

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from _____ to _____

Commission File Number: 000-24249

Interpace Diagnostics Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
Incorporation or organization)

22-2919486

(I.R.S. Employer
Identification No.)

**Morris Corporate Center 1, Building C
300 Interpace Parkway, Parsippany, NJ 07054**

(Address of principal executive offices and zip code)

(855) 776-6419

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	IDXG	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares Outstanding August 9, 2019
Common Stock, par value \$0.01 per share	38,196,038

INTERPACE DIAGNOSTICS GROUP, INC.
FORM 10-Q FOR PERIOD ENDED JUNE 30, 2019
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INTERPACE DIAGNOSTICS GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2019	December 31, 2018
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,210	\$ 6,068
Accounts receivable, net	12,966	9,483
Other current assets	1,977	2,170
Total current assets	19,153	17,721
Property and equipment, net	731	837
Other intangible assets, net	28,227	29,853
Operating lease assets	2,190	-
Other long-term assets	31	31
Total assets	\$ 50,332	\$ 48,442
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,712	\$ 1,059
Accrued salary and bonus	1,283	1,424
Other accrued expenses	7,205	5,091
Current liabilities from discontinued operations	766	918
Total current liabilities	10,966	8,492
Contingent consideration	2,531	2,693
Operating lease liabilities	1,738	-
Other long-term liabilities	4,268	4,319
Total liabilities	19,503	15,504
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$.01 par value; 100,000,000 shares authorized; 38,295,006 and 28,767,344 shares issued, respectively; 38,196,038 and 28,694,275 shares outstanding, respectively	383	287
Additional paid-in capital	182,231	175,820
Accumulated deficit	(150,073)	(141,489)
Treasury stock, at cost (98,868 and 73,069 shares, respectively)	(1,712)	(1,680)
Total stockholders' equity	30,829	32,938
Total liabilities and stockholders' equity	\$ 50,332	\$ 48,442

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

INTERPACE DIAGNOSTICS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except for per share data)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue, net	\$ 6,270	\$ 5,501	\$ 12,280	\$ 10,310
Cost of revenue (excluding amortization of \$813 and \$813 for the three months and \$1,626 and \$1,626 for the six months, respectively)	3,031	2,247	5,654	4,827
Gross profit	3,239	3,254	6,626	5,483
Operating expenses:				
Sales and marketing	2,959	2,095	5,369	4,086
Research and development	647	518	1,175	1,019
General and administrative	2,788	1,726	5,299	3,897
Acquisition related expense	1,295	-	1,696	-
Acquisition related amortization expense	813	813	1,626	1,626
Total operating expenses	8,502	5,152	15,165	10,628
Operating loss	(5,263)	(1,898)	(8,539)	(5,145)
Accretion expense	(91)	-	(220)	-
Other income (expense), net	74	33	123	144
Loss from continuing operations before tax	(5,280)	(1,865)	(8,636)	(5,001)
Provision for income taxes	5	8	10	14
Loss from continuing operations	(5,285)	(1,873)	(8,646)	(5,015)
Income (loss) from discontinued operations, net of tax	65	(44)	7	(95)
Net loss	<u>\$ (5,220)</u>	<u>\$ (1,917)</u>	<u>\$ (8,639)</u>	<u>\$ (5,110)</u>
Basic and diluted (loss) income per share of common stock:				
From continuing operations	\$ (0.14)	\$ (0.07)	\$ (0.24)	\$ (0.18)
From discontinued operations	0.00	(0.00)	0.00	(0.00)
Net loss per basic and diluted share of common stock	<u>\$ (0.14)</u>	<u>\$ (0.07)</u>	<u>\$ (0.24)</u>	<u>\$ (0.18)</u>
Weighted average number of common shares and common share equivalents outstanding:				
Basic	38,130	27,933	36,647	27,894
Diluted	38,130	27,933	36,647	27,894

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

INTERPACE DIAGNOSTICS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited, in thousands)

	For The Six Months Ended June 30, 2019		For The Six Months Ended June 30, 2018	
	Shares	Amount	Shares	Amount
Common stock:				
Balance at January 1	28,767	\$ 287	27,901	\$ 278
Common stock issued	95	1	41	1
Common stock issued through offerings	9,333	94	-	-
Balance at March 31	38,195	382	27,942	279
Common stock issued	100	1	325	3
Balance at June 30	38,295	383	28,267	282
Treasury stock:				
Balance at January 1	73	(1,680)	64	(1,671)
Treasury stock purchased	26	(32)	9	(9)
Balance at March 31	99	(1,712)	73	(1,680)
Treasury stock purchased	-	-	-	-
Balance at June 30	99	(1,712)	73	(1,680)
Additional paid-in capital:				
Balance at January 1		175,820		173,062
Common stock issued through offerings, net of expenses		5,868		-
Stock-based compensation expense		266		597
Balance at March 31		181,954		173,659
Common Stock issued		72		282
Stock-based compensation expense		205		419
Balance at June 30		182,231		174,360
Accumulated deficit:				
Balance at January 1		(141,489)		(131,800)
Net loss		(3,419)		(3,193)
Adoption of ASC 606		-		2,500
Adoption of ASC 842		55		-
Balance at March 31		(144,853)		(132,493)
Net loss		(5,220)		(1,917)
Balance at June 30		(150,073)		(134,410)
Total stockholders' equity		\$ 30,829		\$ 38,552

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

INTERPACE DIAGNOSTICS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For The Six Months Ended June 30,	
	2019	2018
Cash Flows From Operating Activities		
Net loss	\$ (8,639)	\$ (5,110)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,749	1,710
Interest accretion	220	1
Reversal of DOJ accrual	-	(350)
Bad debt expense	499	-
Mark to market on warrants	(45)	(66)
Stock-based compensation	990	1,040
Other gains and expenses, net	18	-
Other changes in operating assets and liabilities:		
Increase in accounts receivable	(3,982)	(1,710)
Decrease in other current assets	(252)	(40)
Increase in accounts payable	530	782
Decrease in accrued salaries and bonus	(141)	(456)
Increase (decrease) in accrued liabilities	1,154	(944)
Increase in long-term liabilities	114	116
Net cash used in operating activities	(7,785)	(5,027)
Cash Flows From Investing Activity		
Purchase of property and equipment	(48)	(79)
Sale of property and equipment	13	-
Net cash used in investing activity	(35)	(79)
Cash Flows From Financing Activities		
Issuance of common stock, net of expenses	5,962	-
Cash paid for repurchase of restricted shares	-	(9)
Net cash provided by (used in) financing activities	5,962	(9)
Net increase (decrease) in cash and cash equivalents	(1,858)	(5,115)
Cash and cash equivalents – beginning	6,068	15,199
Cash and cash equivalents – ending	\$ 4,210	\$ 10,084

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

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular information in thousands, except per share amounts)

1. BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements and related notes (the “Interim Financial Statements”) should be read in conjunction with the consolidated financial statements of Interpace Diagnostics Group, Inc. (the “Company” or “Interpace”), and its wholly-owned subsidiaries, Interpace Diagnostics Lab Inc., Interpace Diagnostics Corporation and Interpace Diagnostics, LLC, and related notes as included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the U.S. Securities and Exchange Commission (“SEC”) on March 21, 2019 (the “Form 10-K”). The condensed Interim Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The condensed Interim Financial Statements include all normal recurring adjustments that, in the judgment of management, are necessary for a fair presentation of such interim financial statements. Discontinued operations include the Company’s wholly owned subsidiaries: Group DCA, LLC, or Group DCA; InServe Support Solutions; and TVG, Inc. and its Commercial Services (“CSO”) business unit which was sold on December 22, 2015. All significant intercompany balances and transactions have been eliminated in consolidation. Operating results for the six-month period ended June 30, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2019.

2. LIQUIDITY

As of June 30, 2019, the Company had cash and cash equivalents of \$4.2 million, net accounts receivable of \$13.0 million, total current assets of \$19.2 million and total current liabilities of \$11.0 million. For the six months ended June 30, 2019, the Company had a net loss of \$8.6 million and cash used in operating activities was \$7.8 million.

The Company does not expect to generate positive cash flows from operations for the year ending December 31, 2019. The Company believes however, that it has sufficient cash balances to meet near term obligations and further intends to meet its capital needs by revenue growth, collection of accounts receivable, containing costs, continuing to enter into strategic alliances as well as exploring other options, including the possibility of raising additional debt or equity capital as necessary. Additionally, under the terms of the Financing Agreement with Ampersand described in Note 18- Subsequent Events, subject to stockholder approval required by the Nasdaq Listing Rules and satisfaction of customary conditions, the second tranche of funding of \$13.0 million of Preferred Stock is anticipated to be completed before year end. There is, however, no assurance the Company will be successful in meeting its capital requirements prior to becoming cash flow positive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management’s estimates are based on historical experience, facts and circumstances available at the time, and various other assumptions that are believed to be reasonable under the circumstances. Significant estimates include accounting for valuation allowances related to deferred income taxes, contingent consideration, allowances for doubtful accounts, revenue recognition, unrecognized tax benefits, and asset impairments involving other intangible assets. The Company periodically reviews these matters and reflects changes in estimates in earnings as appropriate. Actual results could materially differ from those estimates.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

Revenue Recognition

Our Services

We are a fully integrated commercial and bioinformatics company that develops and provides clinically useful molecular diagnostic tests and pathology services. We develop and commercialize genomic tests and related first line assays principally focused on early detection of patients with indeterminate biopsies and at high risk of cancer using the latest technology to help personalized medicine and improve patient diagnosis and management. Our tests and services provide mutational analysis of genomic material contained in suspicious cysts, nodules and lesions with the goal of better informing treatment decisions in patients at risk of thyroid, pancreatic, and other cancers. The molecular diagnostic tests we offer enable healthcare providers to better assess cancer risk, helping to avoid unnecessary surgical treatment in patients at low risk. We currently have four commercialized molecular diagnostic tests in the marketplace for which we are receiving reimbursement: PancreaGEN[®], which is a pancreatic cyst and pancreaticobiliary solid lesion genomic test that helps physicians better assess risk of pancreaticobiliary cancers using our proprietary PathFinderTG[®] platform; ThyGeNEXT[®], which is an expanded oncogenic mutation panel that helps identify malignant thyroid nodules, and replaced ThyGenX[®]; ThyraMIR[®], which assesses thyroid nodules for risk of malignancy utilizing a proprietary microRNA gene expression assay; and RespriDx[®], which is a genomic test that helps physicians differentiate metastatic or recurrent lung cancer from the presence of newly formed primary lung cancer and which also utilizes our PathFinderTG[®] platform to compare the genomic fingerprint of two or more sites of lung cancer. BarreGEN[®], an esophageal cancer risk classifier for Barrett's Esophagus that also utilizes our PathFinder TG[®] platform, is currently in a Clinical Evaluation Program or ("CEP") whereby we gather information from physicians using BarreGEN[®] to assist us in positioning our product for full launch, partnering and potentially supporting reimbursement with payers. See Note 18, *Subsequent Events* for a description of the biopharma services business (the "BioPharma Business") of Cancer Genetics, Inc. ("CGI") which we acquired on July 15, 2019.

Revenue from Contracts with Customers (ASC 606)

The Company derives its revenues from the performance of its proprietary tests. The Company's performance obligation is fulfilled upon completion, review and release of test results to the customer. The Company subsequently bills third-party payers or direct-bill payers for the proprietary tests performed. Revenue is recognized based on the estimated transaction price or net realizable value ("NRV"), which is determined based on historical collection rates by each payer category for each proprietary test offered by the Company. To the extent the transaction price includes variable consideration, for all third party and direct-bill payers and proprietary tests, the Company estimates the amount of variable consideration that should be included in the transaction price using the expected value method based on historical experience.

The Company regularly reviews the ultimate amounts received from the third-party and direct-bill payers and related estimated reimbursement rates and adjusts the NRV's and related contractual allowances accordingly. If actual collections and related NRV's vary significantly from our estimates, we will adjust the estimates of contractual allowances, which would affect net revenue in the period such variances become known.

Disaggregated Revenues

We operate in a single operating segment and, therefore, the results of our operations are reported on a consolidated basis for purposes of segment reporting, which is consistent with internal management reporting. For the three- and six-month periods ended June 30, 2019 and 2018, substantially all of the Company's revenues were derived from its Gastrointestinal and Endocrine molecular diagnostic tests.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

Financing and Payment

For non-Medicare claims, our payment terms vary by payer category. Payment terms for direct-payers are typically thirty days. Commercial third-party-payers are required to respond to a claim within a time period established by their respective state regulations, generally between thirty to sixty days. However, payment for commercial third-party claims may be subject to a denial and appeal process, which could take up to two years in some instances where multiple appeals are submitted. The Company generally appeals all denials from commercial third-party payers.

Costs to Obtain or Fulfill a Customer Contract

Sales commissions are expensed when incurred because the amortization period would have been one year or less. These costs are recorded in sales and marketing expense in the condensed consolidated statements of operations.

Accounts Receivable

The Company's accounts receivable represent unconditional rights to consideration and are generated using its proprietary molecular diagnostic tests. The Company's services are fulfilled upon completion of the test, review and release of the test results. In conjunction with fulfilling these services, the Company bills the third-party payer or directly bills the hospital or service provider. Accounts receivable is recognized for all payer groups net of contractual adjustment and net of estimated uncollectable amounts. Contractual adjustments represent the difference between the list prices and the reimbursement rate set by third party payers, including Medicare, commercial payers, or amounts billed directly to hospitals and service providers. Specific accounts may be written off after several appeals, which in some cases may take longer than twelve months.

Leases

The Company determines if an arrangement contains a lease in whole or in part at the inception of the contract. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term while lease liabilities represent our obligation to make lease payments arising from the lease. All leases with terms greater than twelve months result in the recognition of a ROU asset and a liability at the lease commencement date based on the present value of the lease payments over the lease term. Unless a lease provides all of the information required to determine the implicit interest rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments. We use the implicit interest rate in the lease when readily determinable.

Our lease terms include all non-cancelable periods and may include options to extend (or to not terminate) the lease when it is reasonably certain that we will exercise that option. Leases with terms of twelve months or less at the commencement date are expensed on a straight-line basis over the lease term and do not result in the recognition of an asset or liability. See Note 6, *Leases*.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

Other Current Assets

Other current assets consisted of the following as of June 30, 2019 and December 31, 2018:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	(unaudited)	
Indemnification assets	\$ 875	\$ 875
Prepaid expenses	1,040	1,230
Other	62	65
Total other current assets	<u>\$ 1,977</u>	<u>\$ 2,170</u>

Long-Lived Assets, including Finite-Lived Intangible Assets

Finite-lived intangible assets are stated at cost less accumulated amortization. Amortization of finite-lived acquired intangible assets is recognized on a straight-line basis, using the estimated useful lives of the assets of approximately two years to nine years in acquisition related amortization expense in the condensed consolidated statements of operations.

The Company reviews the recoverability of long-lived assets and finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value of the asset to its fair value measured by future discounted cash flows. This analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary.

