CAD models for final release. Dimensioned drawing for part and tooling release.
Selected & Audited Suppliers	X		Performance assessment confirming supplier can be placed on an Approval Supplier List (ASL). Review Surveys, maintain approved supplier list, audit suppliers as needed.

Appendix VI **DELIVERABLES CHECKLIST**			
Master Validation Plan	X	Review and approve	A master validation plan is a list of activities needed to validation the product including IQ, OQ, PQ and PPQ which includes a list of critical characteristics that need to be controlled for each part.
Facility IQ Protocol	X		A document that defines the facility requirements needed to mfg. the product.
Assembly & Inspection Fixture/Equipment Design	X		CAD models for final release.
Assembly & Inspection Fixture/Equipment Documentation	X		Dimensioned drawing for tooling release.
Assembly & Inspection Fixture/Equipment Fabrication	X		Fabrication of fixture design
Assembly Fixture FAIR	X		Verification that the fixture meets the drawing requirements. This is included in the IQ for equipment. Fixtures do not require IQ.
Assembly & Inspection Fixture/Equipment Manuals & Spare Parts Lists	X		Documentation required to operate, maintain and repair equipment and fixtures
Test Method Validation Protocol/Report (GR&R's)	X		Verification that test equipment and processes are adequate for determining acceptability of product.
Qualification of Suppliers - Key Supplier Control Plans	X		Key suppliers are suppliers whose parts have a direct impact on the product performance of the part and/or the mfg. process. Control Plans are used to define FAIR, inspection plans, and multiple lots receipts, which are needed to qualify suppliers process (supplier IQ/OQ/PQ/MVP).
FAIR	X		A document outlining the method and technique for measuring product attributes specified on the print. Parts should have traceability i.e.. part no. and revision no. and purchased against an approved specification.
Manufacturing Assembly Procedures	X		Flow chart and assembly documentation detailing instruction for producing product.
Inspection Method Sheets	X		Based on results from FAIR, review of the supplier controls, and a review of the design and process FMEA action plans, define the product/part attributes that will be inspected. Inspection level is based on the attribute criticality (major, minor, critical).
Facility IQ Report	X		A summary of the completed activities needed to prepare the facility to mfg. the product.
Receive and Inspect Parts	X		Receive and inspect parts to ensure documented traceability using trained personnel and approved IMS. Parts can be received into inventory at zero cost if using Oracle; however, part numbers can be assigned without the use of Oracle. Supplier can be conditional at this point when verifying that supplier is on ASL.
IQ including Packaging Protocol	X		A document outlining the manufacturing & test equipment is installed and operational prior to OQ/PQ (Attach or reference Preventive Maintenance, Calibration, Manuals, spare parts list, etc.)
IQ Execution	X		The execution of the installation qualification protocol.
IQ Report including packaging	X		A summary report for the installation qualification results.

Appendix VI

DELIVERABLES CHECKLIST

Design Verification (DV) Test Protocol	X	Review and approve	A document outlining the testing required to assure design outputs meet the design inputs which includes defining the process and equipment necessary to perform the testing.
Design Verification Build	X		Fabrication of assemblies using pilot work order process.
Clinical build	X		Build 100-200 devices to provide to Atossa for clinical testing.
Design Verification Testing	X		The execution of the Design Verification Test Methods.
Design Verification Report	X	Review and approve	A summary report for Design Verification Testing
Transit Validation (Distribution) Testing Protocol	X	Review and approve	A document outlining the testing required to assure that the product can withstand the rigors of transportation that can result in shipping damage.
Stability Testing (Accelerated and Real Time Aging) Protocol	X	Review and approve	A document outlining the testing required to assure that the product can meet the product performance requirements after real time aging and accelerated aging.
Biocompatibility Testing Protocol	X	Review and approve	A document outlining the testing required to assure the selected material will not result in a toxic or injurious effects to the patient. Testing requirements are dependant on the product to patient contact and duration that the product remains in contact with the patient.
Biocompatibility Testing	X		Executing the biocompatibility testing protocol.
Preliminary Stability Testing (Accelerated and Real Time Aging) Report	X	Review and approve	Sterile product requires an expiration date. Prior to human use, initial studies must be completed to support the expiration date which is usually a minimum of six months and/or the expected duration of the clinical build.
Biocompatibility Testing Report	X	Review and approve	A summary report for biocompatibility testing
Sterilization Validation Protocol	X	Review and approve	A document outlining the testing required to assure product sterilization requirements
Sterilization Validation Testing	X		The execution of the sterilization validation protocol
Sterilization Validation Report	X	Review and approve	A summary report for sterilization validation test results
Design Review	X	X	Technical review of the product design.
Phase Review	X	X	Phase deliverable summary meeting including project risk analysis, project plan update and business review.
Design History File	X		Compilation of records which describes the design history of a finished device.
510(k) or other regulatory submissions		X	File 510k Regulatory submission to FDA or other regulatory body or other type of submission such as PMA.
Simulated Use/Animal Testing		X	A simulation of product performance on animals with a summary report outlining results.
510(k) or other regulatory submission approval		X	Regulatory approval from FDA or other regulatory body.

Market / Clinical Study		X	In order to validate the design, human use builds may be needed to challenge product performance if simulated use cannot be used. In order to use product on humans, the product must have received regulatory approval from the FDA and the design must be verified, otherwise this is an animal or cadaver study. A Pilot Work Order is used to document the build in order to ensure traceability, documented procedures, release testing and training.
Design Validation Report		X	The report summarizes the results of testing from the validation protocol.
Labeling Copy & DFU Specifications		X	Product use and labeling specifications.

Phase III Deliverables Design Validation and Transfer	Accellent	Customer	Description
Project Plan	X		Updated Gantt chart outlining phase activities and responsibilities which can be used in conjunction with this checklist or this checklist may be used as the project schedule for less complex projects.
Production Tooling Validation	X	Review and approve	Fabrication and Inspection of components to confirm designed dimensions/features are meeting specification and that a process for molding has been finalized. (Includes DOE or process studies, OQ and PQ)
Production Assemblies	X		Fabrication of components.
Updated Design FMEA	X	Review and approve	Based on completion of recommended actions and identification of any new failure modes, update FMEA(s).
Updated Process FMEA	X		Based on completion of recommended actions and identification of any new failure modes, update FMEA(s).
Transit Validation Testing	X		The execution of the transit validation protocol.
Transit Validation Test Report	X	Review and approve	A summary report for Transit validation test results.
Accelerated Aging Testing	X		The execution of the acceleration aging protocol.
Preliminary Accelerated Aging Report	X	Review and approve	A summary report for accelerated aging test results to date for accelerated age testing. Real time age testing maybe included.
Training Materials/Records	X		A document summarizing operators have been trained to the applicable manufacturing procedures.
Place Purchase Orders for Parts	X		Order parts using Oracle or other inventory management process.
Receive and Inspect Parts	X		Receive and inspect parts into inventory using trained personnel and approved IMS. Verify that supplier is on ASL.
OQ including Packaging Protocol	X	Review and approve	A document outlining the testing required to assure equipment is operational and meets requirements across manufacturing process range prior to PQ.
OQ testing	X		The execution of the operation qualification protocol.
OQ Report including packaging	X	Review and approve	A summary report for the operation qualification test results. Human use builds intended for distribution, require pilot work order.
PQ Protocol	X	Review and approve	The PQ is a document outlining the testing required to assure the process is qualified.
PQ Testing	X		The execution of the process qualification protocol.

Appendix VI **DELIVERABLES CHECKLIST**			accellent
PQ Reports	X	Review and approve	A PQ is a summary report for process qualification test results. Once completed, the master validation is updated to summarize all of the completed IQ, OQ, and PQ activities.
Complaint Analysis and CAPA Closure	X		Respond to customer complaints and close CAPA in accordance with system level procedures.
Update Product Development Quality Plan	X	Review and approve	Update plan based on any deviations and/or new requirements.
Design Transfer Checklist	X		Review of a list of required deliverables for transfer of the design to manufacturing.
Design History File/Checklist	X		A comprehensive list which describes the required elements of the design history for a finished device.
Final Design Review	X	X	Technical review of the product design.
Device Master Record:	X		Compilation of records containing the procedures and specifications for the finished device - Product, package & component drawings - Tooling & Fixture drawings - Manufacturing Process Flow Charts - Manufacturing procedures / routing forms - Inspection Requirements & Test Methods (Product, - Process Control Requirements - Preventive Maintenance & Calibration Procedures - Bill of Materials (BOM) - Released label copy
Production Volumes Ramp Plan		X	
Limited Market Release Testing		X	The objective results of testing the product in the user environment to obtain marketing feedback.
Phase Review	X	X	Phase deliverable summary meeting including project risk analysis, project plan update and business review

Appendix VII

FirstCyte Equipment and Fixture List

MicroCatheter DV fixtures
Aspirator DV fixtures
Dilator DV fixtures
Seal Cutting Block
EFOS Acticure, Serial # A4000-01772
EFOS Acticure, Serial # A4000-01774
HYPO-TUBE PUNCH
Side Leg Tensile Fixture
Luer Tensile Fixture
Probe Tensile Fixture
Razor Blade Holder
Seal Punch Guide Block
Seal Slicing Fixture
Dilator Necking Die
Slicer Blade Holder
Catheter Cutter
Aspirator Gauge
Foam Alignment Gauge
Catheter Tipping Mold
Tipping Mold and Clamp
Snap Gauge, Mitutoyo
UV Curing Station
EFOS Ultracure 100SS - 5833
EFOS Ultracure 100SS - 8830
EFOS Ultracure 100SS - P1001-00017
EFOS Acticure A4000 - 00770
EFD Adhesive Dispenser #1
EFD Adhesive Dispenser #2
EFD Adhesive Dispenser #3
Test Gauge 0 - 200
Test Gauge 0 - 30
Vaccum Test Gauge 30 -0 inHg
Scale, 6" Stainless Steel
Tray sealing die
Benches

CONFIDENTIAL TREATED REQUESTED
Redacted Portions are indicated by [****]

SUPPLY AGREEMENT

This Supply Agreement (the “Agreement”) is effective June 23 2011,

BETWEEN: **Biomarker LLC,** (the "Supplier"), a company organized and existing under the laws of the State of Delaware with its head office located at:

14785 Omicron Drive, Ste 104 San Antonio, Texas 78245

AND: **Atossa Genetics, Inc.** (the "Purchaser"), a company organized and existing under the laws of the State of Delaware, with its head office located at:

4105 E Madison St, Suite 320, Seattle, WA 98112
Telephone: 206.325.6086 Fax: 206.325.6087

WITNESSETH:

WHEREAS Biomarker LLC currently supplies and distributes AdnaTest kits and supplies, as defined in Appendix 1 (the “Product”);

WHEREAS Biomarker LLC, for the price and subject to the terms and conditions contained herein, is prepared to sell and deliver to the Purchaser, on an ongoing basis and as its exclusive supplier, and the Purchaser is prepared to buy on this basis from Biomarker LLC, all of the Purchaser’s Product requirements;

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS AND AGREEMENTS HERETO CONTAINED AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, DULY RECEIVED, THE PARTIES HERETO AGREE AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATION

1.1 Whenever used in this Agreement, the schedules thereto, or any ancillary document thereto, the following terms, unless the subject matter or context otherwise requires, shall have the following meanings:

1.1.1 “Agreement” means or refers to this Agreement as amended from time to time and any indenture, agreement or instrument supplemental or ancillary hereto or in implementation hereof;

1.1.2 “Business Day” means any day excluding Saturday, Sunday and any other day which in Washington state is a legal holiday or a day on which financial institutions are authorized by law or by local proclamation to close;

1.1.3 “Product” means or refers to AdnaTest kits and supplies, as defined in Appendix 1, sold pursuant to this Agreement.

1.2 Words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders.

1.3 The division of this Agreement into articles and insertion of headings is for convenience and reference only and shall not affect the construction or interpretation of this Agreement.

1.4 All dollar amounts referred to in this Agreement are in lawful money of USA.

1.5 The preamble hereto forms an integral part of this Agreement.

2. SALE AND PURCHASE OF PRODUCTS

Biomarker LLC hereby agrees and undertakes to sell to the Purchaser, and the Purchaser agrees and undertakes to purchase from Biomarker LLC, for the price and subject to the terms and conditions contained herein, the total requirements of Product needed by the Purchaser for its day-to-day laboratory testing services during the term of this Agreement. At the date of signing of the present Agreement, the Purchaser estimates its requirements for the current year at [****] of Product.