Discontinued Operations

The Company accounts for business dispositions and its businesses held for sale in accordance with ASC 205-20 *Discontinued Operations* ("ASC 205-20"). ASC 205-20 requires the results of operations of business dispositions to be segregated from continuing operations and reflected as discontinued operations in current and prior periods. See Note 12, *Discontinued Operations* for further information.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

Basic and Diluted Net Loss per Share

A reconciliation of the number of shares of common stock, par value \$0.01 per share (the "Common Stock") used in the calculation of basic and diluted loss per share for the three- and six-month periods ended June 30, 2019 and 2018 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(unaudited)			
Basic weighted average number of common shares	38,130	27,933	36,647	27,894
Potential dilutive effect of stock-based awards	-	-	-	-
Diluted weighted average number of common shares	<u>38,130</u>	<u>27,933</u>	<u>36,647</u>	<u>27,894</u>

The following outstanding stock-based awards were excluded from the computation of the effect of dilutive securities on loss per share for the following periods because they would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(unaudited)			
Options	3,936	2,256	3,936	2,256
Stock-settled stock appreciation rights (SARs)	22	59	22	59
Restricted stock units (RSUs)	544	220	544	220
Warrants	14,196	13,542	14,196	13,542
	<u>18,698</u>	<u>16,077</u>	<u>18,698</u>	<u>16,077</u>

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

4. OTHER INTANGIBLE ASSETS

The net carrying value of the identifiable intangible assets as of June 30, 2019 and December 31, 2018 are as follows:

	Life (Years)	As of June 30, 2019 (unaudited) Carrying Amount	As of December 31, 2018 Carrying Amount
Asuragen acquisition:			
Thyroid	9	\$ 8,519	\$ 8,519
RedPath acquisition:			
Pancreas test	7	16,141	16,141
Barrett's test	9	18,351	18,351
Total		\$ 43,011	\$ 43,011
CLIA Lab	2.3	\$ 609	\$ 609
Accumulated Amortization		\$ (15,393)	\$ (13,767)
Net Carrying Value		\$ 28,227	\$ 29,853

Amortization expense was approximately \$0.8 million for the three-month periods ended June 30, 2019 and 2018, respectively, and approximately \$1.6 million for the six-month periods ended June 30, 2019 and 2018, respectively. Amortization of our diagnostic assets begins upon launch of the product. Estimated amortization expense for the next five years is as follows, based on current assumptions of future product launches:

	2019	2020	2021	2022	2023
	\$ 3,252	\$ 4,272	\$ 4,908	\$ 2,987	\$ 2,987

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

5. FAIR VALUE MEASUREMENTS

Cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to their relative short-term nature. The Company's financial liabilities reflected at fair value in the condensed consolidated financial statements include contingent consideration and warrant liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based upon observable inputs used in the valuation techniques, the Company is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values into three broad levels as follows:

- Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The valuation methodologies used for the Company's financial instruments measured on a recurring basis at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, is set forth in the tables below:

	As of June 30, 2019		Fair Value Measurements		
	Carrying	Fair	As of June 30, 2019		
	Amount	Value	Level 1	Level 2	Level 3
			(unaudited)		
Liabilities:					
Contingent consideration:					
Asuragen ⁽¹⁾	\$ 3,084	\$ 3,084	\$ -	\$ -	\$ 3,084
Other long-term liabilities:					
Warrant liability ⁽²⁾	316	316	-	-	316
	<u>\$ 3,400</u>	<u>\$ 3,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,400</u>

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

	As of December 31, 2018		Fair Value Measurements		
	Carrying	Fair	As of December 31, 2018		
	Amount	Value	Level 1	Level 2	Level 3
Liabilities:					
Contingent consideration:					
Asuragen ⁽¹⁾	\$ 3,127	\$ 3,127	\$ -	\$ -	\$ 3,127
Other long-term liabilities:					
Warrant liability ⁽²⁾	361	361	-	-	361
	<u>\$ 3,488</u>	<u>\$ 3,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,488</u>

⁽¹⁾⁽²⁾ See Note 8, *Accrued Expenses and Long-Term Liabilities*

In connection with the acquisition of certain assets from Asuragen, the Company recorded contingent consideration related to contingent payments and other revenue-based payments. The Company determined the fair value of the contingent consideration based on a probability-weighted income approach derived from revenue estimates. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement.

On June 21, 2017, the Company issued 575,000 Underwriters Warrants, related to a public offering on the same date that included a cash settlement feature in the event of certain circumstances. Accordingly, the Underwriters Warrants are classified as liabilities and were fair valued using the Black Scholes Option-Pricing Model, the inputs for which include exercise price of the respective warrants, market price of the underlying common shares, expected term, volatility based on the Company's historical market price, and the risk-free rate corresponding to the expected term of the underlying exchange agreement. Changes to the fair value of the warrant liabilities were recorded in Other income (expense), net.

A roll forward of the carrying value of the Contingent Consideration Liability and the Underwriters' Warrants to June 30, 2019 is as follows:

	December 31, 2018	Payments	Accretion	Cancellation of Obligation/ Conversions Exercises	Adjustment to Fair Value/ Mark to Market	June 30, 2019
						(unaudited)
Asuragen	\$ 3,127	\$ (263)	\$ 220	\$ -	\$ -	\$ 3,084
Underwriters Warrants	361	-	-	-	(45)	316
	<u>\$ 3,488</u>	<u>\$ (263)</u>	<u>\$ 220</u>	<u>\$ -</u>	<u>\$ (45)</u>	<u>\$ 3,400</u>

Certain of the Company's non-financial assets, such as other intangible assets and goodwill, are measured at fair value on a nonrecurring basis when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

6. LEASES

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which establishes a ROU model that requires a lessee to record a ROU asset and a lease liability, measured on a discounted basis, on the balance sheet for all leases with terms longer than 12 months. Effective January 1, 2019, the Company adopted the provisions of Topic 842 using the alternative modified transition method, with a cumulative effect adjustment to the opening balance of retained earnings on the date of adoption, and prior periods not restated, as allowed under the provisions of Topic 842. The Company also elected to use the practical expedients permitted under the transition guidance of Topic 842, which provides for the following: the carryforward of the Company's historical lease classification, no requirement for reassessment of whether an expired or existing contract contains an embedded lease, no reassessment of initial direct costs for any leases that exist prior to the adoption of the new standard, and the election to consolidate lease and non-lease components. The Company also elected to keep all leases with an initial term of 12 months or less off the balance sheet.

The Company recorded \$2.4 million of right-of-use lease assets and \$2.5 million of lease liabilities upon adoption, primarily relating to rentals of space for our corporate headquarters and laboratories, as well as equipment leases, all under operating leases. In addition, the Company recorded a cumulative adjustment to opening accumulated deficit of \$0.1 million.

The table below presents the lease-related assets and liabilities recorded in the Condensed Consolidated Balance Sheet:

	<u>Classification on the Balance Sheet</u>	<u>June 30, 2019</u> <u>(unaudited)</u>
Assets		
Operating lease assets	Operating lease assets	\$ 2,190
Total lease assets		<u>\$ 2,190</u>
Liabilities		
Current		
Operating lease liabilities	Other accrued expenses	\$ 574
Noncurrent		
Operating lease liabilities	Operating lease liabilities	1,738
Total lease liabilities		<u>\$ 2,312</u>

The weighted average remaining lease term for the Company's operating leases was 3.9 years as of June 30, 2019 and the weighted average discount rate for those leases was 6.0%. The Company's operating lease expenses are recorded within cost of revenue and general and administrative expenses.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

The table below reconciles the undiscounted cash flows to the operating lease liabilities recorded on the Company's Condensed Consolidated Balance Sheet as of June 30, 2019:

	Operating Leases	
2019	\$	347
2020		675
2021		671
2022		629
2023		250
Total minimum lease payments		2,572
Less: amount of lease payments representing effects of discounting		260
Present value of future minimum lease payments		2,312
Less: current obligations under leases		574
Long-term lease obligations	\$	1,738

As of December 31, 2018, contractual obligations with terms exceeding one year and estimated minimum future rental payments required by non-cancelable operating leases with initial or remaining lease terms exceeding one year were as follows:

	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years
Operating lease obligations	\$ 2,814	\$ 613	\$ 1,322	\$ 879	\$ -

7. COMMITMENTS AND CONTINGENCIES

Litigation

Due to the nature of the businesses in which the Company is engaged it is subject to certain risks. Such risks include, among others, risk of liability for personal injury or death to persons using products the Company promotes or commercializes. There can be no assurance that substantial claims or liabilities will not arise in the future due to the nature of the Company's business activities and recent increases in litigation related to healthcare products and related intellectual property.

The Company could also be held liable for errors and omissions of its employees in connection with the services it performs that are outside the scope of any indemnity or insurance policy. The Company could be materially adversely affected if it were required to pay damages or incur defense costs in connection with a claim that is outside the scope of an indemnification agreement; if the indemnity, although applicable, is not performed in accordance with its terms; or if the Company's liability exceeds the amount of applicable insurance or indemnity.

As of June 30, 2019, the Company's accrual for litigation and threatened litigation was not material to the condensed consolidated financial statements.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

8. ACCRUED EXPENSES AND LONG-TERM LIABILITIES

Other accrued expenses consisted of the following as of June 30, 2019 and December 31, 2018:

	June 30, 2019 (unaudited)	December 31, 2018
Accrued royalties	\$ 1,881	\$ 1,399
Indemnification liability	875	875
Contingent consideration	553	434
Accrued professional fees	1,376	701
Operating lease liability	574	-
Taxes payable	265	285
Unclaimed property	565	565
All others	1,116	832
Total other accrued expenses	\$ 7,205	\$ 5,091

Long-term liabilities consisted of the following as of June 30, 2019 and December 31, 2018:

	June 30, 2019 (unaudited)	December 31, 2018
Warrant liability	\$ 316	\$ 361
Uncertain tax positions	3,952	3,838
Other	-	120
Total other long-term liabilities	\$ 4,268	\$ 4,319

9. STOCK-BASED COMPENSATION

Stock Incentive Plan

The Company's stock-incentive program is a long-term retention program that is intended to attract, retain and provide incentives for talented employees, officers and directors, and to align stockholder and employee interests. Currently, the Company is able to grant options, stock appreciation rights ("SARs") and restricted shares from the Interpace Diagnostics Group, Inc. Amended and Restated 2004 Stock Award and Incentive Plan, (the "Amended 2004 Plan"). Unless earlier terminated by action of the Company's board of directors (the "Board"), the Amended 2004 Plan will remain in effect until such time as no stock remains available for delivery and the Company has no further rights or obligations under the Amended 2004 Plan with respect to outstanding awards thereunder.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

Historically, stock options have been granted with an exercise price equal to the market value of the Common Stock on the date of grant, expire 10 years from the date they are granted, and generally vested over a one to three-year period for employees and members of the Board. Upon exercise, new shares will be issued by the Company. The Company granted stock options in 2017 which vest monthly over a one-year period. SARs are generally granted with a grant price equal to the market value of the Common Stock on the date of grant, vest one-third each year on the anniversary of the date of grant and expire five years from the date of grant. The restricted shares and restricted stock units ("RSUs") granted to employees generally have a three-year graded vesting period and are subject to accelerated vesting and forfeiture under certain circumstances. Restricted shares and RSUs granted to Board members generally have a three-year graded vesting period and are subject to accelerated vesting and forfeiture under certain circumstances.

During the first quarter of 2019, members of the Company's management team were granted incentive stock options to purchase an aggregate of 1,105,440 shares of Common Stock with an exercise price of \$0.98 per share and 276,360 RSUs, subject generally to such member's continued service with the Company, which vest one-third each year over a period of three years.

The following table provides the weighted average assumptions used in determining the fair value of the stock option awards granted during the six month periods ended June 30, 2019 and 2018.

	Six Months Ended	
	June 30, 2019	June 30, 2018
	(unaudited)	
Risk-free interest rate	2.51%	2.65%
Expected life	6.0 years	6.0 years
Expected volatility	127.81%	126.93%
Dividend yield	-	-

The Company recognized approximately \$0.5 million and \$0.4 million of stock-based compensation expense during the three-month periods ended June 30, 2019 and 2018, respectively, and approximately \$1.0 million and \$1.0 million for the six-month periods ended June 30, 2019 and 2018, respectively.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

10. INCOME TAXES

Generally, accounting standards require companies to provide for income taxes each quarter based on their estimate of the effective tax rate for the full year. The authoritative guidance for accounting for income taxes allows use of the discrete method when it provides a better estimate of income tax expense. Due to the Company's valuation allowance position, it is the Company's position that the discrete method provides a more accurate estimate of income tax expense and therefore income tax expense for the current quarter has been presented using the discrete method. As the year progresses, the Company refines its estimate based on the facts and circumstances by each tax jurisdiction. The following table summarizes income tax expense on (loss) income from continuing operations and the effective tax rate for the three- and six-month periods ended June 30, 2019 and 2018:

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2019		2018		2019		2018	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
Provision for income tax	\$	5	\$	8	\$	10	\$	14
Effective income tax rate		0.1%		0.4%		0.1%		0.3%

Income tax expense for the three- and six-month periods ended June 30, 2019 and 2018 was primarily due to minimum state and local taxes.

11. SEGMENT INFORMATION

Since December 22, 2015, the Company reports its operations as one segment, molecular diagnostics and bioinformatics. The Company's reporting segment structure is reflective of the way both the Company's management and chief operating decision maker view the business, make operating decisions and assess performance. This structure allows investors to better understand Company performance, better assess prospects for future cash flows, and make more informed decisions about the Company.

The Company's molecular diagnostics and bioinformatics business focuses on developing and commercializing molecular diagnostic tests, leveraging the latest technology and personalized medicine for better patient diagnosis and management. Through the Company's business, the Company aims to provide physicians and patients with diagnostic options for detecting genetic and other molecular alterations that are associated with gastrointestinal, endocrine and lung cancers, which are principally focused on early detection of patients at high risk of cancer. Customers in the Company's segment consist primarily of physicians, hospitals and clinics. The service offerings throughout the segment have similar long-term average gross margins, contract terms, types of customers and regulatory environments. They are promoted through one centrally managed marketing group and the chief operating decision maker views their results on a combined basis.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

12. DISCONTINUED OPERATIONS

The components of liabilities classified as discontinued operations relate to Commercial Services and consist of the following as of June 30, 2019 and December 31, 2018:

	<u>June 30, 2019</u> (unaudited)	<u>December 31, 2018</u>
Accounts payable	\$ 69	\$ 192
Other	697	726
Current liabilities from discontinued operations	766	918
Total liabilities	<u>\$ 766</u>	<u>\$ 918</u>

13. LINE OF CREDIT

On November 13, 2018 the Company, Interpace Diagnostics Corporation, and Interpace Diagnostics, LLC entered into a Loan and Security Agreement (the "SVB Loan Agreement") with Silicon Valley Bank ("SVB"), which provides for up to \$4.0 million of debt financing consisting of a term loan of up to \$850,000 and a revolving line of credit based on its outstanding accounts receivable (the "Revolving Line") of up to \$4.0 million. As of June 30, 2019, the Company had no borrowings on its SVB Loan Agreement and was in compliance with all covenants.

The amount that may be borrowed under the Revolving Line is the lower of (i) \$4.0 million or (ii) 80% of the Company's eligible accounts receivable (as adjusted by SVB). Revolving Line outstanding amounts incur interest at a rate per annum equal to the Wall Street Journal Prime Rate plus 0.5%. The Company is also required to pay an unused Revolving Line facility fee monthly in arrears in an amount equal to 0.35% per annum of the average unused but available portion of the Revolving Line. Subsequent to June 30, 2019, the Company has drawn \$3.4 million of the available funds with the Revolving Line and has \$325,000 of remaining availability.

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following table represents cash flows used in the Company's discontinued operations for the six months ended June 30, 2019 and 2018:

	Six Months Ended	
	June 30,	
	<u>2019</u>	<u>2018</u>
	(unaudited)	
Net cash used in operating activities of discontinued operations	\$ (30)	\$ (315)

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

Supplemental Disclosures of Non Cash Activities
(in thousands)

	Six Months Ended	
	June 30,	
	2019	2018
	(unaudited)	
Operating		
Adoption of ASC 606	\$ -	\$ 2,500
Prepaid stock grants issued to vendors	\$ 73	\$ 286
Adoption of ASC 842 - right of use asset	\$ 2,190	\$ -
Adoption of ASC 842 - operating lease liability	\$ (2,312)	\$ -
Investing		
Acquisition of property and equipment	\$ -	\$ 46

15. EQUITY

On January 25, 2019, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with H.C. Wainwright & Co., LLC (“Wainwright”) with respect to the issuance and sale of an aggregate of 9,333,334 shares (the “Firm Shares”) of the Company’s Common Stock, in an underwritten public offering. Pursuant to the Underwriting Agreement, the Company also granted Wainwright an option, exercisable for 30 days, to purchase an additional 1,400,000 shares of Common Stock. The option expired unexercised. The Firm Shares were offered to the public at a price of \$0.75 per Share. Wainwright purchased the Firm Shares from the Company pursuant to the Underwriting Agreement at an effective price of \$0.6975 per share.

The Company received net proceeds, after deducting underwriter discounts and commissions and other expenses related to the offering, in the amount of approximately \$6.0 million. The Company used the net proceeds from the offering for working capital, capital expenditures, business development and research and development expenditures, and acquisition of new technologies and businesses.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

16. WARRANTS

In connection with the Wainwright underwritten public offering, the Company issued to Wainwright's designees warrants (the "Underwriter Warrants") to purchase up to 654,334 shares of Common Stock (representing 7% of the aggregate number of Firm Shares), at an exercise price of \$0.9375 per share (representing 125% of the public offering price). The Underwriter Warrants are exercisable immediately and expire three years from the date of issuance.

There was no warrant exercise activity for the six months ended June 30, 2019. Warrants outstanding for the period ended June 30, 2019 are as follows:

Description	Classification	Exercise Price	Expiration Date	Warrants Issued	Warrants Exercised	Warrants Cancelled/ Expired	Balance December 31, 2018	Balance June 30, 2019
Private Placement Warrants, issued January 25, 2017	Equity	\$ 4.69	June 2022	855,000	-	-	855,000	855,000
RedPath Warrants, issued March 22, 2017	Equity	\$ 4.69	September 2022	100,000	-	-	100,000	100,000
Underwriters Warrants, issued June 21, 2017	Liability	\$ 1.32	December 2022	575,000	-	(40,000)	535,000	535,000
Base & Overallotment Warrants, issued June 21, 2017	Equity	\$ 1.25	June 2022	14,375,000	(5,672,852)	-	8,702,148	8,702,148
Vendor Warrants, issued August 6, 2017	Equity	\$ 1.25	August 2020	150,000	-	-	150,000	150,000
Warrants issued October 12, 2017	Equity	\$ 1.80	April 2022	3,200,000	-	-	3,200,000	3,200,000
Underwriters Warrants, issued January 25, 2019	Equity	\$ 0.9375	January 2022	654,334	-	-	-	654,334
				<u>19,909,334</u>	<u>(5,672,852)</u>	<u>(40,000)</u>	<u>13,542,148</u>	<u>14,196,482</u>

17. RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which is effective for public companies for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years. Topic 842 establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability, measured on a discounted basis, on the balance sheet for all leases with terms longer than 12 months. Leases are to be classified as either finance or operating leases, with such classification affecting the pattern or expense recognition in the statement of operations. We adopted this new standard as of January 1, 2019, by using the alternative modified transition method. See Note 3, *Significant Accounting Policies*, for more details.

INTERPACE DIAGNOSTICS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

18. SUBSEQUENT EVENTS

On July 15, 2019, the Company, Interpace BioPharma, Inc., a newly formed and wholly owned subsidiary of the Company (“Buyer”), CGI, Gentris, LLC, a wholly owned subsidiary of CGI (“Gentris”) and Partners for Growth IV, L.P., a secured creditor of CGI (“PFG” or “Seller”), entered into and closed on a Secured Creditor Asset Purchase Agreement (the “Asset Purchase Agreement”) to acquire the assets and assume certain liabilities relating to CGI’s and Gentris’ BioPharma Business for \$23.5 million less certain closing adjustments of \$1.98 million.

The BioPharma Business provides pharmaceutical and biotech companies and non-profit entities performing clinical trials with lab testing services for patient stratification and treatment selection through an extensive suite of molecular and biomarker-based testing services, DNA- and RNA- extraction and customized assay development and trial design consultation.

Concurrent with the closing of the Asset Purchase Agreement, Ampersand 2018 Limited Partnership (“Ampersand”), a fund managed by Ampersand Capital Partners, agreed to provide up to \$27.0 million of preferred stock (“Preferred Stock”) financing, which will be funded under two tranches (the “Financing Agreement”) to the Company in connection with the acquisition of the BioPharma Business. Under the terms of the Financing Agreement at the initial closing and first tranche the Company issued an aggregate of \$14.0 million of Preferred Stock and under a second tranche, upon Interpace shareholder approval as required under the rules of the Nasdaq Stock Market LLC (the “Nasdaq Listing Rules”) and satisfaction of other customary conditions, funding of an additional \$13.0 million of Preferred Stock is anticipated.

At the closing the Company used the proceeds from the initial tranche of the Preferred Stock financing and paid \$13.8 million. Additionally, Buyer issued a subordinated seller note to CGI in the amount of \$7,692,300, which matures upon the earlier of three years from issuance or consummation of the second closing. Such note contains an interest rate of 6%.

Subsequent to June 30, 2019, the Company has drawn \$3.4 million of the \$4.0 million of available funds under its Revolving Line; \$250,000 of the Line of Credit has been used to secure the issuance of a standby letter of credit by SVB. As such, the amount available under the line is \$3.75 million and there is currently \$325,000 remaining available under the Revolving Line. The funds drawn were used in conjunction with the acquisition of the BioPharma Business of CGI.

INTERPACE DIAGNOSTICS GROUP, INC.

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

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q (Form 10-Q) contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements that are not historical facts, including statements about our plans, objectives, beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "believes," "expects," "anticipates," "plans," "estimates," "intends," "projects," "should," "could," "may," "will" or similar words and expressions. These forward-looking statements are contained throughout this Form 10-Q.

Forward-looking statements are only predictions and are not guarantees of future performance. These statements are based on current expectations and assumptions involving judgments about, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. These predictions are also affected by known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by any forward-looking statement. Many of these factors are beyond our ability to control or predict. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors. Such factors include, but are not limited to, the following:

- the limited revenue generated from our business thus far and our ability to commercially leverage our bioinformatics data and develop our pipeline products;
- our obligations to make royalty and milestone payments to our licensors;
- our inability to finance our business on acceptable terms in the future may limit our ability to develop and commercialize new molecular diagnostic solutions and technologies and grow our business;
- our ability to comply with financial covenants under our current line of credit facility and comply with our debt obligations;
- whether we are able to successfully utilize our commercial and operating experience to sell our molecular diagnostic tests;
- our products continuing to perform as expected;
- our limited operating history;
- our ability to attract and retain key personnel;
- our dependence on a concentrated selection of third-party payers including the lack of timeliness of their payments;
- our ability to obtain broad adoption of and ability to grow or continue to secure sufficient levels of reimbursement in a changing reimbursement environment, including obtaining clinical data to support sufficient levels of reimbursement;
- the demand for our molecular diagnostic tests from physicians and patients;
- our relationships with leading thought leaders and biopharmaceutical companies;
- demonstration of clinical relevance and value in utility studies;
- our ability to continue to expand our sales and marketing forces;
- our reliance on our commercial sales forces for continued business expansion;
- fluctuating quarterly operating results;
- our dependence on third parties for the supply of some of the materials used in our tests;
- our ability to scale our operations, testing capacity and processing technology;
- our ability to support demand for our molecular diagnostic tests and any of our future tests or solutions;
- our ability to compete successfully with physicians and members of the medical community who use traditional methods to diagnose gastrointestinal and endocrine cancers, competitors offering broader product lines outside of the molecular diagnostic testing market and having greater brand recognition than we do, and companies with greater financial resources;

INTERPACE DIAGNOSTICS GROUP, INC.

- our ability to obtain sufficient data and samples to cost effectively and timely perform sufficient clinical trials in order to support our current and future products;
- our ability to license rights to use technologies in order to commercialize new products;
- our involvement in current and future litigation against us or our ability to collect on judgements found in our favor;
- our ability to continuously develop our technology and to work to develop new solutions to keep pace with evolving standards of care;
- our ability to enter into additional clinical study collaborations with highly regarded institutions;
- the effect of seasonal results and adverse weather conditions, such as hurricanes and floods, on our business;
- the effect current and future laws, licensing requirements and regulation have on our business including the changing U.S. Food and Drug Administration, or the FDA, environment as it relates to molecular diagnosis;
- our ability to obtain and maintain sufficient laboratory space to meet our processing needs as well as our ability to pass regulatory inspections and continue to be Clinical Laboratory Improvement Amendments (“CLIA”) and the College of American Pathologists (“CAP”) certified or accredited;
- legislative reform of the U.S. healthcare system, including the effect of pricing provisions of the Protecting Access to Medicare Act of 2014 (“PAMA”) on our Advanced Diagnostic Laboratory Tests (ADLTs), adjustments or reductions in reimbursement rates of our molecular diagnostic tests by the Center for Medicare and Medicaid Services (“CMS”) and changes or reductions in reimbursement rates or coverage of our tests by third party payers;
- compliance with numerous statutes and regulations pertaining to our business;
- the effect of potential adverse findings resulting from regulatory audits of our billing and payment practices and the impact such results could have on our business;
- business, regulatory, political, operational, financial, and economic risks associated with doing business outside of the United States, including our ability to comply with international laws and regulations;
- compliance with the Foreign Corrupt Practices Act and anti-bribery laws;
- tax reform legislation;
- changes in financial accounting standards or practices;
- our use of hazardous materials;
- the susceptibility of our information systems to security breaches, loss of data and other disruptions;
- product liability claims against us;
- our ability to attract and retain qualified commercial representatives and other key employees and management personnel;
- our billing practices and our ability to collect on claims for the sale of our tests;
- our dependence on third-party medical billing providers to operate effectively without delays, data loss, or other disruptions;
- cost increases resulting from enacted healthcare reform legislation;
- changes in governmental regulations mandating price controls and limitations on patient access to our products;
- our ability to increase revenue and manage the size of our operations;
- our ability to successfully identify, complete and integrate any future acquisitions of companies and/or products that we believe meet our strategic goals and needs, and the effects of any such acquisitions on our revenues, profitability and ongoing business;
- our ability, and the ability of our third-party billing providers, to effectively maintain, upgrade and integrate the information systems on which we depend, including our partially customized Laboratory Information Management System (LIMS);
- the results of any future impairment testing for intangible assets as required under GAAP;
- the impact of contingent liabilities on our financial condition;
- our compliance with our license agreements and our ability to protect and defend our intellectual property rights;

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- changes in U.S. patent law;
- patent infringement claims against us;
- our ability to maintain our listing with the Nasdaq Capital Market;
- compliance with public company reporting requirements;
- the impact of future issuances of debt, common and preferred shares on stockholders' interest and stock price;
- our ability to report financial results on a timely and accurate basis;
- the impact of anti-takeover defenses on an acquisition or stock price;
- the volatility of our stock price and fluctuations in our quarterly and annual revenues and earnings;
- publications, or the lack thereof, by equity research analysts about us, our business and our competitors;
- securities class action litigation;
- cost of settlement or damage awards against our directors and officers;
- the effect of The Eliminating Kickbacks in Recovery Act of 2018 ("EKRA") as it potentially impacts our ability to incentive our sales personnel appropriately;
- our ability to gain shareholder approval as required under the Nasdaq Listing Rules and thereby effect the second closing under the Financing Agreement with Ampersand and avoid certain adverse consequences;
- our ability to integrate the BioPharma business we acquired;
- our ability to integrate accounting systems and disclosure controls and procedures;
- our ability to expand and grow our newly acquired BioPharma Business;
- our ability to continue to engage necessary personnel to operate the BioPharma Business;
- our ability to manage costs of our combined diagnostic and BioPharma businesses and provide sufficient capital to continue to grow and expand the base of business; and
- our ability to expand our working capital borrowing base to provide sufficient working capital financing during growth periods.

Please see Part I – Item 1A – “Risk Factors” in our Form 10-K, as well as other documents we file with the SEC from time-to-time, for other important factors that could cause our actual results to differ materially from our current expectations as expressed in the forward-looking statements discussed in this Form 10-Q. Because of these and other risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. In addition, these statements speak only as of the date of the report in which they are set forth and, except as may be required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

OVERVIEW

We are a fully integrated commercial and bioinformatics company that develops and provides clinically useful molecular diagnostic tests and pathology services. We develop and commercialize genomic tests and related first line assays principally focused on early detection of patients with indeterminate biopsies and at high risk of cancer using the latest technology to help personalized medicine and improve patient diagnosis and management. Our tests and services provide mutational analysis of genomic material contained in suspicious cysts, nodules and lesions with the goal of better informing treatment decisions in patients at risk of thyroid, pancreatic, and other cancers. The molecular diagnostic tests we offer enable healthcare providers to better assess cancer risk, helping to avoid unnecessary surgical treatment in patients at low risk. We currently have four commercialized molecular diagnostic tests in the marketplace for which we are receiving reimbursement: PancreaGEN[®], which is a pancreatic cyst and pancreaticobiliary solid lesion genomic test that helps physicians better assess risk of pancreaticobiliary cancers using our proprietary PathFinderTG[®] platform; ThyGeNEXT[®], which is an expanded oncogenic mutation panel that helps identify malignant thyroid nodules and replaced ThyGenX[®]; ThyraMIR[®], which assesses thyroid nodules for risk of malignancy utilizing a proprietary microRNA gene expression assay; and RespriDx[®], which is a genomic test that helps physicians differentiate metastatic or recurrent lung cancer from the presence of newly formed primary lung cancer and which also utilizes our PathFinderTG[®] platform to compare the genomic fingerprint of two or more sites of lung cancer. BarreGEN[®], an esophageal cancer risk classifier for Barrett's Esophagus that also utilizes our PathFinderTG[®] platform, is currently in a CEP whereby we gather information from physicians using BarreGEN[®] to assist us in positioning our product for full launch, partnering and potentially supporting reimbursement with payers.

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Our mission is to provide personalized medicine through genomics-based diagnostics and innovation to advance patient care based on rigorous science. Our laboratories are licensed pursuant to federal law under CLIA and are accredited by CAP and New York State. In August 2018, we acquired a majority of the Philadelphia laboratory equipment of Rosetta Genomics Ltd., a molecular diagnostics company, in order to further support our CLIA and CAP certified lab expansion in our New Haven, Connecticut and Pittsburgh, Pennsylvania laboratories.

We are leveraging our licensed and accredited laboratories to develop and commercialize our assays and products. We aim to provide physicians and patients with diagnostic options for detecting genomic and other molecular alterations that are associated with gastrointestinal, endocrine, and lung cancers. Our customers consist primarily of physicians, hospitals and clinics.

The global molecular diagnostics market is estimated to be approximately \$6.5 billion and is a segment within the approximately \$60 billion in vitro diagnostics market according to statistics from Kalorama Information, publisher of *the Worldwide Market for In Vitro Diagnostic Tests*. We believe that the molecular diagnostics market offers significant growth and strong patient value given the substantial opportunity it affords to lower healthcare costs by helping to reduce unnecessary surgeries and ensuring the appropriate frequency of monitoring. We are keenly focused on growing our test volumes, securing additional insurance coverage and reimbursement, maintaining and growing our current reimbursement and supporting revenue growth for our molecular diagnostic tests, introducing related first line product and service extensions, as well as expanding our business by developing and promoting synergistic products in our markets. We also believe that BarreGen[®] is a potentially significant pipeline product, and we are providing necessary resources to accelerate our development process. Further, we believe BarreGEN[®] is synergistic with our capabilities in the gastrointestinal market, which is one of the sectors in which we operate. Additionally, we are focused on either acquiring or licensing products that either leverage our commercial capabilities and/or diversify our revenue base away from the risks associated with reimbursement by leveraging our molecular data and capabilities. On July 15, 2019, we acquired the BioPharma Business of CGI, as discussed in Note 18, *Subsequent Events*, to the condensed consolidated financial statements furnished herewith.