3. ORDERS AND DELIVERY OF PRODUCTS

3.1 Each order for Products purchased pursuant to this Agreement shall be in writing and shall be sent to the address of the party selling the Products by email, mail or by fax or in such other manner expressly agreed upon between the interested parties.

3.2 Unless otherwise expressly agreed upon between the parties or as provided in Section 4, the Purchaser shall be responsible and shall pay for the delivery, from the Supplier at its address hereinabove mentioned, of such Products sold hereunder. Handling, preparation and shipping will be separate line items on each order and shall be payable by the Purchaser.

3.3 Unless otherwise expressly agreed upon between the parties, delivery of the Products purchased hereunder shall be completed within fourteen (14) Business Days of the receipt, by the party selling the Products, of the written order for such Products pursuant to the Products being available within the Sellers stock inventory.

3.4 The title to the Products sold hereunder shall pass from the selling party to the purchasing party upon complete payment of the purchase price of the Products mentioned in Section 4 hereinafter. The risks of lost or damage to such Products sold hereunder shall pass from the selling party to the purchasing party at the date of the delivery of the Products.

4. PRICE OF PRODUCTS

4.1 For the initial term of this Agreement stipulated in sub-section 6.1 hereinafter, the price of the Product sold by Biomarker LLC to the Purchaser hereunder shall be as specified in Appendix 2.

4.2 The prices of the Products sold pursuant to this Agreement during any subsequent term provided for in sub-section 6.1 hereinafter shall be mutually agreed upon by the parties hereunder.

4.3 The prices of the Products determined pursuant to this section 4 shall be delivered prices and shall be increased by the amount of any taxes, preparation, handling and shipping, or other governmental charges payable with respect to the sale of the Products (other than income tax, business or real property taxes) now in effect or becoming effective after the date thereof.

5. TERMS OF PAYMENT

5.1 Purchaser shall pay to the Supplier at its address hereinabove mentioned, within 15 calendar days from the date of receipt of the Products purchased, the price for such Products as determined pursuant to section 4 hereinabove.

5.2 The Purchaser agrees to pay a monthly interest charge on overdue amounts for Products purchased hereunder calculated on the basis of an annual rate of interest equal to the prime rate in effect on the due date of payment, plus 2% (Two Percent). Supplier may suspend shipments if prior payments are over 60 days in arrears.

6. TERM OF AGREEMENT

6.1 Subject to the provisions of sub-sections 6.2 to 6.4 hereinafter, this Agreement shall be in force for an initial term of one year commencing on the date of signature. This Agreement may be renewed for additional one year terms by written consent of the parties, subject to product availability, changes in pricing, and agreement on other terms contained herein

6.2 Notwithstanding the provisions of sub-section 6.1 and in addition to Section 6.2, either party shall be entitled to terminate this Agreement prior to its expiry date upon the occurrence of any default or omission of the other party to fulfill any of its obligations under this Agreement or any terms and conditions of this Agreement, on the 60th calendar day following the sending of a written notice to such defaulting party indicating any such default or omission, unless such defaulting party has remedied said default or omission, within the said 60 days. The termination of this Agreement as aforesaid shall cause a termination of same for all parties to this Agreement even if one party is not in default under this Agreement.

6.3 Notwithstanding the provisions of sub-section 6.1 and in addition to sub-sections 6.2 and 6.3, either party shall be entitled to terminate this Agreement at any time, upon simple notice to that effect, in the event:

6.4.1 that the other party commits an act of bankruptcy, within the meaning given to that expression in the Bankruptcy Act, is declared bankrupt, becomes insolvent or makes an assignment of all its property for the general benefit of its creditors; or

6.4.2 that the other party proceeds with its dissolution or liquidation or is the object of any procedure for its dissolution and/or liquidation; or

6.4 Each party shall, within 45 calendar days following the expiration or termination of this Agreement, as the case may be, pay to the other party any unpaid portion, including any accrued interest, of the purchase price of all Products purchased by it and delivered by the other party on or before the date of expiration or termination.

6.5 All obligations or liabilities of the parties accrued on the date of expiration or termination of this Agreement shall survive such expiration or termination.

7. QUALITY

7.1 Each party warrants that the Products sold by such party hereunder shall be of merchantable quality and in accordance with any specifications which may be provided by the other party in the written order for the Products as provided under sub-section 3.1 hereinabove. In USA, AdnaTest kits and supplies are not approved by the FDA and must not be used for diagnostic purposes; these kits are for research use only. Biomarker LLC disclaims all liabilities for any diagnostic application.

7.2 A party's failure to give the other party notice of any claims in respect to the quality of the Products delivered shall constitute unqualified acceptance thereof and a waiver by such party of all claims in respect thereof. Notice of such a claim shall be made in writing within 15 calendar days of the receipt of the Products.

7.3 A party having received a written notice pursuant to subsection 7.2 hereinabove shall have 15 calendar days to examine the Products in respect of which the notice was received. In the event that the selling party finds that the Products are not, as provided in sub-section 7.1 hereinabove, of the quality warranted or do not meet the specifications requested by the purchasing party, the selling party shall either, at its option, replace without charge the Products in respect of which the notice was given or refund, within 15 Business Days of such inspection, the price paid by the purchasing party for such Products. If the selling party decides to replace the defective Products, such new Products shall be delivered, at the selling party's expenses, within 15 Business Days of the inspection. The purchasing party shall, if so requested by and at the expenses of the selling party, return the defective Products to the selling party, upon receipt of the new Products or the refund of the purchase price of the Products.

7.4 A party having sent a notice pursuant to subsection 7.1 hereinabove, shall be entitled to purchase, from any person, all Products required by it in order to exploit its business from the date such a notice was sent until the date the Products are replaced or refunded as provided in subsection 7.2 hereinabove. In such a case, the purchasing party shall, at the same time an order is made to another person pursuant to this subsection, send to the other party, a copy of such order indicating the quantity and the price of the Products so purchased.

7.5 A party shall have the right to terminate this Agreement, by written notice to that effect given to the other party within 30 days of the receipt of the new Products, if, as provided in sub-section 7.1 hereinabove, the quality of the new Products is not as warranted or if the Products do not meet the specifications provided by the purchasing party.

7.6 Liability of any party hereunder is limited to the replacement of Products or to the refund of the purchase price of the Products as provided for in sub-section 7.3 hereinabove and a party shall in no case be liable otherwise or for indirect or consequential damages. The parties agree that, except as provided in sub-section 7.1 hereinabove, no warranty is given by the parties with respect to the Products.

8. FORCE MAJEURE

8.1 Either party hereto shall be relieved from liability hereunder for failure to perform any of the obligations herein imposed for the time and to the extent of such failure to perform its obligations hereunder if occasioned by circumstances beyond the party's control including voluntary or involuntary compliance with any law, order, regulation or directive or any governmental authority, Federal, State/Provincial or Municipal, the breakdown or other failure of facilities used for manufacture, transportation, consumption or use of the Products, or the inability to obtain labor, power, fuel, transportation, supplies of raw materials or, or by acts of God, or by acts of public enemy, or cancellation by governmental authorities of license to operate its plant, or by strikes, lockouts, or other industrial disturbances, riots, floods, hurricanes, fire, explosion, or any other cause or causes of any kind of character reasonably beyond the control of the party failing to perform, whether similar to or dissimilar from the enumerated causes (any cause being herein referred to as "Force Majeure").

8.2 In the event of either party hereto being rendered unable by Force Majeure to carry out its obligations under this Agreement, such party shall give notice and particulars of the event to the reasonable satisfaction of the other party including the expected duration of such Force Majeure and the expected extent of impairment of deliveries or receipt hereunder in writing or by telefax to the other party as soon as possible after the occurrence of the cause relied on, and, upon the giving of such notice, the obligations of the party giving such notice, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall be so far as possible remedied with all reasonable dispatch.

8.3 In case of an event of Force Majeure affecting one party, the other party shall be entitled to purchase, from any person, all Products required by it in order to exploit its business for the duration of the event of Force Majeure. In such a case, the purchasing party shall, at the same time an order is made to an other person pursuant to this subsection, send to the party affected by the event of Force Majeure, a copy of such order indicating the quantity and the price of the Products so purchased.

8.4 In the event that the performance of either party has been delayed, hindered or prevented for more than 60 consecutive calendar days, by reason of an event of Force Majeure, then either party may terminate this Agreement immediately at the end of that period of 60 days by giving a written notice to the other party to that effect, which termination shall take effect on the date of delivery of such notice or later on as specified in such notice.

9. FINAL PROVISIONS

9.1 The provisions of this Agreement shall, except as otherwise provided herein, enure to the benefit of and be binding upon the parties hereto and their respective, executors, administrators, successors and assigns and each and every person so bound shall make, execute and deliver all documents necessary to carry out this Agreement.

9.2 This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and the transactions herein contemplated and replaces all previous agreements and understandings, if any, between the parties with respect to the subject matter hereof and the transaction contemplated herein.

9.3 Any notice to be given under this Agreement shall be in writing and delivered, faxed or mailed by prepaid registered mail addressed to the party to whom it is to be given at the address hereinabove mentioned and such notice shall be deemed to have been given on the day of delivery or on the day it is faxed or on the seventh (7) business day after mailing as aforesaid, as the case may be. Notice of change of address may be given by any party in the same manner.

9.4 This Agreement may be executed in one or more counterparts each of which when so executed shall be deemed to be an original and such counterparts together shall constitute but one of the same instrument.

9.5 If any provision of this Agreement shall be held invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall attach only to such provision in such jurisdiction and shall not in any manner affect or render invalid or unenforceable such provision in any other jurisdiction or any other provision of this Agreement in any jurisdiction.

9.6 Except as provided therein, the failure on the part of one party, in any one or more instances, to insist upon the keeping, performance or observance of any of the terms, conditions or provisions of this Agreement, or to exercise any right or privilege herein conferred, shall not be construed as relinquishment of that party’s right to require the future keeping, performance or observance of any such terms, conditions or provisions.

IN WITNESS WHEREOF, each party to this agreement has caused it to be executed on the date indicated above.

BIOMARKER LLC	**ATOSSA GENETICS, INC.**
/s/ Andras Koser	/s/ Steven C. Quay
Authorized Signature	Authorized Signature
Andras Koser, MD, MBA, FHM, CPI	Steven C Quay, MD, PhD, CEO & President

Appendix 1

Products

Name	Size	Art. No.		
AdnaTest ColonCancerSelect	12 selections	T-1-504		
AdnaTest ColonCancerDetect	12 detections	T-1-505		
AdnaTest BreastCancerSelect	12 selections	T-1-508		
AdnaTest BreastCancerDetect	12 detections	T-1-509		
AdnaTest ProstateCancerSelect	12 selections	T-1-520		
AdnaTest ProstateCancerDetect	12 detections	T-1-521		
AdnaTest ER/PR-Detect	12 detections	T-1-532		
AdnaTest EMT-1/Stem Cell Select + Detect	12 selections	T-1-533	**NEW** product: see more information	Select Detect
AdnaCollect	12 systems	T-1-600		
AdnaMag-L	1 magnet stand	T-1-700		

Two magnets available as well as AdnaTest Ovarian and AdnaTest Melanoma

Appendix 2

Product (12 tests per kit)	Art. No.	Quantity per Order (Price per kit USD)			
		0-5	6-10	11-15	16-25
AdnaTest Colon Cancer Select	T-1-504	[****]	[****]	[****]	[****]
AdnaTest Colon Cancer Detect	T-1-505	[****]	[****]	[****]	[****]
AdnaTest Breast Cancer Select	T-1-508	[****]	[****]	[****]	[****]
AdnaTest Breast Cancer Detect	T-1-509	[****]	[****]	[****]	[****]
AdnaTest Prostate Cancer Select	T-1-520	[****]	[****]	[****]	[****]
AdnaTest Prostate Cancer Detect	T-1-521	[****]	[****]	[****]	[****]
AdnaTest ER/PR Detect	T-1-532	[****]	[****]	[****]	[****]
AdnaTest EMT-1/Stem Cell Select + Detect	T-1-533	[****]	[****]	[****]	[****]
AdnaCollect (12 tubes)	T-1-600	[****]	[****]	[****]	[****]
AdnaMag-L	T-1-700	[****]	[****]	[****]	[****]

CONFIDENTIAL

PURCHASE AGREEMENT

This PURCHASE AGREEMENT (this "Agreement"), dated as of May 4th, 2011 (the "Effective Date"), is entered into by and between Atossa Genetics, Inc., a Delaware corporation ("Buyer"), and Hologic Inc., a Delaware corporation ("Seller"). Buyer and Seller are referred to herein as the "Parties" and each individually as a "Party."