Additional Reimbursement Coverage During 2019

Reimbursement progress is key for any molecular diagnostic company. We have been successful to date in expanding the reimbursement of our products in 2019. Specifically, the most significant progress we have made regarding payers to date in 2019 is as follows:

- In January 2019, we announced that we had entered into an Agreement with the University of Maryland Medical System (“UMMS”) to provide physicians’ access to ThyGeNEXT[®], ThyraMIR[®], and PancraGEN[®] across the UMMS network, which includes 4,000 affiliated physicians who provide primary and specialty care in more than 150 locations and at 14 hospitals.
- In April 2019, we announced that Medica, one of the largest health plans in the Midwest, extended coverage of both ThyGeNEXT[®] and ThyraMIR[®] to its 1.3 million covered lives. Physicians across Medica’s entire network will now be able to utilize Interpace’s thyroid products.
- In April 2019, we announced that we had received approval to launch ThyraMIR[®] diagnostic testing on formalin-fixed, paraffin-embedded (“FFPE”) tissue samples from thyroid nodules from the State of New York.
- In June 2019, we announced that our ThyGeNEXT[®] and ThyraMIR[®] tests are now covered by Independence Blue Cross (“Independence”), providing plan benefits coverage for its members who meet established medical criteria for the tests. Independence covers nearly 2.5 million members in Philadelphia and Southeastern Pennsylvania.

INTERPACE DIAGNOSTICS GROUP, INC.

- In July 2019, we announced that we reached an agreement with SelectHealth (a plan associated with Intermountain Healthcare) (“SelectHealth”) to provide our proprietary thyroid cancer assays, ThyGeNEXT[®] and ThyraMIR[®], to SelectHealth’s more than 850,000 members in Utah and Idaho.
- In July 2019, we announced we had entered into a contract with Blue Shield of California, a not-for-profit independent member of the Blue Cross Blue Shield Association making ThyGeNEXT[®] and ThyraMIR[®] tests in-network services for their 4 million lives.
- In July 2019, we announced that we contracted with Blue Cross Blue Shield of Michigan, a not-for-profit independent member of the Blue Cross Blue Shield Association, for coverage of our thyroid tests. The contract makes the ThyGeNEXT[®] and ThyraMIR[®] tests both covered services as well as in-network services for their total of 6 million members.

DESCRIPTION OF REPORTING SEGMENTS

Since December 22, 2015, the Company reports its operations as one segment, molecular diagnostics and bioinformatics. The Company’s reporting segment structure is reflective of the way both the Company’s management and chief operating decision maker view the business, make operating decisions and assess performance. This structure allows investors to better understand Company performance, better assess prospects for future cash flows, and make more informed decisions about the Company.

Revenue

The Company’s revenue is generated from the performance of its proprietary molecular diagnostics tests. The Company’s performance obligation is fulfilled upon completion, review and release of test results and subsequent billing to the third-party payer or hospital.

Under ASC 606, the Company recognizes revenue for billings less contractual allowances and estimated uncollectable amounts for all payer groups on the accrual basis based upon a thorough analysis of historical receipts. The net amount derived and used for revenue recognition is referred to as the NRV for the particular test and payer group from which reimbursement is received. This derived NRV is evaluated quarterly or as needed and then applied to future periods until recalculated.

Persuasive evidence of an arrangement exists and delivery is deemed to have occurred upon completion, review, and release of the test results at which time we billed the third-party payor or hospital. The assessment of the fixed or determinable nature of the fees charged for diagnostic testing performed, and the collectability of those fees, requires significant judgment by our management. Our management believes that these two criteria have been met when there is contracted reimbursement coverage or a predictable pattern of collectability with individual third-party payers or hospitals and accordingly, recognized revenue upon delivery of the test results. In the absence of contracted reimbursement coverage or a predictable pattern of collectability, we believe that the fee was fixed or determinable and collectability was reasonably assured only upon request of third-party payor notification of payment or when cash was received, and we recognize revenue at that time.

Cost of services consists primarily of the costs associated with operating our laboratories and other costs directly related to our tests. Personnel costs, which constitute the largest portion of cost of services, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for laboratory personnel. Other direct costs include, but are not limited to, laboratory supplies, certain consulting expenses, and facility expenses.

INTERPACE DIAGNOSTICS GROUP, INC.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain statements of operations data. The trends illustrated in this table may not be indicative of future results.

Condensed Consolidated Results of Continuing Operations for the Quarter Ended June 30, 2019 Compared to the Quarter Ended June 30, 2018 (in thousands)

	Three Months Ended June 30,			
	2019	2019	2018	2018
Revenue, net	\$ 6,270	100.0%	\$ 5,501	100.0%
Cost of revenue	3,031	48.3%	2,247	40.8%
Gross profit	3,239	51.7%	3,254	59.2%
Operating expenses:				
Sales and marketing	2,959	47.2%	2,095	38.1%
Research and development	647	10.3%	518	9.4%
General and administrative	2,788	44.5%	1,726	31.4%
Acquisition related expense	1,295	20.7%	-	0.0%
Acquisition related amortization expense	813	13.0%	813	14.8%
Total operating expenses	8,502	135.6%	5,152	93.7%
Operating loss	(5,263)	-83.9%	(1,898)	-34.5%
Accretion expense	(91)	-1.5%	-	0.0%
Other income (expense), net	74	1.2%	33	0.6%
Loss from continuing operations before tax	(5,280)	-84.2%	(1,865)	-33.9%
Provision for income taxes	5	0.1%	8	0.1%
Loss from continuing operations	(5,285)	-84.3%	(1,873)	-34.0%
Income (loss) from discontinued operations, net of tax	65	1.0%	(44)	-0.8%
Net loss	\$ (5,220)	-83.3%	\$ (1,917)	-34.8%

Revenue, net

Consolidated revenue, net for the three months ended June 30, 2019 increased by \$0.8 million, or 14%, to \$6.3 million, compared to \$5.5 million for the three months ended June 30, 2018. This increase was principally attributable to increased test volume for both our GI and thyroid tests, partially offset by variable pricing adjustments under ASC 606.

Cost of revenue

Consolidated cost of revenue for the three months ended June 30, 2019 was \$3.0 million, as compared to \$2.2 million for the three months ended June 30, 2018. As a percentage of revenue, cost of revenue increased to 48% for the three months ended June 30, 2019 as compared to 41% in the comparable same period in 2018. This increase as a percentage of revenue can be attributed to increased employee costs and an increase in royalty expense. The second quarter of 2018 also benefited from reduced lab supply expenses due to the timing of purchases in 2018.

INTERPACE DIAGNOSTICS GROUP, INC.

Gross profit

Consolidated gross profit was approximately \$3.2 million for the three months ended June 30, 2019 and \$3.3 million for the three months ended June 30, 2018. The gross profit percentage decreased from 59% in the second quarter of 2018 to 52% for the second quarter of 2019. This decrease can be attributed to the increase in costs discussed above.

Sales and marketing expense

Sales and marketing expense was \$3.0 million for the three months ended June 30, 2019, or 47% as a percentage of net revenue. For the three months ended June 30, 2018, sales and marketing expense was \$2.1 million, or 38% as a percentage of net revenue. The increase in sales and marketing expense primarily reflects an increase in employee and consulting costs of \$0.6 million, as we have expanded the size of our salesforce and increased our contracting and marketing activities which are supporting our growth.

Research and development

Research and development expense was \$0.6 million for the three months ended June 30, 2019 and \$0.5 million for the three months ended June 30, 2018. As a percentage of revenue research and development expense increased to 10%, up from 9% in the comparable prior year quarter.

General and administrative

General and administrative expense for the three months ended June 30, 2019 was \$2.8 million as compared to \$1.7 million for the three months ended June 30, 2018. This increase was primarily related to certain non-cash charges including bad debt expense from the ASC 606 conversion and the reversal of a contingent claim in the prior year.

Acquisition related expense

During the three months ended June 30, 2019 we incurred approximately \$1.3 million in expenses related to our acquisition of the BioPharma Business on July 15, 2019.

Acquisition related amortization expense

During the three months ended June 30, 2019 and June 30, 2018, we recorded amortization expense of approximately \$0.8 million, respectively in both periods which is related to intangible assets associated with prior acquisitions.

Operating loss

Operating loss from continuing operations was \$(5.3) million for the three months ended June 30, 2019 as compared to \$(1.9) million for the three months ended June 30, 2018. The increase can be attributed to the increase in general and administrative and sales and marketing expense discussed above as well as the \$1.3 million in acquisition related expenses incurred in the quarter.

Provision for income taxes

Income tax expense was approximately \$5,000 for the three months ended June 30, 2019 and \$8,000 for the three months ended June 30, 2018. Income tax expense for both periods was primarily driven by minimum state and local taxes.

INTERPACE DIAGNOSTICS GROUP, INC.

(Loss) income from discontinued operations, net of tax

We had income from discontinued operations of \$0.06 million for the three months ended June 30, 2019 and a loss from discontinued operations of \$(0.04) million for the three months ended June 30, 2018.

Condensed Consolidated Results of Continuing Operations for the Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018 (in thousands)

	Six Months Ended June 30,			
	2019	2019	2018	2018
Revenue, net	\$ 12,280	100.0%	\$ 10,310	100.0%
Cost of revenue	5,654	46.0%	4,827	46.8%
Gross profit	6,626	54.0%	5,483	53.2%
Operating expenses:				
Sales and marketing	5,369	43.7%	4,086	39.6%
Research and development	1,175	9.6%	1,019	9.9%
General and administrative	5,299	43.2%	3,897	37.8%
Acquisition related expense	1,696	13.8%	-	0.0%
Acquisition related amortization expense	1,626	13.2%	1,626	15.8%
Total operating expenses	15,165	123.5%	10,628	103.1%
Operating loss	(8,539)	-69.5%	(5,145)	-49.9%
Accretion expense	(220)	-1.8%	-	0.0%
Other income (expense), net	123	1.0%	144	1.4%
Loss from continuing operations before tax	(8,636)	-70.3%	(5,001)	-48.5%
Provision for income taxes	10	0.1%	14	0.1%
Loss from continuing operations	(8,646)	-70.4%	(5,015)	-48.6%
Income (loss) from discontinued operations, net of tax	7	0.1%	(95)	-0.9%
Net loss	\$ (8,639)	-70.4%	\$ (5,110)	-49.6%

Revenue, net

Consolidated revenue, net for the six months ended June 30, 2019 increased by \$2.0 million, or 19%, to \$12.3 million, compared to \$10.3 million for the six months ended June 30, 2018. This increase was principally attributable to increased test volume for our thyroid tests.

Cost of revenue

Consolidated cost of revenue for the six months ended June 30, 2019 increased \$0.8 million or 17%. This increase was in line with the increase in revenue discussed above.

Gross profit

Consolidated gross profit for the six months ended June 30, 2019 increased \$1.1 million, or 21%, to \$6.6 million, as compared to \$5.5 million for the six months ended June 30, 2018. The gross profit percentage was approximately 54% for the six months ended June 30, 2019 as compared to 53% in the comparable prior year period.

INTERPACE DIAGNOSTICS GROUP, INC.

Sales and marketing expense

Sales and marketing expense was \$5.4 million for the six months ended June 30, 2019, or 44% as a percentage of net revenue. For the six months ended June 30, 2018, sales and marketing expense was \$4.1 million, or 40% as a percentage of net revenue. The increase in sales and marketing expense primarily reflects an increase in employee and consulting costs of \$1.1 million, as we expanded the size of our salesforce and have increased our contracting and marketing activities which are supporting our growth.

Research and development

Research and development expense totaled approximately \$1.2 million for the six months ended June 30, 2019 and \$1.0 million for the six months ended June 30, 2018.

General and administrative

General and administrative expense for the six months ended June 30, 2019 was \$5.3 million as compared to \$3.9 million for the six months ended June 30, 2018. This increase was primarily related to certain non-cash charges including bad debt expense from the ASC 606 conversion and the reversal of a contingent claim in the prior year.

Acquisition related expense

During the six months ended June 30, 2019 we incurred approximately \$1.7 million in expenses related to our acquisition of the BioPharma Business on July 15, 2019.

Acquisition related amortization expense

During the six months ended June 30, 2019 and June 30, 2018, we recorded amortization expense of approximately \$1.6 million, respectively in both periods which is related to intangible assets associated with prior acquisitions.

Operating loss

Operating loss from continuing operations was \$(8.5) million for the six months ended June 30, 2019 as compared to \$(5.1) million for the six months ended June 30, 2018. The increase can be attributed to the increase in general and administrative expense and sales and marketing expense discussed above as well as the \$1.7 million in acquisition related expenses incurred during the six months ended June 30, 2019.

Provision for income taxes

Income tax expense was approximately \$10,000 for the six months ended June 30, 2019 and \$14,000 for the six months ended June 30, 2018. Income tax expense for both periods was primarily driven by minimum state and local taxes.

Income (loss) from discontinued operations, net of tax

We had income from discontinued operations of \$0.01 million for the six months ended June 30, 2019 and a loss from discontinued operations of \$(0.1) million for the six months ended June 30, 2018.

INTERPACE DIAGNOSTICS GROUP, INC.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended June 30, 2019, we had an operating loss of \$(8.5) million. As of June 30, 2019, we had cash and cash equivalents of \$4.2 million, net accounts receivable of \$13.0 million, total current assets of \$19.2 million and current liabilities of \$11.0 million.

During the six months ended June 30, 2019, net cash used in operating activities was \$(7.8) million, all but \$0.03 million of which was used in continuing operations. The main component of cash used in operating activities during the six months ended June 30, 2019 was the net loss of \$(8.6) million. During the six months ended June 30, 2018, net cash used in operating activities was \$(5.0) million, of which \$(4.6) million was used in continuing operations and \$(0.4) million was used in discontinued operations. The main component of cash used in operating activities during the six months ended June 30, 2018 was the net loss of \$(5.1) million.

The \$2.8 million increase in cash used during the six months ended June 30, 2019 over the prior year period was due primarily to the transition in billing service providers and corresponding delays in third party reimbursement.

For the six months ended June 30, 2019, there was cash provided from financing activities of \$6.0 million which resulted from the issuance of Common Stock in our underwritten public offering completed in January 2019.

We intend to meet our capital needs by driving revenue growth, collection of accounts receivable, containing costs as well as exploring other options. Management believes that the Company has sufficient cash on hand and available amounts on its Revolving Line to sustain operations through at least August 31, 2020. Additionally, under the terms of the Financing Agreement with Ampersand, subject to the stockholder approval required by the Nasdaq Listing Rules and satisfaction of customary conditions, the second tranche of funding of \$13,000,000 of Preferred Stock is anticipated to be completed before year end. However, there is no guarantee that additional capital can be raised to fund our future operations.

Subsequent to June 30, 2019, the Company has drawn \$3.4 million of the \$4.0 million of available funds under its Revolving Line with SVB. The funds drawn were used principally in conjunction with the acquisition of the BioPharma Business of CGI,

Inflation

We do not believe that inflation had a significant impact on our results of operations for the periods presented. On an ongoing basis, we attempt to minimize any effects of inflation on our operating results by controlling operating costs and whenever possible, seeking to insure that billing rates reflect increases in costs due to inflation.