WHEREAS, Seller owns all right, title and interest in the Purchased Assets (as defined in Section 2.3) and wishes to sell to Buyer all right, title and interest in such Purchased Assets, and Buyer desires to acquire from Seller all right, title and interest in the Purchased Assets, free and clear of any and all Encumbrances.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

SECTION 1. DEFINITIONS

1.1. "Bill of Sale" shall mean a bill of sale in substantially the form and substance attached hereto as Exhibit A.

1.2. "Combination Product" shall mean any Product sold or transferred, or Service performed, in combination with one or more other products, processes or services (including without limitation adjuvant, reagents and delivery systems that are used in performing a therapeutic function) which are not Products or Services.

1.3. "Docket" shall mean Seller's or its agent's list or other means of tracking information relating to the prosecution and maintenance of the Patent Rights throughout the world, including without limitation the names, addresses, email addresses and phone numbers of prosecution counsel and agents, and information relating to deadlines, payments (including without limitation annuity and maintenance fees) and filings, which list or other means of tracking information is current as of the Effective Date. The Docket shall also include a list of all deadlines for upcoming actions with respect to the Patent Rights (including without limitation annuity, maintenance fee and other deadlines) that shall become due within one year of the Effective Date.

1.4. "Encumbrance" shall mean any mortgage, pledge, lien, charge, encumbrance, license, defect as to title, security interest, claims, covenant, condition, option, right or restriction of any kind or nature whatsoever.

1.5. "Product" shall mean, on a country-by-country basis, any product the manufacture, use, sale, offer for sale or import of which, but for Buyer's ownership of the Patent Rights, would infringe a Valid Claim of the Patent Rights in such country, which may include the Purchased Device to the extent meeting the foregoing requirements.

1.6. "Net Sales" shall mean the gross amount collected by Buyer for sales of Products, or for the performance of Services, less the following:

(a) discounts (including cash, quantity and patient program discounts), retroactive price reductions, charge-back payments and rebates granted to managed health care organizations or to federal, state and local governments, their agencies, and purchasers and reimbursers or to trade customers;

(b) refunds given, or amounts repaid or credited by reason of damaged goods, recalls, rejection or return;

(c) any taxes or other governmental charges levied on the production, sale, transportation, delivery, performance or use of a Product or Service; and

(d) transportation costs and costs of insurance in transit.

In the event that a Product is sold or Service is performed as part of a Combination Product, Net Sales, for the purposes of determining royalty payments on the Combination Product, shall mean the gross amount collected for the Combination Product less the deductions set forth in clauses (a) - (d) above, multiplied by a proration factor that is determined as follows:

(i) If all components of the Combination Product were sold or performed, as applicable, separately during the same or immediately preceding Reporting Period, the proration factor shall be determined by the formula [A / (A+B)], where A is the average gross sales price of all Product or Service components (as applicable) during such period when sold or performed separately from the other component(s), and B is the average gross sales price of the other component(s) during such period when sold or performed separately from the Product or Service components (as applicable); or

(ii) If all components of the Combination Product were not sold or performed separately during the same or immediately preceding Reporting Period, the proration factor shall be determined by the Parties in good faith negotiations based on the relative value contributed by each component.

1.7. "Patent Files" shall mean copies (or originals, where available to Seller or its agents) of the following to the extent comprising or relating to the Patent Rights: (i) all patents, patent applications, assignments and correspondence to and from the United States Patent and Trademark Office ("USPTO") and any other foreign patent offices (whether or not to or from Seller); and (ii) all files, records, workbooks (including without limitation laboratory notebooks) and other material information in the possession or control of Seller or its agents, of which Seller is aware, as of the Effective Date.

1.8. "Patent Rights" shall mean:

(a) the United States and international (non-United States) patents and patent applications relating to the ductal lavage business conducted by Cytyc Corporation (other than those patents and patent applications listed in Exhibit B-2), and any other patents and patent applications identified and listed on Exhibit B-1 and attached hereto;

(b) any United States and international patents and patent applications claiming the benefit of or priority to one or more of the patents and patent applications described in the foregoing clause (a), and any direct or indirect divisionals, continuations, continuation-in-part applications and continued prosecution applications (and their relevant international equivalents) of the patent applications described in the foregoing clause (a), and the resulting patents; and

(c) any patents resulting from reissues, reexaminations or extensions (and their relevant international equivalents, including, without limitation supplementary protection certificates) of the patents described in clauses (a) and (b) above.

1.9. "Person" shall mean any natural person, corporation, general partnership, limited partnership, limited liability company, proprietorship, other business organization, trust, union, association or governmental or regulatory authority or agency.

1.10. "PMA" shall mean a Premarket Approval Application filed with the Food and Drug Administration pursuant to 21 C.F.R. Part 814.

1.11. "Purchased Device" shall mean the product marketed by Seller under the Purchased Device Trademark for which Seller sought and obtained Regulatory Approval pursuant to (a) PMA notifications for the following 510(k) numbers: K983867 (microcatheter), K993342 (aspirator) and K001098 (dilator) and (b) a 510(k) Class I exemption (contour cover).

1.12. "Purchased Device Manufacturing Documentation" shall mean all written and electronic documentation, schematics, drawings, flow charts and other material information which Seller used or uses to manufacture the Purchased Device, including the items listed in Exhibit C.

1.13. "Purchased Device Marketing Material" shall mean all (a) material used in marketing or promoting the Purchased Device including visual aids, advertisements, brochures, displays and presentation materials, (b) packaging materials used for the Purchased Device, and (c) labels, package inserts and other matter affixed to any container or packaging used with the Purchased Device, including the items listed in Exhibit D.

1.14. "Purchased Device Regulatory Documentation" shall mean all applications, registrations, licenses, authorizations and approvals, all correspondence submitted to or received from regulatory authorities and all supporting documents and all clinical studies and tests and other safety studies and tests, and all data contained in any of the foregoing, including all premarket approval notifications, marketing authorizations, filings under the electronic product standards provisions of the United States Federal Food Drug and Cosmetic Act, adverse event files, complaint files and manufacturing records, in each case that relate to the Purchase Device.

1.15. "Purchased Device Technology" shall mean, other than the Patent Rights and Purchased Device Regulatory Documentation, all data, information, know-how, techniques, processes, methods, formulations, specifications, marketing plans and strategies, software (including source code and related documentation), and other technology, including the Purchased Device Manufacturing Documentation and Purchased Device Marketing Material (and all copyrights, trade secret rights and other intellectual property rights relating to any of the foregoing), in each case that relate to the Purchased Device.

1.16. "Purchased Device Trademark" the trademark FIRSTCYTE, together with all goodwill symbolized thereby, and all registrations and applications for registration thereof, including U.S. Registration No. 2,782,866 (the "Trademark Registration").

1.17. "Regulatory Approval" shall mean the right with respect to a product to manufacture, sell or distribute such product, including in the United States the approval by the FDA of a PMA and, in the case of any other country or territory, any necessary international or foreign approvals.

1.18. "Reporting Period" shall begin on the first day of each calendar quarter and end on the last day of such calendar quarter.

1.19. "Seller Products" shall mean Seller's products that are commercially marketed and distributed by Seller (other than in its capacity as a reseller or other distributor) as of the Effective Date, substantially in the configurations marketed and distributed by Seller as of the Effective Date.

1.20. "Seller Future Products" shall mean Seller's products that are commercially marketed and distributed by Seller (other than in its capacity a reseller or other distributor) after the Effective Date and which substantially differ in configuration from Seller Products marketed and distributed as of the Effective Date.

1.21. "Service" shall mean, on a country-by-country basis, any service the performance of which, but for Buyer's ownership of the Patent Rights, would infringe a Valid Claim of the Patent Rights in such country.

1.22. "Third Party" shall mean any Person other than Seller or Buyer.

1.23. "Trademark Assignment" shall mean a trademark assignment in substantially the form and substance attached hereto as Exhibit E.

1.24. "Valid Claim" shall mean a claim of an issued an unexpired patent which has not been revoked or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid or unenforceable through reissue or disclaimer or otherwise.

SECTION 2. PURCHASE AND SALE OF PATENT RIGHTS.

2.1. Sale of Patent Rights. Subject to the terms and conditions of this Agreement, Seller hereby sells, assigns, transfers, conveys and delivers to Buyer, and Buyer purchases, acquires and accepts from Seller, all right, title and interest throughout the world in and to the Patent Rights free and clear of any and all Encumbrances. Such assignment shall be effected by delivery of ten (10) original copies of a duly executed Patent Assignment in the form attached hereto as Exhibit F (the "Patent Assignment").

2.2. Sale of Additional Assets and Rights. Seller also hereby sells, assigns, transfers and conveys to Buyer all right, title and interest in and to any and all:

(a) inventions, invention disclosures and discoveries described in any of the Patent Rights that (i) are included in any claim in the Patent Rights; or (ii) are subject matter capable of being reduced to a patent claim in a reissue or reexamination proceeding relating to any of the Patent Rights;

(b) rights to apply in any or all countries of the world for patents, certificates of invention, utility models or other governmental grants or issuances of any type related to any of the Patent Rights and the inventions, invention disclosures and discoveries therein;

(c) causes of action (whether known or unknown or whether currently pending, filed or otherwise) and other enforcement rights under, or on account of, any of the Patent Rights or the rights described in Section 2.2(b), including, without limitation, all causes of action and other enforcement rights for damages, injunctive relief and any other remedies of any kind for past, current or future infringement; and

(d) other than Seller's rights to collect the Upfront Fee (as defined below) and royalties from Buyer as set forth in Section 2.4 and SECTION 3, respectively, rights to collect royalties or other payments under or on account of any of the Patent Rights or any of the foregoing (the assets and rights described in this Section 2.2 and the Patent Rights, collectively, the "Purchased Patent Assets").

2.3. Sale of Purchased Device Assets.

(a) *Purchased Device Assets*. Subject to the terms and conditions of this Agreement, Seller hereby sells, assigns, transfers, conveys and delivers to Buyer, and Buyer purchases, acquires and accepts from Seller, (i) all right, title and interest throughout the world in and to the Purchased Device Technology, Purchased Device Regulatory Documentation and Purchased Device Trademark (including the Trademark Registration) and (ii) all of Seller's inventory of the Purchased Device (together with the Purchased Patent Assets, collectively, the "Purchased Assets").

(b) *Blocking IP License*. In addition, subject to the terms and conditions of this Agreement, Seller (on behalf of itself and its affiliates) hereby grants to Buyer a non-exclusive, perpetual, worldwide, sublicensable license to research, develop, make use, sell, offer for sale, import, commercialize and otherwise fully exploit the Purchased Device (and any modification, variation, revision, enhancement or other improvement to the Purchased Device, including any new or expanded uses for the Purchased Device).

2.4. Upfront Fee. Within ten (10) days after the Effective Date, in partial consideration of Seller's sale, assignment, transfer, conveyance and delivery of the Purchased Assets to Buyer, Buyer will pay to Seller an upfront fee equal to [****] ("Upfront Fee"), by wire transfer in immediately available funds to such account(s) as may be designated by Seller in writing.

2.5. Delivery of Assets. On the Effective Date, the Parties shall mutually execute and deliver to each other the Patent Assignment, Bill of Sale and Trademark Assignment and, within ten (10) days after the Effective Date, Seller shall deliver or cause to be delivered to Buyer the Patent Files and Docket. In addition, within thirty (30) days after the Effective Date, Seller shall deliver or cause to be delivered to Buyer all of its Purchased Device inventory, all copies in its possession or control of tangible embodiments of the Purchased Device Technology, and all copies in its possession or control of Purchased Device Regulatory Documentation (together with all master copies of the foregoing), provided that Seller may retain a reasonable number of copies of the foregoing for archival purposes. Further, Seller agrees to reasonably cooperate with Buyer and provide to Buyer reasonable technical, scientific, engineering and other assistance and support necessary or reasonably useful to transfer to Buyer the Purchased Assets.

2.6. Sales and Transfer Taxes. Seller shall bear solely all sales, use, excise, value added and other transfer taxes and duties applicable to the transfer of the Purchased Assets in connection with this Agreement. Any payment or reimbursement under this Section 2.6 shall be made within ten (10) business days after any such valid request for payment or reimbursement. For the avoidance of doubt, Buyer shall bear the cost of recording the Patent Assignment in all governmental offices.

2.7. Grantback License. Subject to the terms and conditions of this Agreement, Buyer hereby grants to Seller a non-exclusive, perpetual, worldwide, sublicensable, royalty-free license to make, use, sell, offer for sale and import Seller Products and Seller Future Products.

SECTION 3. ROYALTIES.

3.1. Royalties.

(a) *Royalties*. Subject to the terms and conditions of this Agreement, Buyer shall pay to Seller royalties, on a country-by-country and Product-by-Product and Service-by-Service basis, for the period of time specified in Section 3.2(a), at the graduated royalty rates specified in the following table with respect to Net Sales of Products and Services:

Aggregate Net Sales of All Products and Services in a Calendar Year	Royalty Rate
On such Net Sales up to [****]	[****]
On such Net Sales above [****]	[****]
[****]	
On such Net Sales above [****]	[****]

3.2. Royalty Rate. The applicable royalty right shall be determined by reference to all Net Sales on which royalties are paid in a given calendar year. By way of example, in a given calendar year, if the aggregate annual worldwide Net Sales for all Products and Services for which royalties are due under this Section 3.1(a) were [****] under this Section 3.1(a) [****] this Agreement):[****]

(a) *Royalty Term*. The royalties due under Section 3.1(a) shall be payable on Net Sales from the first commercial sale of a Product or commercial performance of a Service until, on a country-by-country basis, the expiration of the last to expire patent in such country within the Patent Rights containing a Valid Claim covering such Product or Service.

(b) *Only One Royalty*. Only one royalty shall be due with respect to the sale of the same unit of Product or the performance of the same Service. Only one royalty shall be due hereunder on the sale of a Product or performance of a Service even if the manufacture, use, sale, offer for sale or importation of such Product or performance of such Service infringes more than one claim of tile Patent Rights.

(c) *Royalty Stacking*. To the extent that Buyer obtains licenses to Third Party patent rights or other intellectual property in order to practice any Patent Right or to make, use, sell, offer for sale, import, discover, develop, manufacture, derive, commercialize or otherwise exploit any Products or Services, Buyer may deduct from any royalty due to Seller hereunder fifty percent (50%) of the royalties due to Third Party(ies) on such patents or intellectual property up to an amount equal to fifty percent (50%) of the royalties owed in any Reporting Period, with any excess Third Party royalties carried over into next succeeding Royalty Periods until exhausted.

(d) *Royalty Reduction*. Should Seller market and sell Seller Future Products, the Buyer shall be entitled to reduce the royalty rate by 1% during the portion of each year that such Seller Future Products are sold.

(e) *Payment Terms*. All royalty payments under this Agreement should be made payable to “Hologic, Inc.” and sent to the address identified in Section 6.9. All royalty payments due under this Agreement shall be payable in United States dollars. Any royalty payments by Buyer that are not paid on or before the date such payments are due under this Agreement shall bear interest, to the extent permitted by law, at two percentage points above the Prime Rate of interest as reported in the *Wall Street Journal* on the date payment is due.

3.3. Reports and Records.

(a) *Reports*. Buyer shall report to Seller the date of first commercial sale of a Product or performance of a Service by Buyer within sixty (60) days of occurrence. After the first commercial sale of a Product or performance of a Service by Buyer, Buyer shall deliver reports to Seller within sixty (60) days after the end of each Reporting Period, containing information concerning the immediately preceding Reporting Period, as follows: (i) the number of Products sold for which Net Sales accrue; (ii) the number of Services performed for which Net Sales accrue (iii) the gross amount collected by Buyer for sales of Products, or for the performance of Services; (iv) the calculation of Net Sales for the applicable Reporting Period, including a listing of applicable deductions; and (v) the total royalty payable on Net Sales.

(b) *Records*. Buyer shall maintain complete and accurate records relating to royalties payable to Seller hereunder. Buyer shall retain such records for at least two (2) years following the end of the calendar year to which they pertain, during which time a certified, independent public accountant selected by Seller and reasonably acceptable to Buyer shall have the right, at Seller's expense, no more than once every calendar year, to inspect such records during normal business hours to verify any reports and payments made. In the event that any audit performed under this Section 3.3(b) reveals an underpayment in excess of ten percent (10%), Buyer shall bear the full reasonable out-of-pocket cost of such audit and shall remit any amounts due to Seller within thirty (30) days of receiving notice thereof from Seller.

(c) *Confidentiality*. The reports and records provided by Buyer hereunder shall be regarded as Buyer's confidential information and Seller hereby covenants that it shall not use or disclose any information included in such reports for any purpose other than determining whether Buyer has complied with its royalty obligations under this Agreement. Seller further agrees that, until such time as such information is no longer confidential through no fault of Seller, it shall maintain such reports and any information included therein and in such records in strict confidence and treat such information in a manner at least as restrictive as its manner of treating its own confidential information of similar nature and in any event not less than with a reasonable degree of care.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

4.1. Seller Representations and Warranties. As a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby, Seller hereby makes to Buyer the representations and warranties contained in this Section 4.1.

(a) *Authority, Organization*. Seller hereby represents and warrants to Buyer that (i) the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action required on the part of Seller and no other proceedings on the part of Seller are necessary to authorize this Agreement to which it is a party or to consummate the transactions contemplated hereby, (ii) this Agreement has been duly and validly executed and delivered by Seller and constitutes the legal, valid and binding agreement of Seller, enforceable against Seller in accordance with its terms, and (iii) Seller is a Delaware corporation duly organized, validly existing and in good standing under the laws of the jurisdiction under which it was formed.

(b) *Consents and Approvals*. No consent or approval of any other Person is required to be obtained by Seller for the execution, delivery or performance of this Agreement or the performance by Seller of the transactions contemplated hereby.

(c) *Litigation*. To the best of Seller's knowledge, there is no claim, litigation, suit, action, proceeding or investigation (whether at law or equity, before or by any federal, state or foreign court, tribunal, commission, board, agency or instrumentality, or before any arbitrator) pending or, threatened against Seller or involving any of the Purchased Assets, nor is there any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or arbitrator outstanding against Seller or involving any of the Purchased Assets. Without limiting the foregoing, no claim or demand of any other Person has been made, or to the best of Seller's knowledge, threatened, that challenges the rights of Seller in respect of any Patent Right or the Purchased Device.

(d) Purchased Assets.

(i) Seller owns all right, title and interest in and to all of the Purchased Assets, free and clear of any Encumbrance whatsoever. Neither Seller nor, to the best of Seller knowledge, any Person having had any interest at any time in any of the Purchased Assets, has assigned, transferred, licensed, pledged or otherwise encumbered any interest in any of the Purchased Assets or agreed to do so (other than (A) for transfers of rights prior to the date of this Agreement, so long as Seller now holds all such rights, or (B) as contemplated by this Agreement). Neither Seller nor any Person with any interest at any time in any of the Purchased Assets has entered into any covenant not to compete or contract or agreement restricting the right to use or practice any of the Purchased Assets in any market or geographic area or with or without any Person. To the best of Seller's knowledge, the Purchased Assets include all intellectual property rights and other rights necessary for Buyer to manufacture and, in the jurisdictions in which it has obtained. Regulatory Approval, market the Purchased Device in the configuration in which it exists as of the Effective Date, and the Patent Rights include all patents and patent applications owned or controlled by Seller or any of its affiliates relating to ductal lavage.

(ii) As the result of the transactions contemplated hereby, Buyer will, as of the Effective Date, own all right, title and interest in and to all of the Purchased Assets, free and clear of any and all Encumbrances whatsoever.

(e) Patent Rights.

(i) To the best of Seller's knowledge, (A) Seller is not aware of any information that would form a reasonable basis for invalidating or rendering unenforceable any claim in the Patent Rights (assuming in the instance of patent applications, for purposes of this representation, that patents have issued), (B) no statement or assertion has been made by any Person that any such claim is invalid or unenforceable and (C) no statement or assertion has been made by any Person that such Person is aware of any reasonable basis as to the future invalidity or unenforceability of any such claim.

(ii) The Patent Rights have been properly prepared and filed and have been diligently pursued by Seller and all grant, issuance and maintenance fees due have been paid when due through the Closing, and there are no defects in the filing or prosecution of the Patent Rights that could cause either (A) the invalidity, unenforceability or lapse of any Patent Rights (including any patents that may issue from the patent applications) or (B) patents not to issue from the patent applications. Seller has received assignment of the entire right, title and interest in and to the Patent Rights from any and all inventors with respect thereto and/or any and all predecessors in right without obligation for the payment of any further consideration whatsoever.

(iii) To the best of Seller's knowledge, (A) no action has taken place (whether by the USPTO, any other foreign patent offices or any Person), and no notice of or information with respect to any such pending or contemplated action has been issued, delivered or made known to Seller or its counsel, that would affect, in any way, the Patent Rights or the prospects for the issuance of patents in the near-term and (B) no events have occurred or are anticipated to occur that would cause an unreasonable delay in the issuance of patents. All fees and assessments owed as of the Closing to the USPTO, any other foreign patent offices or any Person in respect of the Patent Rights have been paid:

EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT, BUYER ACKNOWLEDGES AND AGREES THAT UPON CLOSING THE SELLER SHALL SELL AND CONVEY TO BUYER AND BUYER SHALL ACCEPT THE PURCHASED ASSETS BEING CONVEYED BY THE SELLER "AS IS, WHERE IS, WITH ALL FAULTS." EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT, THE SELLER MAKES NO EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATIONS OR WARRANTIES AS TO THE CONDITION, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OF THE PURCHASED ASSETS OR THE PURCHASED DEVICE, THE INCOME DERIVED OR POTENTIALLY TO BE DERIVED FROM THE PURCHASED ASSETS OR THE EXPENSES INCURRED OR POTENTIALLY TO BE INCURRED IN CONNECTION WITH THE PURCHASED ASSETS. SPECIFICALLY, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT, SELLER MAKES NO WARRANTY OR REPRESENTATION (A) REGARDING THE VALIDITY OR SCOPE OF THE PATENT RIGHTS, (B) THAT THE EXPLOITATION OF THE PATENT RIGHTS WILL NOT INFRINGE ANY PATENTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF A THIRD PARTY, AND (C) THAT ANY THIRD PARTY IS NOT CURRENTLY INFRINGING OR WILL NOT INFRINGE THE PATENT RIGHTS. BUYER HAS NOT RELIED AND WILL NOT RELY ON, AND SELLER IS NOT LIABLE FOR OR BOUND BY, ANY EXPRESS OR IMPLIED WARRANTIES, GUARANTEES, STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PURCHASED ASSETS OR RELATING THERETO MADE OR FURNISHED BY SELLER OR ITS REPRESENTATIVES, TO WHOMEVER MADE OR GIVEN, DIRECTLY OR INDIRECTLY, ORALLY OR IN WRITING, EXCEPT AS EXPRESSLY STATED HEREIN.

4.2. Buyer Representations and Warranties. As a material inducement to Seller to enter into this Agreement and consummate the transactions contemplated hereby, Buyer hereby represents and warrants to Seller that (a) the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action required on the part of Buyer and no other proceedings on the part of Buyer are necessary to authorize this Agreement to which it is a party or to consummate the transactions contemplated hereby, (b) this Agreement has been duly and validly executed and delivered by Buyer and constitutes the legal, valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms, and (c) Buyer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction under which it was formed.

SECTION 5. FURTHER ASSURANCES.