Off-Balance Sheet Arrangements

None.

INTERPACE DIAGNOSTICS GROUP, INC.

Subsequent Events

On July 15, 2019, the Company acquired the BioPharma Business of CGI and closed on the first tranche of the Financing Agreement with Ampersand. For additional discussion of these transactions, please refer to Note 18, *Subsequent Events*, to the condensed consolidated financial statements furnished herewith. Such transactions were previously disclosed in the Company's Current Report on Form 8-K, dated July 15, 2019 and filed with the SEC on July 19, 2019. The foregoing descriptions do not purport to be complete and are qualified in their entirety by reference to the full text of the relevant agreements, which are filed as exhibits to this Form 10-Q and are incorporated herein by reference.

Item 3. — Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives including that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In addition, management is required to apply its judgment in evaluating the benefits of possible disclosure controls and procedures relative to their costs to implement and maintain.

Based on the evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, the Chief Executive Officer of the Company and the Chief Financial Officer of the Company have concluded that the Company's disclosure controls and procedures are effective as of June 30, 2019.

Reference should be made to our Form 10-K for additional information regarding discussion of the effectiveness of the Company's controls and procedures.

Changes in internal controls

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

INTERPACE DIAGNOSTICS GROUP, INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

“Item 3- Legal Proceedings” and Note 10, *Commitments and Contingencies*, to the Consolidated Financial Statements of our Form 10-K, include a discussion of our legal proceedings, as does Note 7, *Commitments and Contingencies*, to the condensed consolidated financial statements furnished herewith. During the fiscal quarter ended June 30, 2019, there have been no material changes from the proceedings disclosed in our Form 10-K.

Item 1A. Risk Factors.

Not applicable as we are a smaller reporting company.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit No.	Description
2.1	<u>Secured Creditor Asset Purchase Agreement, dated July 15, 2019, by and among Interpace BioPharma, Inc., Cancer Genetics, Inc., Interpace Diagnostics Group, Inc. and Partners for Growth IV, L.P., incorporated by reference to the designated exhibit of the Company’s Current Report on Form 8-K, dated July 15, 2019, filed with the SEC on July 19, 2019.</u>
3.1*	<u>Conformed version of Certificate of Incorporation of Interpace Diagnostic Group, Inc., as amended by Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock and Series A-1 Convertible Preferred Stock filed on July 15, 2019.</u>
4.1	<u>Subordinated Seller Note of Interpace BioPharma, Inc. dated July 15, 2019, in favor of Cancer Genetics, Inc., incorporated by reference to the designated exhibit of the Company’s Current Report on Form 8-K, dated July 15, 2019, filed with the SEC on July 19, 2019.</u>
10.1	<u>Transition Services Agreement, dated July 15, 2019, by and between Interpace BioPharma, Inc. and Cancer Genetics, Inc., incorporated by reference to the designated exhibit of the Company’s Current Report on Form 8-K, dated July 15, 2019, filed with the SEC on July 19, 2019.</u>

- 10.2 [Securities Purchase Agreement, dated July 15, 2019, by and between Interpace Diagnostics Group, Inc. and Ampersand 2018 Limited Partnership, incorporated by reference to the designated exhibit of the Company's Current Report on Form 8-K, dated July 15, 2019, filed with the SEC on July 19, 2019.](#)
- 10.3 [Investor Rights Agreement, dated July 15, 2019, by and between Interpace Diagnostics Group, Inc. and Ampersand 2018 Limited Partnership, incorporated by reference to the designated exhibit of the Company's Current Report on Form 8-K, dated July 15, 2019, filed with the SEC on July 19, 2019.](#)
- 10.4 [Form of Voting Agreement, incorporated by reference to the designated exhibit of the Company's Current Report on Form 8-K, dated July 15, 2019, filed with the SEC on July 19, 2019.](#)
- 31.1** [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)
- 31.2** [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)
- 32.1+ [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.](#)
- 32.2+ [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.](#)
- 101 The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2019 formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Stockholders' Equity; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) the Notes to Condensed Consolidated Financial Statements.
- * This exhibit is being filed pursuant to Item 601(b)(3)(i) of Regulation S-K which requires a conformed version of our charter reflecting all amendments in one document. The exhibit reflects our Certificate of Incorporation, as amended, as filed with the Delaware Secretary of State on November 14, 2018, revised for the Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock and Series A-1 Convertible Preferred Stock filed on July 15, 2019.
- ** Filed herewith.
- + Exhibits 32.1 and 32.2 are being furnished herewith and shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference to any registration statement or other document filed under the Securities Act or the Exchange Act, except as otherwise stated in any such filing.

SIGNATURES

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

Date: August 13, 2019

Interpace Diagnostics Group, Inc.
(Registrant)

/s/ Jack E. Stover
Jack E. Stover
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 13, 2019

/s/ James Early
James Early
Chief Financial Officer
(Principal Financial Officer)

Date: August 13, 2019

/s/ Thomas Freeburg
Thomas Freeburg
Chief Accounting Officer
(Principal Accounting Officer)

Certificate of Incorporation

of

Professional Detailing, Inc.

The undersigned, being a natural person, solely for the purpose of organizing a corporation under the provisions and subject to the requirements of the laws of the State of Delaware (particularly Chapter 1, Title 8 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and known, identified and referred to as the "General Corporation Law of the State of Delaware"), hereby certifies that:

FIRST: The name of the corporation is Professional Detailing, Inc. (hereinafter called the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 9 East Loockerman Street, Dover, Delaware, Kent County, 19901. The name of the registered agent of the Corporation at such address is National Registered Agents, Inc. The Corporation's principle executive offices are located at 599 MacArthur Boulevard, Mahwah, New Jersey 07430.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which this Corporation shall have authority to issue is 35,000,000 shares, consisting of (i) 30,000,000 shares of Common Stock, \$.01 par value per share ("Common Stock"), and (ii) 5,000,000 shares of Preferred Stock, \$.01 par value per share ("Preferred Stock").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of this Corporation.

(a) Common Stock.

1. General. All shares of Common Stock are of one class. All authorized and outstanding shares of Common Stock are to be fully paid and non-assessable. The Common Stock has no preemptive, conversion or other subscription rights to subscribe for any shares of any class of stock of this Corporation whether now or hereafter authorized. The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of the Preferred Stock of any series.

2. No Pre-emptive Rights. No holder of any of the shares of the Common Stock of the Corporation, whether now or hereafter authorized and issued, shall be entitled as of right to purchase or subscribe for (1) any unissued stock of any class, or (2) any additional shares of any class to be issued by reason of any increase of the authorized capital stock of the Corporation of any class, or (3) bonds, certificates of indebtedness, debentures or other securities convertible into stock of the Corporation, or carrying any right to purchase stock of any class, but any such unissued stock or such additional authorized issue of any stock or of other securities convertible into stock, or carrying any right to purchase stock, may be issued and disposed of pursuant to resolution of the Board of Directors to such persons, firms, partnerships, corporations, associations or other entities and upon such terms as may be deemed advisable by the Board of Directors in the exercise of its discretion.

3. Voting. The holders of the Common Stock are entitled to one vote for each share held at all meetings of stockholders. There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of this Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware.

4. Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

5. Liquidation- Upon the dissolution or liquidation of this Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of this Corporation available for distribution to its stockholders, subject to any preferential rights of any then outstanding Preferred Stock.

(b) Preferred Stock.

1. General. The Board of Directors, in the exercise of its discretion, is authorized to issue the undesignated Preferred Stock in one or more series, to determine the powers, preferences and rights, and qualifications, limitations or restrictions, granted to or imposed upon any wholly unissued series of undesignated Preferred Stock, and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by the stockholders

2. No Pre-emptive Rights. No holder of any of the shares of any series of Preferred Stock of the Corporation, whether now or hereafter authorized and issued, shall be entitled as of right to purchase or subscribe for (1) any unissued stock of any class, or (2) any additional shares of any class to be issued by reason of any increase of the authorized capital stock of the Corporation of any class, or (3) bonds, certificates of indebtedness, debentures or other securities convertible into stock of the Corporation, or carrying any right to purchase stock of any class, but any such unissued stock or such additional authorized issue of any stock or of other securities convertible into stock, or carrying any right to purchase stock, may be issued and disposed of pursuant to resolution of the Board of Directors to such persons, firms, partnerships, corporations, associations or other entities and upon such terms as may be deemed advisable by the Board of Directors in the exercise of its discretion.

FIFTH: The name and the mailing address of the incorporator are as follows:

<u>Name</u>	<u>Mailing Address</u>
Terence O'Brien	Morse, Zelnick, Rose & Lander, LLP 450 Park Avenue New York, New York 10022

SIXTH: The powers of the incorporator are to terminate upon the filing of the Certificate of Incorporation.

SEVENTH: (a) The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The phrase "whole Board" and the phrase "total number of directors" shall be deemed to have the same meaning, to wit, the total number of directors which the Corporation would have if there were no vacancies. The original or other Bylaws of the Corporation may be adopted, amended or repealed by the initial directors. After the original or other Bylaws of the Corporation have been adopted, amended, or repealed, as the case may be, in accordance with the provisions of Section 109 of the General Corporation Law of the State of Delaware, and after the Corporation has received any payment for any of its stock, the power to adopt, amend, or repeal the Bylaws of the Corporation may be exercised by the Board of Directors of the Corporation.

(b) Until the consummation of an initial public offering (an "IPO") of the Common Stock under the Securities Act of 1933, as amended (the "Act"), the Corporation shall have one or more directors, the number of directors to be determined from time to time by vote of a majority of the directors then in office. Immediately upon the consummation of an IPO, the following provisions shall apply:

1. Number of Directors. The number of directors of the Corporation shall not be less than one. The exact number of directors within the limitations specified in the preceding sentence shall be fixed from time to time by, or in the manner provided in, the Corporation's Bylaws.

2. Classes of Directors. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class. If a fraction is contained in the quotient arrived at by dividing the designated number of directors by three, then if such fraction is one-third, the extra director shall be a member of Class II, and if such fraction is two-thirds, one of the extra directors shall be a member of Class II and one of the extra directors shall be a member of Class III, unless otherwise provided from time to time by resolution adopted by the Board of Directors. The persons who shall serve as the initial Class I, Class II and Class III directors upon consummation of the IPO may be designated by the Board of Directors prior to such IPO.

3. Election of Directors/Terms of Office. Election of directors need not be by written ballot except as and to the extent provided in the Bylaws of the Corporation. Except as otherwise provided herein, each director shall serve for a term ending on the date of the third annual meeting of the stockholders following the annual meeting at which such director was elected. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office for cause. Each initial Class I director shall serve for a one year term; each initial Class II director shall serve for a two year term; and each initial Class III director shall serve for a three year term. Notwithstanding the foregoing, the term of each director shall be subject to the election and qualification of his successor and to his earlier death, resignation or removal.

4. Allocation of Directors among Classes in the Event of Increases or Decreases in the Number of Directors. In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as a director of the class of which he is a member and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned among the three classes of directors so as to ensure that no one class has more than one director more than any other class. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the latest dates following such allocation, and any newly eliminated directorships shall be subtracted from those classes whose terms of offices are to expire at the earliest dates following such allocation, unless otherwise provided from time to time by resolution adopted by the Board of Directors.

5. Preferred Stock Directors. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right to vote separately by class or 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 of Incorporation applicable thereto, and such directors so elected shall not be divided into classes provided by this Article Seventh, unless expressly provided by such terms.

6. Removal. Directors of the Corporation may be removed only for cause by the affirmative vote of the holders of at least two-thirds of the shares of capital stock of the Corporation issued and outstanding and entitled to vote generally in the election of directors.

7. Vacancies. Any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board of Directors, shall be filled only by a vote of a majority of directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected to hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of his successor and to his earlier death, resignation or removal.

8. Stockholder Nominations and Introductions of Business. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before either an annual or special meeting of stockholders shall be given in the manner provided by the Bylaws of the Corporation.

9. Committees. Wherever the term “Board of Directors” is used in this Certificate of Incorporation, such term shall mean the Board of Directors of the Corporation; provided, however that to the extent any committee of directors of the Board of Directors exists, such committee may exercise any right or authority of the Board of Directors under this Certificate of Incorporation.

10. Amendments to Article. Notwithstanding any other provision of law, this Certificate of Incorporation or the Bylaws of the Corporation, each as amended, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the shares of capital stock of the Corporation issued and outstanding and entitled to vote generally in the election of directors shall be required to amend or repeal or to adopt any provision inconsistent with this Article SEVENTH.

EIGHTH: The Corporation is to have perpetual existence.

NINTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under § 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under § 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholder or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

TENTH: Whenever the Corporation shall be authorized to issue only one class of stock each outstanding share shall entitle the holder thereof to notice of, and the right to vote at, any meeting of stockholders. Whenever the Corporation shall be authorized to issue more than one class of stock no outstanding share of any class of stock which is denied voting power under the provisions of the Certificate of Incorporation shall entitle the holder thereof to the right to vote at any meeting of stockholders except as the provisions of paragraph (c)(2) of Section 242 of the General Corporation Law of the State of Delaware shall otherwise require; provided, that no share of any such class which is otherwise denied voting power shall entitle the holder thereof to vote upon the increase or decrease in the number of authorized shares of said class.

ELEVENTH: 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 (i) for any breach of the director’s duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

TWELFTH: (a) Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, claim or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, 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 said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators: provided, however, that, except as provided in paragraph (b) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition: provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer (in his or her capacity as a director or officer and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers mentioned in this Article Twelfth. Notwithstanding the indemnification provisions throughout the Certificate of Incorporation, the Corporation, shall not be obligated, contractually or otherwise, to indemnify its directors and officers with respect to proceedings initiated or brought by any officer or director and not by way of defense, or, for any amounts paid in settlement of any proceeding against any officer or director, without the prior written consent of the Company.

(b) Right of Claimant to Bring Suit. If a claim under paragraph (a) of this Article is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant 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, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard or conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

(d) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

THIRTEENTH: From time to time any of the provisions of this Certificate of Incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the Corporation by this Certificate of Incorporation are granted subject to the provisions of this Article Thirteenth.

FOURTEENTH: Meetings of the stockholders may be held within or without the State of Delaware, as the Bylaws, amendments thereto, or amendments to this Certificate of Incorporation may provide. The books of the Corporation may be kept outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or by the Bylaws, and amendments thereto, or by the amendments to this Certificate of Incorporation.

FIFTEENTH: At any time during which a class of capital stock of this Corporation is registered under Section 12 of the Securities Exchange Act of 1934 or any similar successor statute, stockholders of this Corporation may not take any action by written consent in lieu of a meeting. Notwithstanding any other provisions of law, this Certificate of Incorporation or the Bylaws of this Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the shares of capital stock of this Corporation issued and outstanding and entitled to vote generally in the election of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article Fifteenth.

SIXTEENTH: Special meetings of stockholders may be called at any time by only the Chairman of the Board of Directors of the Corporation, the Chief Executive Officer (or if there is no Chief Executive Officer, the President) or the Board of Directors of the Corporation. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting. Notwithstanding any other provision of law, the Certificate of Incorporation or the Bylaws of the Corporation, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the shares of capital stock of the Corporation issued and outstanding and entitled to vote generally in the election of directors shall be required to amend or repeal, or to adopt any provision inconsistent with this Article Sixteenth.