From time to time after the Closing, without further consideration, Seller will, at Buyer's expense, promptly execute and deliver such documents to Buyer and take such additional action as Buyer may reasonably request in order to more effectively consummate the sale and purchase of the Purchased Assets and to more effectively vest in Buyer good and marketable title to such ownership interest, including without limitation all documents reasonably requested by Buyer to perfect and record the assignment and transfer of the Purchased Patent Assets, Purchased Device Regulatory Documentation and other Purchased Assets to Buyer.

SECTION 6. GENERAL.

6.1. Governing Law. All disputes, claims or controversies, arising out of this Agreement, or the negotiation, validity or performance of this Agreement, or the transactions contemplated hereby shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without regard to its rules of conflict of laws.

6.2. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.3. Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

6.4. Entire Agreement. This Agreement, including the exhibits referred to herein and the other writings specifically identified or contemplated hereby, is complete, reflects the entire agreement of the Parties with respect to its subject matter, and supersedes all previous written or oral negotiations, commitments and writings. No promises, representations, understandings, warranties and agreements have been made by any of the Parties hereto except as referred to herein or in such schedules and exhibits or in such other writings; and all inducements to the making of this Agreement relied upon by either Party hereto have been expressed herein or in such schedules or exhibits or in such other writings.

6.5. Amendments. This Agreement may not be amended or modified, nor may compliance with any condition or covenant set forth herein be waived, except by a writing duly and validly executed by each Party hereto, or in the case of a waiver, the Party waiving compliance.

6.6. Assignment: Binding Effect. No Party may assign this Agreement in whole or in part without the prior written consent of the other Party; provided, however, that either Party may assign this Agreement without the written consent of the other Party to (a) one of its Affiliates and (b) an entity succeeding to substantially all the assets and business of such Party by merger or purchase, provided that such entity shall expressly assume all of such Party's obligations under this Agreement by a writing delivered to the other Party. For purposes hereof, "Affiliate" means, with respect to a Party, an entity which, directly or indirectly, owns or controls, is owned or is controlled by or is under common ownership or control with such Party, and for those purposes "control" means the power to direct the management or affairs of an entity, and "ownership" means the beneficial ownership of 50% or more of the voting equity securities or other equivalent voting interests of the entity. Subject to the foregoing, this Agreement shall be binding on the Parties and their successors and assigns.

6.7. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be deemed prohibited or invalid under such applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, and such prohibition or invalidity shall not invalidate the remainder of such provision or the other provisions of this Agreement.

6.8. Publicity.

(a) *Non-Disclosure of Terms*. Each Party shall hold in confidence and shall not disclose to any Third Party (other than their directors, employees, legal counsel and accountants who, except in the case of legal counsel, are bound in writing by confidentiality obligations no less restrictive than those set forth herein) the terms and conditions of this Agreement, except: (a) in order to comply with applicable non-patent law (including any securities law or regulation or the rules of a securities exchange) and with judicial process if, in the reasonable opinion of such Party's counsel, such disclosure is necessary for such compliance, provided that such Party shall notify the other Party of such Party's intent to make any such disclosure sufficiently prior to making such disclosure so as to allow such other of the Party adequate time to review and comment on such disclosure (it being understood that the disclosure of the information set forth in Exhibit G with respect to this Agreement and the filing of a copy of this Agreement redacted by Buyer, in each case pursuant to securities laws or regulations or the rules of a securities exchange, is hereby approved by Seller); or (b) to a *bona fide* potential permitted assignee in connection with a proposed permitted assignment of this Agreement, investment bankers, investors and lenders, and their directors, employees, legal counsel and accountants, provided such *bona fide* potential permitted assignee must be bound prior to disclosure by confidentiality and non-disclosure restrictions at least as restrictive as those set forth herein, and such investment bankers, investors and lenders must be bound prior to disclosure by commercially reasonable obligations of confidentiality. The foregoing shall not, however, prohibit Buyer from recording the Patent Assignment in any governmental office.

6.9. Notices. Any notice, request, demand or other communication required or permitted hereunder shall be in writing and shall deemed to have been duly given when received if personally delivered; when transmitted, if transmitted by telecopy, electronic or digital transmission method; the day after it is sent if sent for next day of delivery to a domestic address by a recognized overnight delivery service. All notices to a Party will be sent to the addresses set forth below or to such other address or person as such Party may designate by notice to each other Party hereunder:

To Seller:	Hologic, Inc. 250 Campus Drive Marlborough, MA 01752 Attn: General Counsel Facsimile: 508-263-2959
To Buyer:	Atossa Genetics, Inc. 4105 E Madison St, Suite 320 Seattle, WA 98112 Attn: President Facsimile: 206-325-6087

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the Parties hereto have caused this Agreement to be executed as of the date set forth above by their duly authorized representatives.

SELLER:

HOLOGIC INC.

By: //s// Tom Umbel

Name: Tom Umbel

Title: SVP, Business Development

BUYER:

ATOSSA GENETICS, INC.

By: //s// Steven C. Quay

Name: Steven C. Quay MD, PhD

Title: CEO & President

EXHIBIT A

FORM OF BILL OF SALE

[*Attached*]

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS as of May 4th, 2011, that the undersigned, Hologic Inc., a Delaware corporation ("Seller"), for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby sell, transfer, assign, convey and deliver to Atossa Genetics, Inc., a Delaware corporation ("Buyer"), and its successors and assigns, all rights, title and interest of the Seller in, to and under the Purchased Assets, free and clear of all Encumbrances. All capitalized terms not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement, dated May 4th, 2011, by and between the Seller and Buyer.

TO HAVE AND TO HOLD the aforesaid Purchased Assets unto Buyer and its successors and assigns to and for its and their own proper use and benefit forever.

From time to time, the Seller shall, at the request of Buyer and without further consideration, execute and deliver further instruments of transfer and assignment and take such other actions as Buyer may reasonably require to effectively transfer and assign to, and vest in, Buyer all rights, title and interest in, to and under the Purchased Assets.

This instrument shall inure to the benefit of the parties hereto and their respective successors and assigns. It shall not be construed to create any third-party beneficiary rights.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Bill of Sale as of the date first set forth above.

SELLER:	**BUYER:**
HOLOGIC INC.	**ATOSSA GENETICS, INC.**
By: //s// Tom Umbel	By: //s// Steven C. Quay
Name: Tom Umbel	Name: Steven C. Quay MD, PhD
Title: SVP, Business Development	Title: CEO & President

EXHIBIT B-1

PATENT RIGHTS

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.001011.3	EPC	99917356.0	1091685	Granted
12.001011.3	France	99917356.0	1091685	Granted
12.001011.3	Germany	699 38 898.8	1091685	Granted
12.001011.3	Ireland	99917356.0	1091685	Granted
12.001011	PCT	US99/07589	N/A	Expired
12.001011.3	United Kingdom	9991735600	1091685	Granted
12.001011	US	60/080,963	N/A	Expired
12.001011.1	US	09/287,087	6336,904	Granted
12.003011.4a	Australia	26319/00	763610	Granted
12.003011.4b	Australia	26320/00	764777	Granted
12.003011.4c	Australia	27406/00	766336	Granted
12,0030I1.4d	Australia	2003-248031	N/A	Abandoned
12.003011.4e	Australia	2003-259578	N/A	Abandoned
12.003011.5a	Canada	2361122	N/A	Abandoned
12.003011.5b	Canada	2361123	N/A	Abandoned
12.003011.5c	Canada	2358971	N/A	Abandoned
12.003011.3a	EPC	00904588.1	1144003	Granted
12.003011.3a	EPC	00904589.9	N/A	Abandoned
12.003011.3a	EPC	009057753	N/A	Abandoned
12.003011.3a	France	00904588.1	1144003	Granted
12.003011.3a	Germany	600 29 926.0-08	1144003	Granted
12.003011.3a	Ireland	00904588.1	1144003	Granted
12.003011.8a	Israel	144403	144403	Granted
12.003011.8b	Israel	144558	144558	Granted
12.003011.8c	Israel	144402	144402	Granted
12.003011.3a	Italy	00904588.1	1144003	Granted
12.003011.7b	Japan	2000-594315	N/A	Abandoned
12.003011.7c	Japan	2000-594960	N/A	Abandoned
12.003011.3a	Netherlands	00904588.1	1144003	Granted
12.003011.2a	PCT	US00/01960	N/A	Expired
12.003011.2b	PCT	US00/01961	N/A	Expired
12.003011.2c	PCT	US00/02061	N/A	Expired
12.003011.3a	Spain	00904588.1	1144003	Granted
12.003011.3a	Switzerland	00904588.1	1144003	Granted
12.003011.3a	United Kingdom	00904588.1	1144003	Granted
12.003011	US	09/313,463	6,638,727	Granted
12.003011.1	US	60/117,281	N/A	Expired
12.003011.2	US	10/608,225	N/A	Abandoned
12.004011.5	Canada	2344197	2344197	Granted
12.004011.2	PCT	US99/21378	N/A	Expired
12.004011	US	60/100,853	N/A	Expired
12.004011.1	US	09/397,753	6391,026	Granted
12.004011.2	US	10/144,853	6,712.816	Granted

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.005011.2	PCT - priority to 60/127,507	US99/27060	N/A	Expired
12.005011	US - priority to 60/127,507	09/438,219	6,328,709	Granted
12.005011.0	US	60/108,449	N/A	Expired
	US	60/127,507	N/A	Expired
12.006011	AU	65062/99	774637	Granted
12.006011	EPC	99953027	N/A	Abandoned
12.006011	IL	142345	142340	Granted
12.006011	JP	2000-573390	N/A	Abandoned
12.006011	PCT	US99/22910	N/A	Expired
12.006111	US	60/102,829	N/A	Expired
12.006111	US	09/410,336	N/A	Abandoned
12.006111	US	09/565,642	N/A	Abandoned
12.006011	US	12/497,521	N/A	Abandoned
12.007011.3	EPC	00903283.0	1150602	Granted
12.007011.3	France	00903283,0	1150602	Granted
12.007011.3	Germany	600 38 603.1	600 38 603.1	Granted
12.007011.2	PCT	US00/00857	N/A	Expired
12.007011.3	United Kingdom	00903283.0	1150602	Granted
12.007011	US	09/482,145	6,314,315	Granted
12.007011.1	US	60/115,787	N/A	Expired
12.008011	US	09/502,404	6;642,010	Granted
12.008011.2	US	10/637,545	N/A	Abandoned
12.009011	US	09/502,206	N/A	Abandoned
12.009011.2	US	10/721,701	7,384,418	Granted
12.010011	AU	2001-259477	2001-259477	Granted
12.010011	AU	2010-201895	N/A	Lapsed
12.010011	EPC	01933007	N/A	Abandoned
12.010011	PCT	US01/14445	N/A	Expired
12.011011.4a	Australia	23939/00	762512	Granted
12.011011.4b	Australia	2003-248404	N/A	Abandoned
12.011011.5	Canada	2356963	N/A	Abandoned
12.011011.3	EPC	99967699.2	N/A	Abandoned
12.011011.8	Israel	144033	144033	Granted
12.011011.7	Japan	2000-591407	N/A	Abandoned
12.011011.2	PCT	US99/31086	N/A	Expired
12.011011.0	US	60/114,048	N/A	Expired
12.011011.1	US	09/473,510	6,413,228	Granted
12.011011.2	US	09/907,581	N/A	Abandoned
12.011011.3	US	09/907,931	N/A	Abandoned
12.011011.4	US	11/880,811	N/A	Abandoned
12.012011.4	Australia	57322/00	769853	Granted
12.012011.3	EPC	00942739.4	1185309	Granted
12.012011.3	France	00942739.4	1185309	Granted
12.012011.3	Germany	600 31 114.7-08	1185309	Granted
12.012011.3	Ireland	00942739.4	1185309	Granted
12.012011.8	Israel	146801	146801	Granted
12.012011.3	Italy	00942739.4	1185309	Granted

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.012011.3	Netherlands	00942739.4	1185309	Granted
12.012011.2	PCT	US00/15993	N/A	Expired
12.012011.3	Spain	00942739.4	1185309	Granted
12.012011.3	Switzerland	00942739.4	1185309	Granted
12.012011.3	United Kingdom	00942739.4	1185309	Granted
12.012011	US	09/590,517	6,589,998	Granted
12.012011.1	US	60/138,693	N/A	Expired
12.012011.2	US	10/425,177	N/A	Abandoned
12.013011.4	Australia	2001-259714	N/A	Abandoned
12.013611.3	EPC	01933276.6	N/A	Abandoned
12.013011.7	Japan	2001-581685	N/A	Abandoned
12.013011.2	PCT	US01/15126	N/A	Expired
12.013011	US	09/852,145	6.629,936	Granted
12.013011.0	US	60/166,877	N/A	Expired
12.013011.1	US	60/289,536	N/A	Expired
12.013011.la	US	60/203,416	N/A	Expired
12.013011.2	US	10/642,585	N/A	Abandoned
12.015011.4	Australia	2002-237838	2002-237838	Granted
12.015011.5	Australia	2008-202312	N/A	Abandoned
12.015011.3	EPC	02704138.3	N/A.	Abandoned
12.015011.3	Hong Kong	04103881.2	N/A	Abandoned
12.015011.7	Japan	2002-572417	N/A	Abandoned
12.015011	PCT	US02/01142	N/A	Expired
12.015011	US	09/800,970	6,642,009	Granted
12.015011.1	US	60/166,100	N/A	Expired
12.015011.2	US	10/639,595	N/A	Abandoned
12.015011.3	US	11/605,758	N/A	Abandoned
12.017011.4	Australia	2001-277214	2001-277214	Granted
12.017011.3	EPC	01955004.5	N/A	Abandoned
12.017011.17	Hong Kong	03107508.7	N/A	Abandoned
12.017011.7	Japan	2002-516621	N/A	Abandoned
12.017011.2	PCT	US01/23761	N/A	Expired
12.017011	US	09/916,647	6,673,024	Granted
12.017011.0	US	60/221,864	N/A	Expired
12.017011.1	US	10/716,704	N/A	Abandoned
12.019011.4	Australia	2001-281161	2001-281161	Granted
12.019011.3	EPC	01959626.1	1307746	Granted
12.019011.3	France	01959626.1	1307746	Granted
12.019011.3	Germany	60127 965.4-08	1307746	Granted
12.019011.3	Greece	01959626.1	1307746	Granted
12.019011.17	Hong Kong	03107628.2	HK1055462	Granted
12.019011.4	Hong Kong	07110674.5	N/A	Pending
12.019011.3	Ireland	01959626.1	1307746	Granted
12.019011.7	Japan	2002-517533	N/A	Abandoned
12.019011.3	Netherlands	01959626.1	1307746	Granted
12.019011.2	PCT	US01/24770	N/A	Expired
12.019011.3	Spain	01959626.1	1307746	Granted

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.019011.3	Switzerland	01959626.1	1307746	Granted
12.019011	US	09/923.791	7,132,232	Granted
12.019011.0	US	60/223,857	N/A	Expired
12.019011.1	US	11/492,392	7,405,045	Granted
12.020011	EPC	02761986	1379181	Granted (withdrawn)
12.020011	France	02761956	N/A	Abandoned
12.020011	Germany	02761986	N/A	Abandoned
12.020011	Ireland	02761986	N/A	Abandoned
12.020011	PCT	US02/09587	N/A	Expired
12.020011	Spain	02761986	N/A	Abandoned
12.020011	Switzerland	02761986	N/A	Abandoned
12.020011	United Kingdom	02761986	N/A	Abandoned
12.020011	US	60/283,637	N/A	Expired
12.020011	US	10/108,993	N/A	Abandoned
12.023011.4	Australia	2002-258542	N/A	Abandoned
12.023011.2	EPC	02728494.2	N/A	Abandoned
12.023011.7	Japan	2002-579023	N/A	Abandoned
12.023011.2	PCT	US02/08232	N/A	Expired
12.023011	US	09/827,371	N/A	Abandoned
12.023011.2	US	10/825,752	7,628.765	Granted
12.024011.4	Australia	2002-258642	2002-258642	Granted
12.024011.3	EPC	02728598.0	1379175	Granted
12.024011.3	France	02728598.0	1379175	Granted
12.024011.3	Germany	02728598.0	602 26 584.3	Granted
12.024011.3	Hong Kong	04103882.1	HK1 060838	Granted
12.024011.3	Ireland	02728598.0	1379175	Granted
12.024011.7	Japan	2002-580813	N/A	Abandoned
12.024011.2	PCT	US02/09583	N/A	Expired
12.024011.3	United Kingdom	02728598.0	1379175	Granted
12.024011	US	10/109,046	6,689,070	Granted
12.024011.1	US	60/283,636	N/A	Expired
12.024011.2	US	10/762,978	N/A	Abandoned
12.025011.4a	Australia	35066/00	763173	Granted
12.025011.4b	Australia	2003-204883	2003-204883	Granted
12.025011.4c	Australia	2006-207852	N/A	Abandoned
12.025011.5	Canada	2364019	N/A	Abandoned
12.025011.3	EPC	00913661.5	1165160	Granted
12.025011.4	EPC	07009685.4	N/A	Abandoned
12.025011.3	France	00913661.5	1165160	Granted
12.025011.3	Germany	00913661.5	600 35 861.5	Granted
12.025011.4	Hong Kong	07112950.6	N/A	Abandoned
12.025011.3	Ireland	00913661.5	1165160	Granted
12.025011.8	Israel	145217	N/A	Abandoned
12.025011.3	Italy	00913661.5	1165160	Granted
12.025011.7	Japan	2000-602328	N/A	Abandoned
12.025011.3	Netherlands	00913661.5	1165160	Granted
12.025011.2	PCT	US00/05142	N/A	Expired

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.025011.3	Spain	00913661.5	1165160	Granted
12.025011.3	Switzerland	00913661.5	1165160	Granted
12.025011.3	United Kingdom	00913661.5	1165160	Granted
12.025011.0	US	60/122,076	N/A	Expired
12.025011.1	US	60/170.997	N/A	Expired
12.025011.2	US	60/143,359	N/A	Expired
12.025011.3	US	60/143,476	N/A	Expired
12.025011.4	US	60/134,613	N/A	Expired
12.02500.5	US	09/506,477	6,398,765	Granted
12.025011.6	US	10/072,911	6,585,706	Granted
12.025011.7	US	10/607,142	7,029,462	Granted
12.025011.8	US	11/302,929	7,204,829	Granted
12.026011.4a	Australia	54414/00	775496	Granted
12.026011.4b	Australia	57679/01	762211	Granted
12.026011.5a	Canada	2372783	N/A	Abandoned
12.026011.5b	Canada	2353193	N/A	Abandoned
12.026011.3a	EPC	00939309.1	1179184	Granted
12.026011.3b	EPC	01306350.8	N/A	Abandoned
12.026011.3c	EPC	07009496.6	N/A	Abandoned
12.026011.3a	France	00939309.1	1179184	Granted
12.026011.3a	Germany	00939309.1	600 35 499.7	Granted
12.026011.3a	Ireland	00939309.1	1179184	Granted
12.026011.8a	Israel	146374	146374	Granted
12.026011.8b	Israel	144514	N/A	Abandoned
12.026011.3a	Italy	00939309.1	1179184	Granted
12.026011.7a	Japan	2000-618733	N/A	Abandoned
12.026011.7b	Japan	2001-226849	N/A	Abandoned
12.026011.3a	Netherlands	00939309.1	N/A	Abandoned
12.026011.2	PCT	US00/13713	N/A	Expired
12.026011.3a	Spain	00939309.1	1179184	Granted
12.026011.3a	Switzerland	00939309.1	1179184	Granted
12.026011.3a	United Kingdom	00939309	1179184	Granted
12.026011.1	US	09/625,399	6,610,484	Granted
12.026011.2	US	10/622,743	N/A	On appeal
12.027011	Australia	2004-308946	N/A	Abandoned
12.027011	Canada	2549790	N/A	Abandoned
12.027011	China (People’s Republic)	200480041801.7	N/A	Abandoned
12.027011	EPC	04815131.0	1703923	Granted
12.027011.1	EPC	08008505.3	N/A	Abandoned
12.027011	France	04815131,0	1703923	Granted
12.027011	Germany	60 2004 013 637.9	1703923	Granted
12.027011	Hong Kong	06114039.8	N/A	Abandoned
12.027011	India	733/MUMNP/2 006	N/A	Abandoned
12.027011	Italy	04815131.0	1703923	Granted
12.027011	Japan	2006-547291	N/A	Abandoned
12.027011	Korea, Republic of	10-2006-7012628	N/A	Abandoned
12.027011	PCT	US04/043015	N/A	Expired
12.027011	United Kingdom	04815131.0	1703923	Granted

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.027011.	US	10/746,128	7,229,420	Granted-
12.027011.1	US	11/504,995	N/A	Abandoned
12.033011	US	10/746,121	7,195,601	Granted
12.034011	US	10/746,117	7,276,047	Granted
12.034011.1	US	11/415,029	N/A	Abandoned

EXHIBIT B-2

PATENTS AND PATENT APPLICATIONS NOT BEING ASSIGNED

Docket No.	*Country*	*Application No.*	*Patent No.*
12.005011.5	Canada	2350502	N/A
12.006011	US	11/705,277	N/A
12.007011.5	Canada	2360540	2360540
12.008011.3	US	11/713,495	N/A
12.010011	AU	2007-200548	N/A
12.010011	CA	2346048	N/A
12.010011	US	10/858,086	N/A
12.012011.5	Canada	2375576	N/A
12.012011.3	US	11/725,928	N/A
12.014011	Australia	2002-247262	N/A
12.014011	EPC (FR, DE, IE,1T, ES, SE, CH, UK)	02715041.6	1372671
12.014011	Japan	2002-576981	N/A
12.014011	US	11/203,800	N/A
12.019011.5	Australia	2007-234568	N/A
12.019011.4	EPC	07002776.8	N/A
12.019011.3	Italy	01959626.1	1307746
12.019011.3	United Kingdom	01959626.1	1307746
12.020011	US	11/154,170	N/A
12.028011	US	10/746,940	N/A
12.028011	US	10/746,950	7,494,472

EXHIBIT C

PURCHASED DEVICE MANUFACTURING DOCUMENTATION

EXHIBIT D

PURCHASED DEVICE MARKETING MATERTAL

EXHIBIT E

FORM OF TRADEMARK ASSIGNMENT

[*Attached*]

TRADEMARK ASSIGNMENT

This Trademark Assignment (this "Assignment") is made effective this 4th day of May, 2011, by and between Hologic, Inc., a corporation organized and existing under the laws of the state of Delaware, and having a usual place of business at 250 Campus Drive, Marlborough, Massachusetts 01752, United States ("Assignor") and Atossa Genetics, Inc., a corporation organized and existing under the' laws of the State of Delaware, and having a usual place of business at 4105 E Madison St, Suite 320, Seattle, WA 98112, United States ("Assignee").

WHEREAS, Assignor holds all right, title and interest in and to the trademarks, service marks and trade names set forth on Schedule A attached hereto and incorporated herein by reference (the "Marks");

WHEREAS, Assignor and Assignee are parties to that certain Purchase Agreement, dated as of the date hereof (the "Purchase Agreement"), pursuant to which Assignor transferred, sold and conveyed to Assignee certain assets of Assignor, including the Marks and the goodwill of the business symbolized thereby; and

WHEREAS, Assignor now wishes to assign the Marks to Assignee, and Assignee is desirous of acquiring the Marks from Assignor, together with the goodwill of the business symbolized thereby.

NOW, THEREFORE, in consideration of the premises set forth above and in the Purchase Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged:

Assignor does hereby sell, assign, convey and transfer unto Assignee and its successors, assigns and legal representatives, Assignor's entire right, title and interest in and throughout the world in and to the Marks (including any common law rights that may exist and are associated therewith), together with the goodwill of the business symbolized thereby and appurtenant thereto, the same to be held and enjoyed by Assignee, its successors, permitted assigns or legal representatives, together with income, royalties, damages or payments due on or after the date hereof, including, without limitation, all claims for damages or payments by reason of infringement or unauthorized use of the Marks, along with the right to sue for past infringements and collect same for Assignee's sole use and enjoyment.