Dated: February 10, 1998

/s/ Terence O'Brien

Terence O'Brien, Incorporator

CERTIFICATE OF MERGER
OF
PROFESSIONAL DETAILING, INC.
[a New Jersey Corporation]
AND
PROFESSIONAL DETAILING, INC.
[a Delaware Corporation]

It is hereby certified that:

1. The constituent business corporations participating in the merger herein certified are:

- (i) Professional Detailing, Inc., which is incorporated under the laws of the State of New Jersey (“PDI-NJ”); and
- (ii) Professional Detailing, Inc., which is incorporated under the laws of the State of Delaware (“PDI-Del”).

2. The Plan of Merger has been approved, adopted, certified, executed, and acknowledged by each of the aforesaid constituent corporations in accordance with the provisions of subsection (c) of Section 252 of the Delaware General Corporation Law, to wit, by PDI-NJ in accordance with the laws of the State of New Jersey and by PDI-Del in the same manner as is provided in Section 251 of the Delaware General Corporation Law.

3. The name of the surviving corporation in the merger herein certified is Professional Detailing, Inc., a Delaware corporation, which will continue its existence as said surviving corporation under its present name upon the effective date of said merger pursuant to the provisions of the Delaware General Corporation Law.

4. The Certificate of Incorporation of PDI-Del. as now in force and effect, shall continue to be the Certificate of Incorporation of said surviving corporation until amended and changed pursuant to the provisions of the Delaware General Corporation Law,

5. The executed Plan of Merger between the aforesaid constituent corporations is on file at the principal place of business of the aforesaid surviving corporation, the address of which is as follows:

599 MacArthur Boulevard
Mahwah, New Jersey 07430

6. A copy of the aforesaid Plan of Merger will be furnished by the aforesaid surviving corporation, on request, and without cost, to any stockholder of each of the aforesaid constituent corporations.

7. The authorized capital stock of PDI-NJ consists of 2,500 shares without par value.

8. The merger of PDI-NJ with and into PDI-Del shall be effective immediately upon the filing of this Certificate of Merger.

Executed on this 13th day of May, 1998

PROFESSIONAL DETAILING, INC.
A Delaware Corporation

By: /s/ Charles T. Saldarini
President and Chief Executive Officer

**CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION**

OF

**PROFESSIONAL DETAILING, INC.
(Pursuant to Section 242 of
the Delaware General Corporation Law)**

Professional Detailing, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the Delaware General Corporation Law (the "DGCL") does hereby certify that:

1. The name of the corporation is Professional Detailing, Inc.

2. The Board of Directors of the Corporation duly adopted resolutions setting forth two (2) proposed amendments (the "Amendments") to the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), declaring the Amendments' advisability to its stockholders, and directing that the Amendments be considered at the year 2001 annual meeting of the stockholders of the Corporation. At the year 2001 annual meeting of stockholders of the Corporation, a majority of the stockholders approved the Amendments. The Amendments provide as follows:

(i) That Article First of the Certificate of Incorporation shall be amended to read in its entirety as follows:

"FIRST: The name of the corporation is PDI, Inc. (hereinafter called the "corporation");

and

(ii) That the first paragraph of Article Fourth of the Certificate of Incorporation shall be amended to read in its entirety as follows:

"FOURTH: The total number of shares of all classes of stock which this corporation shall have authority to issue is 105,000,000, consisting of (i) 100,000,000 shares of common stock, \$.01 par value per share ("Common Stock") and (ii) 5,000,000 shares of preferred stock, \$.01 par value per share (the "Preferred Stock")."

3. The Amendments herein certified have been duly adopted in accordance with the provisions of Section 242 of the DGCL by the Board of Directors.

4. This Certificate of Amendment shall become effective as of 8:00 a.m., Eastern Standard Time, on October 1, 2001.

Executed on this 28th day of September, 2001.

Professional Detailing, Inc.

By: /s/ Bernard C. Boyle

Bernard C. Boyle

Executive Vice President and Chief Financial Officer

CERTIFICATE OF OWNERSHIP AND MERGER

OF

LIFECYCLE VENTURES, INC.

(a Delaware corporation)

INTO

PDI, INC.

(a Delaware corporation)

PDI, Inc. (hereinafter referred to as the "Corporation"), a corporation organized and existing under and by virtue of the Delaware General Corporation Law, does hereby certify:

1. The Corporation is a business corporation of the State of Delaware.

2. The Corporation is the owner of all of the outstanding shares of the stock of LifeCycle Ventures, Inc. (hereinafter referred to as "LCV"), which is also a business corporation of the State of Delaware.

3. On December 21, 2001, the Board of Directors of the Corporation adopted the following resolutions to merge LCV into the Corporation:

RESOLVED: That LCV be merged into this Corporation, and that all of the estate, property, rights, privileges, powers and franchises of LCV be vested in and held and enjoyed by this Corporation as fully and entirely and without change or diminution as the same were before held and enjoyed by LCV in its name.

RESOLVED: That this Corporation shall assume all of the obligations of LCV.

RESOLVED: That this Corporation shall cause to be executed and filed and/or recorded the documents prescribed by the laws of the State of Delaware and by the laws of any other appropriate jurisdiction and will cause to be performed all necessary acts within the State of Delaware and within any other appropriate jurisdiction.

RESOLVED: That the merger of LCV into the Corporation shall be effective as of 11:59 p.m. December 31, 2001.

Executed on this 24th day of December, 2001.

PDI, INC.

By: /s/ Bernard C. Boyle

Bernard C. Boyle, Executive Vice President, Secretary and Chief Financial Officer

CERTIFICATE OF AMENDMENT
TO THE CERTIFICATE OF INCORPORATION OF
PDI, INC.

PDI, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the state of Delaware, does hereby certify that:

1. The name of the Corporation is PDI, Inc.

2. The Board of Directors of the Corporation duly adopted resolutions approving and setting forth this proposed amendment (the "Amendment") to the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), declaring the Amendment's advisability to its stockholders, and directing that the Amendment be considered at the 2012 annual meeting of the stockholders of the Corporation. At the annual meeting of the stockholders of the Corporation held on June 5, 2012, holders of a majority of the outstanding shares of the Corporation's common stock, being the only outstanding class of the Corporation's capital stock entitled to vote, voted in favor of the adoption of the Amendment.

3. The Amendment provides as follows:

The first paragraph of **ARTICLE FOURTH** of the Corporation's Certificate of Incorporation is amended to read as follows:

FOURTH: The total number of shares of all classes of stock which this corporation shall have authority to issue is 45,000,000, consisting of (i) 40,000,000 shares of common stock, par value \$.01 per share ("Common Stock"), and 5,000,000 shares of preferred stock, par value \$.01 per share ("Preferred Stock").

4. The Amendment herein certified has been duly adopted by the Board of Directors and stockholders of the Corporation in accordance with the provisions of Section 242 of the General Corporation Law of the state of Delaware.

IN WITNESS WHEREOF, this Certificate of Amendment to the Certificate of Incorporation of PDI, Inc. has been executed as of this 5th day of June, 2012.

PDI, Inc.

By: /s/ Nancy Lurker

Name: Nancy Lurker

Title: Chief Executive Officer

STATE OF DELAWARE
CERTIFICATE OF OWNERSHIP

SUBSIDIARY INTO PARENT
Section 253

CERTIFICATE OF OWNERSHIP
MERGING

TVG 1, INC.

INTO

PDI, Inc.

(Pursuant to Section 253 of the General Corporation Law of Delaware)

PDI, Inc., a corporation incorporated on the 10th day of February, 1998, pursuant to the provisions of the General Corporation Law of the State of Delaware;

DOES HEREBY CERTIFY that this corporation owns 90% of the capital stock of TVG 1, Inc., a corporation incorporated on the 19th day of September, 1986, A.D., pursuant to the provisions of the State of Delaware, and that this corporation, by a resolution of its Board of Directors duly adopted on the 24th day of December, 2014, A.D., determined to and did merge into itself said TVG 1, Inc., which resolution is in the following words to wit:

WHEREAS this corporation lawfully owns 90% of the outstanding stock of TVG 1, Inc., a corporation organized and existing under the laws of the State of Delaware, and

WHEREAS this corporation desires to merge into itself the said TVG 1, Inc., and to be possessed of all the estate, property, rights, privileges and franchises of said corporation,

NOW, THEREFORE, BE IT RESOLVED, that this corporation merge into itself said TVG 1, Inc. and assumes all of its liabilities and obligations, and

FURTHER RESOLVED, that an authorized officer of this corporation be and he/she is hereby directed to make and execute a certificate of ownership setting forth a copy of the resolution to merge said TVG 1, Inc. and assume its liabilities and obligations, and the date of adoption thereof, and to file the same in the office of the Secretary of State of Delaware, and a certified copy thereof in the office of the Recorder of Deeds of Kent County; and

FURTHER RESOLVED, that the officers of this corporation be and they hereby are authorized and directed to do all acts and things whatsoever, whether within or without the State of Delaware; which may be in any way necessary or proper to effect said merger.

IN WITNESS WHEREOF, said parent corporation has caused its corporate seal to be affixed and this certificate to be signed by an authorized officer this 29th day of December, 2014 A.D.

By: /s/ Graham Miao
Authorized Officer

Name: Graham Miao
Print or Type

Title: Chief Financial Officer & EVP

(Insert if applicable)

FURTHER RESOLVED, that _____ relinquishes its corporate name and assumes in place thereof the name _____.

CERTIFICATE OF AMENDMENT
TO THE CERTIFICATE OF INCORPORATION OF
PDI, INC.

PDI, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify that:

1. The name of the Corporation is PDI, Inc.

2. The Board of Directors of the Corporation duly adopted resolutions approving and setting forth this proposed amendment (the "Amendment") to the Certificate of Incorporation of the Corporation, as amended (the "Certificate of Incorporation"), declaring the Amendment's advisability, and directing that the Amendment be considered at a special meeting of the stockholders of the Corporation. Thereafter a special meeting of the stockholders of the Corporation was held, at which holders of a majority of the outstanding shares of the Corporation's common stock, being the only outstanding class of the Corporation's capital stock entitled to vote, voted in favor of the adoption of the Amendment.

3. The Amendment provides as follows:

That the first paragraph of ARTICLE FOURTH of the Corporation's Certificate of Incorporation is amended to read in its entirety as follows:

FOURTH: The total number of shares of all classes of stock which this corporation shall have authority to issue is 105,000,000, consisting of (i) 100,000,000 shares of common stock, par value \$.01 per share ("Common Stock"), and (ii) 5,000,000 shares of preferred stock, par value \$.01 per share ("Preferred Stock").

4. The Amendment herein certified has been duly adopted by the Board of Directors and stockholders of the Corporation in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, this Certificate of Amendment to the Certificate of Incorporation of PDI, Inc. has been executed as of this 22nd day of December.

PDI, Inc.

By: /s/ Nancy Lurker

Name: Nancy Lurker

Title: Chief Executive Officer

Signature Page to Charter Amendment re: Authorized Shares

CERTIFICATE OF AMENDMENT
TO THE CERTIFICATE OF INCORPORATION OF
PDI, INC.

PDI, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify that:

1. The name of the Corporation is PDI, Inc.

2. The Board of Directors of the Corporation duly adopted resolutions approving and setting forth this proposed amendment (the "Amendment") to the Certificate of Incorporation of the Corporation, as amended (the "Certificate of Incorporation"), declaring the Amendment's advisability, and directing that the Amendment be considered at a special meeting of the stockholders of the Corporation. Thereafter a special meeting of the stockholders of the Corporation was held, at which holders of a majority of the outstanding shares of the Corporation's common stock, being the only outstanding class of the Corporation's capital stock entitled to vote, voted in favor of the adoption of the Amendment.

3. The Amendment provides as follows:

That ARTICLE FIRST of the Corporation's Certificate of Incorporation is amended to read in its entirety as follows:

FIRST: The name of the corporation is Interpace Diagnostics Group, Inc. (hereinafter called the "Corporation").

4. The Amendment herein certified has been duly adopted by the Board of Directors and stockholders of the Corporation in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, this Certificate of Amendment to the Certificate of Incorporation of PDI, Inc. has been executed as of this 22nd day of December, 2015.

PDI, Inc.

By: /s/ Nancy Lurker

Name: Nancy Lurker

Title: Chief Executive Officer

Signature Page to Charter Amendment re: Name Change

CERTIFICATE OF AMENDMENT
TO THE
CERTIFICATE OF INCORPORATION
OF
INTERPACE DIAGNOSTICS GROUP, INC.

INTERPACE DIAGNOSTICS GROUP, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify as follows:

FIRST: At the Effective Time, as defined below, of this Certificate of Amendment pursuant to Section 242 of the General Corporation Law of the State of Delaware, each ten (10) shares of the Corporation's common stock, par value \$.01 per share, issued and outstanding immediately prior to the Effective Time (the "Old Common Stock") shall automatically without further action on the part of the Corporation or any holder of Old Common Stock, be reclassified, combined, converted and changed into one (1) fully paid and nonassessable share of common stock, par value \$.01 per share (the "New Common Stock"), subject to the treatment of fractional share interests as described below (the "reverse stock split"). The conversion of the Old Common Stock into New Common Stock will be deemed to occur at the Effective Time. From and after the Effective Time, certificates representing the Old Common Stock shall represent the number of shares of New Common Stock into which such Old Common Stock shall have been converted pursuant to this Certificate of Amendment. Holders who otherwise would be entitled to receive fractional share interests of New Common Stock upon the effectiveness of the reverse stock split shall be entitled to receive a cash payment in lieu of any fractional share created as a result of such reverse stock split equal to (i) the average closing price of the Old Common Stock as reported by The NASDAQ Capital Market for the five trading days immediately preceding the effective date of the reverse stock split by (ii) the amount of the fractional share.

SECOND: The foregoing amendment shall be effective at 5:00 p.m. (EST) on December 28, 2016 (the "Effective Time").

THIRD: That the stockholders of the Corporation have duly approved the foregoing amendment in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be duly adopted and executed in its corporate name and on its behalf by its duly authorized officer as of the 28th day of December, 2016.

INTERPACE DIAGNOSTICS GROUP, INC.

By: /s/ Jack E. Stover

Name: Jack E. Stover

Title: President & CEO

STATE OF DELAWARE
CERTIFICATE OF CHANGE OF REGISTERED AGENT
AND/OR REGISTERED OFFICE

The corporation, organized and existing under the General Corporation Law of the State of Delaware, hereby certifies as follows:

4. The name of the corporation is INTERPACE DIAGNOSTICS GROUP, INC.

5. The Registered Office of the corporation in the State of Delaware is changed to 251 Little Falls Drive, in the City of Wilmington, DE, County of New Castle, Zip Code 19808. The name of the Registered Agent at such address upon whom process against this Corporation may be served is Corporation Service Company.

6. The foregoing change to the registered office/agent was adopted by a resolution of the Board of Directors of the corporation.

By: /s/ James E. Early
 Authorized Officer

Name James E. Early
 Print or Type

INTERPACE DIAGNOSTICS GROUP, INC.
CERTIFICATE OF DESIGNATION OF PREFERENCES, RIGHTS AND LIMITATIONS

OF

SERIES A CONVERTIBLE PREFERRED STOCK
AND
SERIES A-1 CONVERTIBLE PREFERRED STOCK

PURSUANT TO SECTION 151 OF THE
DELAWARE GENERAL CORPORATION LAW

INTERPACE DIAGNOSTICS GROUP, INC., a Delaware corporation (the "**Corporation**"), in accordance with the provisions of Section 103 of the Delaware General Corporation Law (the "**DGCL**") does hereby certify that, in accordance with Section 151 of the DGCL, the following resolution was duly adopted by the Board of Directors of the Corporation on July 12, 2019:

RESOLVED, pursuant to authority expressly set forth in the Certificate of Incorporation of the Corporation (the "**Certificate of Incorporation**"), the issuance of a series of Preferred Stock designated as the Series A Convertible Preferred Stock, par value \$0.01 per share, of the Corporation and the issuance of a series of Preferred Stock designated as the Series A-1 Convertible Preferred Stock, par value \$0.01 per share, of the Corporation is each hereby authorized and the designation, number of shares, powers, preferences, rights, qualifications, limitations and restrictions thereof (in addition to any provisions set forth in the Certificate of Incorporation that are applicable to the Preferred Stock of all classes and series) are hereby fixed, and this Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock and Series A-1 Convertible Preferred Stock is hereby approved as follows:

SERIES A AND SERIES A-1 CONVERTIBLE PREFERRED STOCK

Section 1. Definitions. For the purposes hereof, the following terms shall have the following meanings:

"**Additional Shares of Common Stock**" shall mean all shares of Common Stock issued (or, pursuant to Section 9(e) below, deemed to be issued) by the Corporation after the Issuance Date, other than: (a) shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on Senior Preferred Stock; (b) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Section 9(a), Section 9(b) or Section 9(c); (c) shares of Common Stock or Options issued to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors of the Corporation, including the approval of at least one Series A Director; (d) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities, in each case, provided such issuance is pursuant to the terms of an Option or Convertible Security that is issued and outstanding prior to the Issuance Date (clauses a – d collectively, "**Exempted Securities**").

“**Affiliate**” means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person, as such terms are used in and construed under Rule 405 under the Securities Act. With respect to a Purchaser, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Purchaser will be deemed to be an Affiliate of such Purchaser.

“**Business Day**” means any day except Saturday, Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

“**Commission**” means the U.S. Securities and Exchange Commission.

“**Common Stock**” means the Corporation’s common stock, par value \$0.01 per share.

“**Conversion Shares**” means, collectively, the shares of Common Stock issuable upon conversion of the shares of Series A Preferred Stock in accordance with the terms hereof.

“**Convertible Securities**” shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

“**Deemed Liquidation**” shall mean (a) a merger or consolidation in which (i) the Corporation is a constituent party or (ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation, except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or (b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger, consolidation or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

“**DGCL**” shall mean the Delaware General Corporation Law.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Holder**” means any holder of Senior Preferred Stock.

“**Issuance Date**” means July 15, 2019.

“**Minimum Price**” means the lower of (a) the closing price of Common Stock (as reflected on Nasdaq.com) on the Trading Day immediately preceding the Issuance Date; or (b) the average closing price of the Common Stock (as reflected on Nasdaq.com) for the five Trading Days immediately preceding the Issuance Date.

“**Net Revenue**” means the consolidated net revenue recognized by the Corporation as set forth on the Corporation’s audited consolidated statement of operations for the twelve month period ended December 31, 2020, as reported by the Corporation on Form 10-K as filed with the Commission, in each case, solely to the extent such consolidated net revenue arises from the Corporation’s clinical testing business (which for the avoidance of doubt will exclude any products or services acquired or licensed by the Corporation or any of its direct or indirect subsidiaries from and after the Issuance Date, including pursuant to that certain Secured Creditor Asset Purchase Agreement, entered into by a subsidiary of the Corporation on the Issuance Date).

“**Option**” shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

“**Person**” means any individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“**Preferred Stock**” means the Corporation’s preferred stock, par value \$0.01 per share.

“**Series A Adjustment Amount**” means an amount equal to the product, of: (a) three cents (\$0.03); multiplied by (b) (the amount, if any, by which the Net Revenue is less than Thirty Four Million Dollars (\$34,000,000)) divided by 1,000,000; provided, however, in no event will the Series A Adjustment Amount equal an amount greater than twenty one cents \$0.21 per share (it being understood that the Series A Adjustment Amount shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares).

“**Series A Conversion Price**” means an amount initially equal to eighty cents (\$0.80) (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) minus the Series A Adjustment Amount, subject to adjustment as provided herein.

“Series A Conversion Ratio” means, for each share of Series A Preferred Stock, the ratio obtained by dividing the Series A Liquidation Amount of such share by the Series A Conversion Price.

“Series A Liquidation Value” means an amount equal to the Series A Liquidation Amount divided by the number of shares of Series A Preferred Stock outstanding.

“Series A-1 Liquidation Value” means an amount equal to the Series A-1 Liquidation Amount divided by the number of shares of Series A-1 Preferred Stock outstanding.

“Series A Mandatory Conversion Price” means an amount equal to eighty cents (\$0.80) minus the Series A Adjustment Amount.

“Series A Minimum Voting Ratio” means, for each share of Series A Preferred Stock, the ratio obtained by dividing the Stated Value by Eighty Cents (\$0.80) (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares).

“Stated Value” means \$100,000 per share.

“Threshold Amount” means 19.99% of the number of shares of Common Stock outstanding immediately prior to the issuance of Senior Preferred Stock on the Issuance Date.

“Trading Day” means a day on which the Common Stock is traded for any period on a principal securities exchange or if the Common Stock is not traded on a principal securities exchange, on a day that the Common Stock is traded on another securities market on which the Common Stock is then being traded.

Section 2. Designation, Amount and Par Value: Assignment.

(a) The first series of Preferred Stock designated by this Certificate of Designation shall be designated as the Corporation’s Series A Convertible Preferred Stock (the **“Series A Preferred Stock”**) and the number of shares so designated shall be 270. The second series of Preferred Stock designated by this Certificate of Designation shall be designated as the Corporation’s Series A-1 Convertible Preferred Stock (the **“Series A-1 Preferred Stock”**) and together with the Series A Preferred Stock, the **“Senior Preferred Stock”**) and the number of shares so designated shall be 80. The Senior Preferred Stock shall have a par value of \$0.01 per share.

(b) The Corporation shall register shares of the Senior Preferred Stock, upon records to be maintained by the Corporation for that purpose (the **“Senior Preferred Stock Register”**), in the name of the Holders thereof from time to time. The Corporation may deem and treat the registered Holder of shares of Senior Preferred Stock as the absolute owner thereof for the purpose of any conversion thereof and for all other purposes. Shares of Senior Preferred Stock may be issued solely in book-entry form or, if requested by any Holder, such Holder’s shares may be issued in certificated form. The Corporation shall register the transfer of any shares of Senior Preferred Stock in the Senior Preferred Stock Register, upon surrender of the certificates (if applicable) evidencing such shares to be transferred, duly endorsed by the Holder thereof, to the Corporation at its address specified herein. Upon any such registration or transfer, a new certificate (or book-entry notation, if applicable) evidencing the shares of Senior Preferred Stock so transferred shall be issued to the transferee and a new certificate (or book-entry notation, if applicable) evidencing the remaining portion of the shares not so transferred, if any, shall be issued to the transferring Holder, in each case, within two (2) Business Days. The provisions of this Certificate of Designation are intended to be for the benefit of all Holders from time to time and shall be enforceable by any such Holder.

Section 3. Dividends.

(a) From and after the third (3rd) anniversary of the Issuance Date, each share of Series A-1 Preferred Stock shall accrue dividends at the rate per annum of twelve percent (12%) of the Stated Value plus the amount of previously declared or accrued, and not previously paid dividends (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) (the "**Series A-1 Accruing Dividends**"). The Series A-1 Accruing Dividends shall accrue from day to day, whether or not declared, and shall be cumulative and be compounded quarterly; provided, however, that except as set forth in the following sentence of this Section 3(a) such Series A-1 Accruing Dividends shall be payable only when, as, and if declared by the Board of Directors and the Corporation shall be under no obligation to pay such Series A-1 Accruing Dividends. The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than the Series A Accruing Dividend and dividends on shares of Common Stock payable in shares of Common Stock) unless the Holders of the Series A-1 Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series A-1 Preferred Stock in an amount at least equal to the sum of (i) the amount of the aggregate Series A-1 Accruing Dividends then accrued on such share of Series A-1 Preferred Stock and not previously paid, plus (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series A-1 Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable had such share of Series A-1 Preferred Stock been converted into Series A Preferred Stock pursuant to Section 7 immediately prior to such dividend and immediately thereafter and effective prior to the consummation of such dividend each such share of Series A Preferred Stock had been converted to Common Stock pursuant to Section 8 without regard to the Exchange Cap, in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series A-1 Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) and (2) multiplying such fraction by an amount equal to the Stated Value; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series A-1 Preferred Stock pursuant to this Section 3(a) shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series A-1 Preferred Stock dividend. Notwithstanding anything to the contrary herein, the Corporation shall not declare, pay or set aside a dividend on Series A-1 Preferred Stock consisting of Common Stock prior to the Nasdaq Approval Date.

(b) From and after the initial issuance date of a share of Series A Preferred Stock, including the date of conversion of any shares of Series A-1 Preferred Stock into Series A Preferred Stock, each such share of Series A Preferred Stock shall accrue dividends at the rate per annum of six percent (6%) of the Stated Value plus the amount of previously declared or accrued, and not previously paid dividends (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) (the “**Series A Accruing Dividends**”). The Series A Accruing Dividends shall accrue from day to day, whether or not declared, and shall be cumulative and be compounded quarterly; provided, however, that except as set forth in the following sentence of this Section 3(b) such Series A Accruing Dividends shall be payable only when, as, and if declared by the Board of Directors and the Corporation shall be under no obligation to pay such Series A Accruing Dividends. The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than the Series A-1 Accruing Dividend and dividends on shares of Common Stock payable in shares of Common Stock) unless the Holders of the Series A Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series A Preferred Stock in an amount at least equal to the sum of (i) the amount of the aggregate Series A Accruing Dividends then accrued on such share of Series A Preferred Stock and not previously paid, plus (ii) (A) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series A Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Series A Preferred Stock pursuant to Section 8 without regard to the Exchange Cap, in each case calculated on the record date for determination of holders entitled to receive such dividend or (B) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series A Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) and (2) multiplying such fraction by an amount equal to the Stated Value; provided that, if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the Holders of Series A Preferred Stock pursuant to this Section 3(b) shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series A Preferred Stock dividend. Notwithstanding anything to the contrary herein, the Corporation shall not declare, pay or set aside a dividend on Series A Preferred Stock consisting of Common Stock prior to the Nasdaq Approval Date.

Section 4. Voting Rights.

(a) Non-Voting Series A-1 Preferred Stock. The Series A-1 Preferred Stock shall have no voting rights.

(b) General Series A Preferred Stock Voting Rights. From and after the Issuance Date until the earlier of: (i) the day following the Next Meeting Date (as defined below); and (ii) six (6) months following the Issuance Date (the “**Voting Date**”), the Series A Preferred Stock shall have no voting rights (the “**Voting Block**”); provided, however, that the Voting Block shall not apply to Section 4(c)(i), Section 4(c)(ii), Section 4(c)(iii), Section 4(c)(iv), Section 4(c)(vi), Section 4(d) or Section 4(e); provided, further, that from and after the day following the Next Meeting Date, the Voting Block shall not apply. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each Holder of outstanding shares of Series A Preferred Stock shall be entitled to cast the number of votes equal to the lesser of: (a) the number of whole shares of Common Stock into which the shares of Series A Preferred Stock held by such Holder are convertible as of the record date for determining stockholders entitled to vote on such matter; and (b) the number of whole shares of Common Stock equal to the number of shares of Series A Preferred Stock held by such Holder as of the record date for determining stockholders entitled to vote on such matter multiplied by the Series A Minimum Voting Ratio; provided, however, that at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting) pursuant to which the record date for determining the stockholders entitled to vote at such meeting (or by written consent) occurs prior to the Nasdaq Approval Date, each share of Series A Preferred Stock that exceeds the Exchange Cap shall have no voting rights (the “**Voting Cap**”); provided, further, that from and after the Nasdaq Approval Date, the Voting Cap shall not apply. Except as provided by law or by the other provisions of this Certificate of Designation, Holders of Series A Preferred Stock shall vote together with the holders of Common Stock as a single class and on an as-converted to Common Stock basis.

(c) Directors.

(i) After the Nasdaq Approval Date, for so long as at least 135 shares of Series A Preferred Stock remain outstanding that are not subject to the Voting Cap (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) or if the Holders of Series A Preferred obtain an exemption to the Voting Cap from the Nasdaq Capital Market with respect to the right to appoint directors of the Corporation, the Holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect three (3) directors of the Corporation.

(ii) After the Nasdaq Approval Date, for so long as at least 90 shares of Series A Preferred Stock remain outstanding that are not subject to the Voting Cap (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) or if the Holders of Series A Preferred obtain an exemption to the Voting Cap from the Nasdaq Capital Market with respect to the right to appoint directors of the Corporation, the Holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect two (2) directors of the Corporation.

(iii) For so long as at least 45 shares of Series A Preferred Stock remain outstanding that are not subject to the Voting Cap (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), the Holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect one (1) director of the Corporation (each director elected pursuant to this Section 4(c) shall hereinafter referred to as a "**Series A Director**").

(iv) If the Corporation is unable to redeem for cash in compliance with Section 6 all of the shares of Senior Preferred Stock subject to a Redemption Notice in compliance with applicable law, the Holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect a majority of the directors of the Corporation then in-office.

(v) The holders of record of the shares of Common Stock and of any other class or series of voting stock (including the Series A Preferred Stock), exclusively and voting together as a single class, shall, subject to the rights of any additional series of Preferred Stock that may be established from time to time, be entitled to elect the balance of the total number of directors of the Corporation. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or series entitled to elect such director shall constitute a quorum for the purpose of electing such director.

(vi) Any director elected pursuant to this Section 4(c) may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class or series of capital stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. A vacancy in any directorship filled by the holders of any class or series shall be filled only by vote or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the holders of such class or series pursuant to this Section 4(c).

(d) Protective Provisions. Notwithstanding anything in this Certificate of Designation to the contrary, for so long as any shares of the Senior Preferred Stock remain outstanding, the following actions may only be taken by the Corporation or any of its direct or indirect subsidiaries with the written consent of Holders representing a majority of the outstanding shares of Senior Preferred Stock (voting as a single class):

- (i) amend, waive, alter or repeal the preferences, rights, privileges or powers of the Holders of the Senior Preferred Stock;
- (ii) amend, alter or repeal any provision of this Certificate of Designation in a manner that is adverse to the Holders of Senior Preferred Stock;
- (iii) authorize, create or issue any equity securities senior to or pari passu with either series of the Senior Preferred Stock; or

(iv) increase or decrease the number of directors constituting the Board.