Assignor does hereby authorize the Director of the United States Patent & Trademark Office, and the empowered official of any country or countries foreign to the United States whose duty it is to record trademark registrations, applications and title thereto, to record the Marks and title thereto as the property of Assignee, its successors, assigns or legal representatives in accordance with the terms of this instrument.

Assignee and Assignor also agree that multiple copies of this Assignment may be executed, each of which shall be deemed an original, and each of which shall be valid and binding upon Assignee and Assignor.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be executed as a sealed instrument by their duly authorized representatives as of the date first written above.

ASSIGNOR:	Hologic, Inc.
Name:	Lindsay G. McGuiness
Signature:	//s// Lindsay G. McGuiness
Title:	Chief Patent Counsel

NOTARIZATION

On this 4th day of May, 2011, before me, the undersigned Notary Public, personally appeared Lindsay McGuinness, proved to me through satisfactory evidence of identification, which was/were drivers license, to be the person whose name is signed on the preceding or attached document, and who swore or affirmed to me that the contents of the document are truthful and accurate to the best of his/her knowledge and belief. The above-indicated individual is duly authorized to execute this document singly on behalf of Assignor and executed this document of his/her own free will.

//s// Theodore R. Allen (Seal)
Signature of Notary

My Commission Expires _____

THEODORE R. ALLEN
Notary Public
COMMONWEALTH OF
MASSACHUSETTS
My Commission Expires
November 10, 2017

ASSIGNEE:	
Name:	
Signature:	
Title:	

On this ____ day of _____, 201_, before me, the undersigned Notary Public, personally appeared _____, proved to me through satisfactory evidence of identification, which was/were _____, to be the person whose name is signed on the preceding or attached document, and who swore or affirmed to me that the contents of the document are truthful and accurate to the best of his/her knowledge and belief. The above-indicated individual is duly authorized to execute this document singly on behalf of Assignee and executed this document of his/her own free will.

_____ (Seal)
Signature of Notary

My Commission Expires: _____

Schedule A

Marks

Mark	*Jurisdiction*	*Registration No.*
FIRSTCYTE	United States	2,782,866
	Australia	
	Japan	
	Switzerland	
	Norway	
	European Union	

EXHIBIT F

FORM OF PATENT ASSIGNMENT

[*Attached*]

PATENT ASSIGNMENT

WHEREAS, Hologic, Inc., a corporation organized and existing under the laws of the State of Delaware with principal offices located at 250 Campus Drive, Marlborough, Massachusetts 01752, United States ("ASSIGNOR"), has adopted, used and is using the patents, patent applications, inventions and know-how (collectively, the "Patents") on the attached Schedule A and

WHEREAS, Atossa Genetics, Inc., a corporation a corporation organized and existing under the laws of the State of Delaware, U.S.A., and having its place of business at 4105 E Madison St, Suite 320, Seattle, WA 98112, United States ("ASSIGNEE") is desirous of acquiring said Patents;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, said ASSIGNOR hereby sells, assigns and transfers to ASSIGNEE, its successors, assigns and legal representatives, ASSIGNOR'S entire right, title and interest for all countries in and to: (i) each of the Patents listed in Schedule A hereof and any patents or patent applications (including non-provisionals, continuations, divisionals, reissues, reexaminations, extensions, renewals, and substitutions) that claim the benefit of or priority to (under United States law and/or international convention) one or more of the Patents listed in Schedule A; (ii) any and all of the inventions which are disclosed and claimed in the Patents; (iii) any and all of the inventions, which are disclosed, but not claimed in any of the Patents; (iv) all continuations, divisionals, substitutions, renewals, reissues, and all other patents, industrial property or other related property rights in any and all countries which have been or shall be filed on any of the inventions disclosed in any of the Patents; (v) all original and reissued patents, industrial property or related documents, which have been or shall be issued on any such inventions disclosed in any of the Patents; and (vi) all rights to sue and recover for past unlicensed infringements of the Patents. ASSIGNOR authorizes and requests the Commissioner of Patents and Trademarks of the United States and the empowered officials of all other governmental and administrative agencies to issue to the ASSIGNEE, its successors, assigns and legal representatives any and all patents, letters patent or industrial property on the inventions or any inventions disclosed in any of the registrations, and Patents listed above, in accordance with the terms of this instrument.

ASSIGNOR agrees that, upon reasonable request and without further consideration, at ASSIGNEE'S sole cost and expense, it will sign all lawful papers, make all rightful oaths and generally assist ASSIGNEE in perfecting and recording titles to the Patents listed in Schedule A throughout the world.

ASSIGNEE shall bear all responsibility and expense for preparing any instrument of assignment or transfer from ASSIGNOR to ASSIGNEE and for recording the same, any fee or tax levied thereon, and all prosecution and maintenance costs incurred with respect to the Patents.

ASSIGNEE shall have the exclusive right to bring and maintain actions for, and to settle, release and compromise claims for infringement of Patents listed on Schedule A occurring prior to the date hereof and to retain the proceeds thereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Assignor and Assignee have caused this Assignment to be executed by their duly authorized representatives as of the date first written above:

ASSIGNOR:	Hologic, Inc.
Name:	Lindsay G. McGuiness
Signature:	//s// Lindsay G. McGuiness
Title:	Chief Patent Counsel

NOTARIZATION

On this 4th day of May, 2011, before me, the undersigned Notary Public, personally appeared Lindsay McGuinness, proved to me through satisfactory evidence of identification, which was/were drivers license, to be the person whose name is signed on the preceding or attached document, and who swore or affirmed to me that the contents of the document are truthful and accurate to the best of his/her knowledge and belief. The above-indicated individual is duly authorized to execute this document singly on behalf of Assignor and executed this document of his/her own free will.

//s// Theodore R. Allen (Seal)
Signature of Notary

My Commission Expires _____

THEODORE R. ALLEN
Notary Public
COMMONWEALTH OF
MASSACHUSETTS
My Commission Expires
November 10, 2017

ASSIGNEE:	
Name:	
Signature:	
Title:	

On this ____ day of _____, 201_, before me, the undersigned Notary Public, personally appeared _____, proved to me through satisfactory evidence of identification, which was/were _____, to be the person whose name is signed on the preceding or attached document, and who swore or affirmed to me that the contents of the document are truthful and accurate to the best of his/her knowledge and belief. The above-indicated individual is duly authorized to execute this document singly on behalf of Assignee and executed this document of his/her own free will.

_____ (Seal)
Signature of Notary

My Commission Expires: _____

Schedule A
Patents

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.001011.3	EPC	99917356.0	1091685	Granted
12.001011.3	France	99917356.0	1091685	Granted
12.001011.3	Germany	699 38 898.8	1091685	Granted
12.001011.3	Ireland	99917356.0	1091685	Granted
12.001011	PCT	US99/07589	N/A	Expired
12.0010113	United Kingdom	9991735600	1091685	Granted
12.001011	US	60/080,963	N/A	Expired
12.001011.1	US	09/287,087	6336,904	Granted
12.003011.4a	Australia	26319/00	763610	Granted
12.003011.4b	Australia	26320/00	764777	Granted
12.003011.4c	Australia	27406/00	766336	Granted
12,0030I1.4d	Australia	2003-248031	N/A	Abandoned
12.003011.4e	Australia	2003-259578	N/A	Abandoned
12.003011.5a	Canada	2361122	N/A	Abandoned
12.003011.5b	Canada	2361123	N/A	Abandoned
12.003011.5c	Canada	2358971	N/A	Abandoned
12.003011.3a	EPC	00904588.1	1144003	Granted
12.003011.3a	EPC	00904589.9	N/A	Abandoned
12.003011.3a	EPC	009057753	N/A	Abandoned
12.003011.3a	France	00904588.1	1144003	Granted
12.003011.3a	Germany	600 29 926.0-08	1144003	Granted
12.003011.3a	Ireland	00904588.1	1144003	Granted
12.003011.8a	Israel	144403	144403	Granted
12.003011.8b	Israel	144558	144558	Granted
12.003011.8c	Israel	144402	144402	Granted
12.003011.3a	Italy	00904588.1	1144003	Granted
12.003011.7b	Japan	2000-594315	N/A	Abandoned
12.003011.7c	Japan	2000-594960	N/A	Abandoned
12.003011.3a	Netherlands	00904588.1	1144003	Granted
12.003011.2a	PCT	US00/01960	N/A	Expired
12.003011.2b	PCT	US00/01961	N/A	Expired
12.003011.2c	PCT	US00/02061	N/A	Expired
12.003011.3a	Spain	00904588.1	1144003	Granted
12.003011.3a	Switzerland	00904588.1	1144003	Granted
12.003011.3a	United Kingdom	00904588.1	1144003	Granted
12.003011	US	09/313,463	6,638,727	Granted
12.003011.1	US	60/117,281	N/A	Expired
12.003011.2	US	10/608,225	N/A	Abandoned
12.004011.5	Canada	2344197	2344197	Granted
12.004011.2	PCT	US99/21378	N/A	Expired
12.004011	US	60/100,853	N/A	Expired
12.004011.1	US	09/397,753	6391,026	Granted
12.004011.2	US	10/144,853	6,712.816	Granted
12.005011.2	PCT - priority to 60/127,507	US99/27060	N/A	Expired

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.005011	US - priority to 60/127,507	09/438,219	6,328,709	Granted
12.005011.0	US	60/108,449	N/A	Expired
	US	60/127,507	N/A	Expired
12.006011	AU	65062/99	774637	Granted
12.006011	EPC	99953027	N/A	Abandoned
12.006011	IL	142345	142340	Granted
12.006011	JP	2000-573390	N/A	Abandoned
12.006011	PCT	US99/22910	N/A	Expired
12.006111	US	60/102,829	N/A	Expired
12.006111	US	09/410,336	N/A	Abandoned
12.006111	US	09/565,642	N/A	Abandoned
12.006011	US	12/497,521	N/A	Abandoned
12.007011.3	EPC	00903283.0	1150602	Granted
12.007011.3	France	00903283,0	1150602	Granted
12.007011.3	Germany	600 38 603.1	600 38 603.1	Granted
12.007011.2	PCT	US00/00857	N/A	Expired
12.007011.3	United Kingdom	00903283.0	1150602	Granted
12.007011	US	09/482,145	6,314,315	Granted
12.007011.1	US	60/115,787	N/A	Expired
12.008011	US	09/502,404	6;642,010	Granted
12.008011.2	US	10/637,545	N/A	Abandoned
12.009011	US	09/502,206	N/A	Abandoned
12.009011.2	US	10/721,701	7,384,418	Granted
12.010011	AU	2001-259477	2001-259477	Granted
12.010011	AU	2010-201895	N/A	Lapsed
12.010011	EPC	01933007	N/A	Abandoned
12.010011	PCT	US01/14445	N/A	Expired
12.011011.4a	Australia	23939/00	762512	Granted
12.011011.4b	Australia	2003-248404	N/A	Abandoned
12.011011.5	Canada	2356963	N/A	Abandoned
12.011011.3	EPC	99967699.2	N/A	Abandoned
12.011011.8	Israel	144033	144033	Granted
12.011011.7	Japan	2000-591407	N/A	Abandoned
12.011011.2	PCT	US99/31086	N/A	Expired
12.011011.0	US	60/114,048	N/A	Expired
12.011011.1	US	09/473,510	6,413,228	Granted
12.011011.2	US	09/907,581	N/A	Abandoned
12.011011.3	US	09/907,931	N/A	Abandoned
12.011011.4	US	11/880,811	N/A	Abandoned
12.012011.4	Australia	57322/00	769853	Granted
12.012011.3	EPC	00942739.4	1185309	Granted
12.012011.3	France	00942739.4	1185309	Granted
12.012011.3	Germany	600 31 114.7-08	1185309	Granted
12.012011.3	Ireland	00942739.4	1185309	Granted
12.012011.8	Israel	146801	146801	Granted
12.012011.3	Italy	00942739.4	1185309	Granted

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.012011.3	Netherlands	00942739.4	1185309	Granted
12.012011.2	PCT	US00/15993	N/A	Expired
12.012011.3	Spain	00942739.4	1185309	Granted
12.012011.3	Switzerland	00942739.4	1185309	Granted
12.012011.3	United Kingdom	00942739.4	1185309	Granted
12.012011	US	09/590,517	6,589,998	Granted
12.012011.1	US	60/138,693	N/A	Expired
12.012011.2	US	10/425,177	N/A	Abandoned
12.013011.4	Australia	2001-259714	N/A	Abandoned
12.013611.3	EPC	01933276.6	N/A	Abandoned
12.013011.7	Japan	2001-581685	N/A	Abandoned
12.013011.2	PCT	US01/15126	N/A	Expired
12.013011	US	09/852,145	6.629,936	Granted
12.013011.0	US	60/166,877	N/A	Expired
12.013011.1	US	60/289,536	N/A	Expired
12.013011.la	US	60/203,416	N/A	Expired
12.013011.2	US	10/642,585	N/A	Abandoned
12.015011.4	Australia	2002-237838	2002-237838	Granted
12.015011.5	Australia	2008-202312	N/A	Abandoned
12.015011.3	EPC	02704138.3	N/A.	Abandoned
12.015011.3	Hong Kong	04103881.2	N/A	Abandoned
12.015011.7	Japan	2002-572417	N/A	Abandoned
12.015011	PCT	US02/01142	N/A	Expired
12.015011	US	09/800,970	6,642,009	Granted
12.015011.1	US	60/166,100	N/A	Expired
12.015011.2	US	10/639,595	N/A	Abandoned
12.015011.3	US	11/605,758	N/A	Abandoned
12.017011.4	Australia	2001-277214	2001-277214	Granted
12.017011.3	EPC	01955004.5	N/A	Abandoned
12.017011.17	Hong Kong	03107508.7	N/A	Abandoned
12.017011.7	Japan	2002-516621	N/A	Abandoned
12.017011.2	PCT	US01/23761	N/A	Expired
12.017011	US	09/916,647	6,673,024	Granted
12.017011.0	US	60/221,864	N/A	Expired
12.017011.1	US	10/716,704	N/A	Abandoned
12.019011.4	Australia	2001-281161	2001-281161	Granted
12.019011.3	EPC	01959626.1	1307746	Granted
12.019011.3	France	01959626.1	1307746	Granted
12.019011.3	Germany	60127 965.4-08	1307746	Granted
12.019011.3	Greece	01959626.1	1307746	Granted
12.019011.17	Hong Kong	03107628.2	HK1055462	Granted
12.019011.4	Hong Kong	07110674.5	N/A	Pending
12.019011.3	Ireland	01959626.1	1307746	Granted
12.019011.7	Japan	2002-517533	N/A	Abandoned
12.019011.3	Netherlands	01959626.1	1307746	Granted
12.019011.2	PCT	US01/24770	N/A	Expired

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.019011.3	Spain	01959626.1	1307746	Granted
12.019011.3	Switzerland	01959626.1	1307746	Granted
12.019011	US	09/923.791	7,132,232	Granted
12.019011.0	US	60/223,857	N/A	Expired
12.019011.1	US	11/492,392	7,405,045	Granted
12.020011	EPC	02761986	1379181	Granted (withdrawn)
12.020011	France	02761956	N/A	Abandoned
12.020011	Germany	02761986	N/A	Abandoned
12.020011	Ireland	02761986	N/A	Abandoned
12.020011	PCT	US02/09587	N/A	Expired
12.020011	Spain	02761986	N/A	Abandoned
12.020011	Switzerland	02761986	N/A	Abandoned
12.020011	United Kingdom	02761986	N/A	Abandoned
12.020011	US	60/283,637	N/A	Expired
12.020011	US	10/108,993	N/A	Abandoned
12.023011.4	Australia	2002-258542	N/A	Abandoned
12.023011.2	EPC	02728494.2	N/A	Abandoned
12.023011.7	Japan	2002-579023	N/A	Abandoned
12.023011.2	PCT	US02/08232	N/A	Expired
12.023011	US	09/827,371	N/A	Abandoned
12.023011.2	US	10/825,752	7,628.765	Granted
12.024011.4	Australia	2002-258642	2002-258642	Granted
12.024011.3	EPC	02728598.0	1379175	Granted
12.024011.3	France	02728598.0	1379175	Granted
12.024011.3	Germany	02728598.0	602 26 584.3	Granted
12.024011.3	Hong Kong	04103882.1	HK1 060838	Granted
12.024011.3	Ireland	02728598.0	1379175	Granted
12.024011.7	Japan	2002-580813	N/A	Abandoned
12.024011.2	PCT	US02/09583	N/A	Expired
12.024011.3	United Kingdom	02728598.0	1379175	Granted
12.024011	US	10/109,046	6,689,070	Granted
12.024011.1	US	60/283,636	N/A	Expired
12.024011.2	US	10/762,978	N/A	Abandoned
12.025011.4a	Australia	35066/00	763173	Granted
12.025011.4b	Australia	2003-204883	2003-204883	Granted
12.025011.4c	Australia	2006-207852	N/A	Abandoned
12.025011.5	Canada	2364019	N/A	Abandoned
12.025011.3	EPC	00913661.5	1165160	Granted
12.025011.4	EPC	07009685.4	N/A	Abandoned
12.025011.3	France	00913661.5	1165160	Granted
12.025011.3	Germany	00913661.5	600 35 861.5	Granted
12.025011.4	Hong Kong	07112950.6	N/A	Abandoned
12.025011.3	Ireland	00913661.5	1165160	Granted
12.025011.8	Israel	145217	N/A	Abandoned
12.025011.3	Italy	00913661.5	1165160	Granted
12.025011.7	Japan	2000-602328	N/A	Abandoned

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.025011.3	Netherlands	00913661.5	1165160	Granted
12.025011.2	PCT	US00/05142	N/A	Expired
12.025011.3	Spain	00913661.5	1165160	Granted
12.025011.3	Switzerland	00913661.5	1165160	Granted
12.025011.3	United Kingdom	00913661.5	1165160	Granted
12.025011.0	US	60/122,076	N/A	Expired
12.025011.1	US	60/170.997	N/A	Expired
12.025011.2	US	60/143,359	N/A	Expired
12.025011.3	US	60/143,476	N/A	Expired
12.025011.4	US	60/134,613	N/A	Expired
12.02500.5	US	09/506,477	6,398,765	Granted
12.025011.6	US	10/072,911	6,585,706	Granted
12.025011.7	US	10/607,142	7,029,462	Granted
12.025011.8	US	11/302,929	7,204,829	Granted
12.026011.4a	Australia	54414/00	775496	Granted
12.026011.4b	Australia	57679/01	762211	Granted
12.026011.5a	Canada	2372783	N/A	Abandoned
12.026011.5b	Canada	2353193	N/A	Abandoned
12.026011.3a	EPC	00939309.1	1179184	Granted
12.026011.3b	EPC	01306350.8	N/A	Abandoned
12.026011.3c	EPC	07009496.6	N/A	Abandoned
12.026011.3a	France	00939309.1	1179184	Granted
12.026011.3a	Germany	00939309.1	600 35 499.7	Granted
12.026011.3a	Ireland	00939309.1	1179184	Granted
12.026011.8a	Israel	146374	146374	Granted
12.026011.8b	Israel	144514	N/A	Abandoned
12.026011.3a	Italy	00939309.1	1179184	Granted
12.026011.7a	Japan	2000-618733	N/A	Abandoned
12.026011.7b	Japan	2001-226849	N/A	Abandoned
12.026011.3a	Netherlands	00939309.1	N/A	Abandoned
12.026011.2	PCT	US00/13713	N/A	Expired
12.026011.3a	Spain	00939309.1	1179184	Granted
12.026011.3a	Switzerland	00939309.1	1179184	Granted
12.026011.3a	United Kingdom	00939309	1179184	Granted
12.026011.1	US	09/625,399	6,610,484	Granted
12.026011.2	US	10/622,743	N/A	On appeal
12.027011	Australia	2004-308946	N/A	Abandoned
12.027011	Canada	2549790	N/A	Abandoned
12.027011	China (People’s Republic)	200480041801.7	N/A	Abandoned
12.027011	EPC	04815131.0	1703923	Granted
12.027011.1	EPC	08008505.3	N/A	Abandoned
12.027011	France	04815131,0	1703923	Granted
12.027011	Germany	60 2004 013 637.9	1703923	Granted
12.027011	Hong Kong	06114039.8	N/A	Abandoned
12.027011	India	733/MUMNP/2 006	N/A	Abandoned
12.027011	Italy	04815131.0	1703923	Granted
12.027011	Japan	2006-547291	N/A	Abandoned

Docket No.	*Country*	*Application No.*	*Patent No.*	*Status*
12.027011	Korea, Republic of	10-2006-7012628	N/A	Abandoned
12.027011	PCT	US04/043015	N/A	Expired
12.027011	United Kingdom	04815131.0	1703923	Granted
12.027011.	US	10/746,128	7,229,420	Granted-
12.027011.1	US	11/504,995	N/A	Abandoned
12.033011	US	10/746,121	7,195,601	Granted
12.034011	US	10/746,117	7,276,047	Granted
12.034011.1	US	11/415,029	N/A	Abandoned

EXHIBIT G

In April 2011 Atossa Genetics, Inc. acquired from Hologic, Inc. all of the ownership rights to the US Trademark, FirstCyte, the 23 US issued patents and 84 issued assign counterparts (in Europe, France, Germany, Ireland, United Kingdom, Australia, Canada, Israel, Italy, The Netherlands, Spain, and Switzerland) covering the manufacture, use, and sale of the FirstCyte™ Breast Aspirator, the Micro-Stylet Dilator, and the Microcatheter for ductal lavage, the related manufacturing documentation, and the related regulatory documentation, including the FDA marketing authorization for these medical devices. The FDA cleared indications for use of the Breast Aspirator is to elicit fluid from multiple ductal orifices for subsequent cytological evaluation and/or to identify ductal orifices for subsequent cannulation with the microcatheter. The FDA cleared indications for use of the Micro-Stylet Dilator is to dilate breast milk ducts prior to enhanced radiography (i.e., ductography) or ductal lavage procedures. The FDA cleared indications for use of the microcatheter is to perform contrast enhanced radiography of breast milk ducts. It may also be used for the collection of cells and/or fluid for cytological analysis.

Atossa paid an up-front fee and is obliged to pay patent-based royalties on aggregate net sales in the countries with issued patents.

[*Attached*]

May 5, 2011

Dr. Steven C Quay, MD, PhD, FCAP
Chairman, CEO, and President
Atossa Genetics, Inc.
4105 E. Madison Street, Suite 320
Seattle, Washington 98112

Re: **Atossa Genetics Purchase Agreement**

Dear Dr. Quay,

Enclosed please find two copies of the Asset Purchase Agreement duly executed by Hologic, Inc.
Please note that Atossa Genetics needs to execute the Bill of Sale as well as the Patent and Trademark Assignments. I have provided one copy of the Patent and Trademark assignments for your signature since Hologic does not need an executed copy. Once executed, please return one copy (the one without the signed patent and trademark assignments) of the APA to my attention. Payment of the upfront fee should be remitted to the following:

[****]
[****]
[****]
[****]

As mentioned in our phone conversation, I will be sending you the DHF files directly to your attention sometime next week and will be transferring the patent files to your attorneys once I have their contact information.

With best regards,

//s// Ted Allen

Ted Allen
Senior Intellectual Property Counsel
Legal Department
Hologic
250 Campus Drive
Marlborough, MA 01752
phone: (508) 263-8490

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Ted Allen
Senior Intellectual Property Counsel
Legal Department
Hologic
250 Campus Drive
Marlborough, MA 01752
phone: (508) 263-8490

Chase Online

Wire Money - Step 4 of 4

Wire Scheduled in US Dollars

Your wire is scheduled. To check its status, click “Payments and Transfers” below, then select “See Wire Activity” from the Wire Transfers tab.

Wire To	Wire From	Wire Amount	Wire Date	Transaction Number
[****]	[****]	[****]	[****]	[****]

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Amendment No. 3 to the Registration Statement on Form S-1 of Atossa Genetics Inc. (a development stage company) of our report dated March 22, 2012 relating to the consolidated financial statements as of and for the years ended December 31, 2011 and 2010 appearing in the Prospectus, which is part of this Registration Statement. We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ KCCW Accountancy Corp.

Diamond Bar, California
June 8, 2012