(e) Additional Protective Provisions. Notwithstanding anything in this Certificate of Designation to the contrary, for so long as either: (i) at least 105 shares of Senior Preferred Stock remain outstanding (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares); or (ii) at least 28 shares of Series A-1 Preferred Stock remain outstanding (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares), the following actions may only be taken by the Corporation or any of its direct or indirect subsidiaries with the written consent with the consent of Holders representing a majority of the outstanding shares of Senior Preferred Stock (voting as a single class):

(A) (1) authorize, create or issue any debt securities for borrowed money or funded debt pursuant to which the Corporation or any of its direct or indirect subsidiaries issues shares, warrants or any other convertible security in the same transaction or a series of related transactions; or (2) authorize, create or issue any debt securities for borrowed money or funded debt pursuant to which the Corporation or any of its direct or indirect subsidiaries does not issue shares, warrants or any other convertible security in the same transaction or a series of related transactions exceeding \$4.5 million initially (the “**Debt Threshold**”), excluding, however: (w) any capitalized and operating leases entered into by the Corporation or its direct or indirect subsidiaries in the ordinary course of business consistent with past practice; and (x) any debt incurred by the Corporation pursuant to the terms of the Corporation’s existing term loan and credit facility with Silicon Valley Bank as it is proposed to be expanded on the Issuance Date on similar terms with Silicon Valley Bank or another comparable credit facility provider subsequent to the Issuance Date; provided, that if the aggregate consolidated revenue recognized by the Corporation and its direct or indirect subsidiaries (the “**Combined Revenue**”) as reported by the Corporation on Form 10-K as filed with the Commission for any fiscal year ending after the Issuance Date exceeds \$45 million dollars, the Debt Threshold for the following fiscal year shall increase to an amount equal to: (y) ten percent (10%); multiplied by (z) the Combined Revenue as reported by the Corporation on Form 10-K as filed with the Commission for the previous fiscal year;

(B) merge with or acquire all or substantially all of the assets of one or more other companies or entities with a value in excess of \$20 million (the “**Acquisition Threshold**”); provided, that the Acquisition Threshold shall increase on a straight line basis to an amount up to \$40 million, but in no event greater than \$40 million, to the extent Combined Revenue for the then-most recently completed quarterly period as reported by the Corporation on Form 10-K as filed with the Commission or Form 10-Q as filed with the Commission, as applicable, falls between the Combined Revenue for the Corporation’s fiscal quarter ended on September 30, 2019, and 100% greater than the Combined Revenue for the Corporation’s fiscal quarter ended on September 30, 2019;

(C) materially change the nature of the business of the Corporation or any of its direct or indirect subsidiaries as it is proposed to be conducted as of the Issuance Date.;

(D) consummate any Liquidation (as defined below);

(E) transfer, by sale, exclusive license or otherwise, material intellectual property rights of the Corporation or any of its direct or indirect subsidiaries, other than licenses, transfers or sales of products accomplished in the ordinary course of business consistent with past practice;

(F) declare or pay any cash dividend or make any cash distribution on any equity interests of the Corporation other than the Senior Preferred Stock;

(G) repurchase or redeem any shares of capital stock of the Corporation, except for: (1) the redemption of the Senior Preferred Stock pursuant to Section 5(e) or Section 6; or (2) repurchases of Common Stock under agreements previously approved by the Board of Directors of the Corporation with employees, consultants, advisors or others who performed services for the Corporation or any direct or indirect subsidiary in connection with the cessation of such employment or service;

(H) incur any additional individual debt, indebtedness for borrowed money or other additional liabilities pursuant to which the Corporation or any of its direct or indirect subsidiaries issues shares, warrants or any other convertible security in the same transaction or a series of related transactions; or (b) incur any individual debt, indebtedness for borrowed money or other liabilities pursuant to which the Corporation or any of its direct or indirect subsidiaries does not issue shares, warrants or any other convertible security in the same transaction or a series of related transactions in excess of the Debt Threshold (in each case, excluding: (i) any capitalized and operating leases entered into by the Corporation or its direct or indirect subsidiaries in the ordinary course of business consistent with past practice; (ii) any debt incurred by the Corporation pursuant to the terms of the Corporation's existing term loan and credit facility with Silicon Valley Bank as it is proposed to be expanded on the Issuance Date on similar terms with Silicon Valley Bank or another comparable credit facility provider subsequent to the Issuance Date; and (iii) any purchase money financing in connection with the acquisition of equipment or otherwise); or

(I) change any accounting methods or practices of the Corporation or any of its direct or indirect subsidiaries, except for those changes required by GAAP or applicable regulatory agencies or authorities, including but not limited to the Securities and Exchange Commission and the Financial Accounting Standards Board, in each case, as consented to by the Corporation's independent auditors.

(f) Notwithstanding the foregoing, nothing in Section 4(e) shall restrict the Corporation's ability to adopt an at-the-market offering of its Common Stock or other public offering of Common Stock registered with the Commission on Form S-3 for up to \$5 million worth of the Common Stock ("**Permitted Financings**"); provided, however, that Permitted Financings will not include any transaction or series of related transactions pursuant to which the Corporation issues warrants or any other convertible security without the written consent of Holders representing a majority of the outstanding shares of Senior Preferred Stock.

Section 5. Liquidation.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation (a "**Liquidation**"), the Holders of shares of Series A-1 Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders (on a pari passu basis with the holders of any class or series of Preferred Stock ranking on liquidation on a parity with the Series A-1 Preferred Stock), and before any payment shall be made to the Holders of Series A Preferred Stock, Common Stock or any other class or series of Preferred Stock ranking on liquidation junior to the Series A-1 Preferred Stock by reason of their ownership thereof, an amount per share of Series A-1 Preferred Stock equal to the greater of (based on the date of the related Liquidation): (a) from and after the Issuance Date until the second (2nd) anniversary of the Issuance Date, two times (2x) the Stated Value of such share of Series A-1 Preferred Stock; (b) after the second (2nd) anniversary of the Issuance Date until the third (3rd) anniversary of the Issuance Date, two and one-half times (2½x) the Stated Value of such share of Series A-1 Preferred Stock; or (c) from and after the third (3rd) anniversary of the Issuance Date three times (3x) the Stated Value of such share of Series A-1 Preferred Stock, plus any Series A-1 Accruing Dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon or (ii) such amount per share as would have been payable in respect of such share had such share been converted into Series A Preferred Stock pursuant to Section 7 immediately prior to such Liquidation and immediately thereafter and effective prior to the consummation of such Liquidation each such share of Series A Preferred Stock had been converted to Common Stock pursuant to Section 8 without regard to the Exchange Cap (the amount payable in respect of shares of Series A-1 Preferred Stock pursuant to this sentence is hereinafter referred to as the "**Series A-1 Liquidation Amount**"). If upon any such Liquidation, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the Holders of shares of Series A-1 Preferred Stock and any series of Preferred Stock ranking on liquidation on a parity with the Series A-1 Preferred Stock the full amount to which they shall be entitled under this Section 5(a), the Holders of shares of Series A-1 Preferred Stock and any series of Preferred Stock ranking on liquidation on a parity with the Series A-1 Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares of Series A-1 Preferred Stock held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(b) In the event of any Liquidation, the Holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders (on a pari passu basis with the holders of any class or series of Preferred Stock ranking on liquidation on a parity with the Series A Preferred Stock), and before any payment shall be made to the holders of Common Stock or any other class or series of Preferred Stock ranking on liquidation junior to the Series A Preferred Stock by reason of their ownership thereof, an amount per share of Series A Preferred Stock equal to the greater of (i) the Stated Value of such share of Series A Preferred Stock, plus any Series A Accruing Dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had each such share been converted into Common Stock pursuant to Section 8 immediately prior to such Liquidation without regard to the Exchange Cap, (the amount payable in respect of shares of Series A Preferred Stock pursuant to this sentence is hereinafter referred to as the "**Series A Liquidation Amount**"). If upon any such Liquidation, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the Holders of shares of Series A Preferred Stock and any series of Preferred Stock ranking on liquidation on a parity with the Series A Preferred Stock the full amount to which they shall be entitled under this Section 5(b), the Holders of shares of Series A Preferred Stock and any series of Preferred Stock ranking on liquidation on a parity with the Series A Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(c) In the event of any Liquidation, after the payment of all preferential amounts required to be paid to the Holders of shares of Series A-1 Preferred Stock, Series A Preferred Stock and any other series of Preferred Stock ranking on liquidation senior to the Common Stock, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares held by each such holder.

(d) The Corporation shall not have the power to effect a Deemed Liquidation unless the definitive agreement regarding such transaction provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Section 5 of this Certificate of Designation.

(e) If following a Deemed Liquidation the Corporation does not effect a dissolution of the Corporation under the General Corporation Law within sixty (60) days after such Deemed Liquidation, then (i) the Corporation shall send a written notice to each Holder of Senior Preferred Stock no later than the sixtieth (60th) day after the Deemed Liquidation advising such Holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (ii) to require the redemption of such shares of Senior Preferred Stock, and (ii) if the Holders of a majority of the then outstanding shares of Senior Preferred Stock so request in a written instrument delivered to the Corporation not later than sixty (60) days after receipt of such notice, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation) (the "**Net Proceeds**"), to the extent legally available therefor, on the one hundred fiftieth (150th) day after such Deemed Liquidation, to redeem all outstanding shares of Senior Preferred Stock at a price per share equal to the Series A-1 Liquidation Value or Series A Liquidation Value, as applicable. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Net Proceeds are not sufficient to redeem all outstanding shares of Senior Preferred Stock and of any other series of Preferred Stock ranking on redemption on parity with the Senior Preferred Stock that is required to then be redeemed, or if the Corporation does not have sufficient lawfully available funds to effect such redemption, the Corporation shall first redeem a pro rata portion of each Holder's shares of Series A Preferred Stock and any such other series of Preferred Stock ranking on redemption on a parity with the Series A Preferred Stock to the fullest extent of such Net Proceeds or such lawfully available funds, as the case may be, based on the respective amounts which would otherwise be payable in respect of the shares to be redeemed if the legally available funds were sufficient to redeem all such shares. If upon any such redemption, the assets of the Corporation lawfully available to effect such redemption shall be insufficient to pay the Holders of shares of Series A Preferred Stock and any series of Preferred Stock ranking on redemption on a parity with the Series A Preferred Stock, the full amount to which they shall be entitled under this Section 5(e), the Holders of shares of Series A Preferred Stock and any series of Preferred Stock ranking on redemption on a parity with the Series A Preferred Stock shall share ratably in any distribution of the assets lawfully available for such redemption in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such redemption if all amounts payable on or with respect to such shares were paid in full, and shall redeem the remaining shares to have been redeemed as soon as practicable after the Corporation has funds legally available therefor. Thereafter, the Corporation shall next redeem a pro rata portion of each Holder's shares of Series A-1 Preferred Stock and any such other series of Preferred Stock ranking on redemption on parity with the Series A-1 Preferred Stock to the fullest extent of such Net Proceeds or such lawfully available funds, as the case may be, based on the respective amounts which would otherwise be payable in respect of the shares to be redeemed if the legally available funds were sufficient to redeem all such shares. If upon any such redemption, the assets of the Corporation lawfully available to effect such redemption shall be insufficient to pay the Holders of shares of Series A-1 Preferred Stock and any series of Preferred Stock ranking on redemption on a parity with the Series A-1 Preferred Stock, the full amount to which they shall be entitled under this Section 5(e), the Holders of shares of Series A-1 Preferred Stock and any series of Preferred Stock ranking on redemption on a parity with the Series A-1 Preferred Stock shall share ratably in any distribution of the assets lawfully available for such redemption in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such redemption if all amounts payable on or with respect to such shares were paid in full, and shall redeem the remaining shares to have been redeemed as soon as practicable after the Corporation has funds legally available therefor. The provisions of Section 6(b) below shall apply, with such necessary changes in the details thereof as are necessitated by the context, to the redemption of the Senior Preferred Stock pursuant to this Section 5(e). Prior to the distribution or redemption provided for in this Section 5(e), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation, except to discharge expenses incurred in connection with such Deemed Liquidation or in the ordinary course of business consistent with past practice.

(f) The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any Liquidation Event shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity; provided, that the value of any such non-cash property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation.

Section 6. Redemption.

(a) If the Corporation shall have failed to obtain the Nasdaq Approval on, or prior to, the third (3rd) anniversary of the Issuance Date (the "**Triggering Event Date**"), each Holder shall have the right (the "**Redemption Right**") beginning on the date following the Triggering Event Date to require the Corporation to redeem all of the shares of Series A Preferred Stock, if any, then held by such Holder that are convertible into a number of shares of Common Stock that exceeds the Exchange Cap and all of the shares of Series A-1 Preferred Stock then held by such Holder by delivering written notice thereof to the Corporation (the "**Redemption Notice**") together with the applicable certificates, if any, representing such shares of Senior Preferred Stock which Redemption Notice shall indicate that Holder is electing to redeem such shares of Senior Preferred Stock. Each of the shares of Senior Preferred Stock subject to redemption by the Corporation pursuant to this Section 6(a) shall be redeemed by the Corporation at a price equal to the Series A-1 Liquidation Value or Series A Liquidation Value, as applicable. Payment of the Series A-1 Liquidation Value or Series A Liquidation Value, as applicable, required by this Section 6(a) shall be made in accordance with the provisions of Section 6(b). Notwithstanding anything to the contrary in this Section 6(a), until the Series A Liquidation Value for each share of Series A Preferred Stock subject to a Redemption Notice is paid in full, such shares of Series A Preferred Stock that have not been so redeemed under this Section 6(a) may be converted, in whole or in part, by Holder into Common Stock pursuant to Section 8; provided, that the Corporation shall not be obligated to pay Holder the Series A Liquidation Value in respect of any shares of Senior Preferred Stock subject to a Redemption Notice that are so converted into shares of Common Stock.

(b) If a Holder submits a Redemption Notice in accordance with Section 6(a), the Corporation shall pay such Holder an amount equal to the aggregate Series A-1 Liquidation Value or Series A Liquidation Value, as applicable, payable in respect of all Senior Preferred Stock held by such Holder to be redeemed pursuant to Section 6(a) by wire transfer of immediately available funds to the account(s) designated in the Redemption Notice as soon as reasonably practicable, but in no event later than sixty (60) days, following the date of such Redemption Notice. Upon payment of the aggregate Series A-1 Liquidation Value or Series A Liquidation Value, as applicable, in respect of any shares of Senior Preferred Stock subject to a Redemption Notice, such shares of Senior Preferred Stock will be automatically cancelled without any further action on the part of the Corporation, Holder or any other Person and such cancelled shares of Senior Preferred Stock shall no longer be issued and outstanding shares of capital stock of the Corporation. In the event that the Corporation does not pay to Holder any portion of the Series A-1 Liquidation Value or Series A Liquidation Value, as applicable, in respect of shares of Senior Preferred Stock subject to a Redemption Notice in full within the time period required for any reason (including, without limitation, to the extent such payment is prohibited pursuant to applicable law), at any time thereafter and until the Corporation pays such Series A-1 Liquidation Value or Series A Liquidation Value, as applicable, in full, such Holder shall have the option, in lieu of redemption, to require the Corporation to promptly return to such Holder all or any of the shares of Senior Preferred Stock subject to a Redemption Notice that were submitted for redemption and for which the applicable Series A-1 Liquidation Value or Series A Liquidation Value, as applicable, has not been paid. Upon the Corporation's receipt of such notice, (A) the Redemption Notice shall be null and void with respect to such shares of Senior Preferred Stock, and (B) the Corporation shall immediately return the applicable certificate, if any, or issue a new, to Holder (unless such shares of Senior Preferred Stock are held in book-entry form, in which case the Corporation shall deliver evidence to such Holder that a book-entry for such shares of Senior Preferred Stock then exists).

Section 7. Conversion of Series A-1 Preferred Stock into Series A Preferred Stock.

(a) Automatic Conversion of Series A-1 Preferred Stock into Series A Preferred Stock. If the Corporation obtains the Nasdaq Approval at any time prior to the eighteen (18) month anniversary of the Issuance Date, on the date that the Corporation obtains such Nasdaq Approval (the "**Nasdaq Approval Date**"), each share of Series A-1 Preferred Stock shall automatically be converted into one share of Series A Preferred Stock.

(b) No Conversion of Series A-1 Preferred Stock into Common Stock. Shares of Series A-1 Preferred Stock shall not be convertible into shares of Common Stock.

Section 8. Conversion of Series A Preferred Stock into Common Stock

(a) Conversion of Series A Preferred Stock into Common Stock at Option of Holder. Subject to Section 8(c) below, each share of Series A Preferred Stock shall be convertible, at any time and from time to time from and after the Issuance Date, at the option of the Holder thereof, into a number of shares of Common Stock equal to the product of the Series A Conversion Ratio and the number of shares of Series A Preferred Stock to be converted. Holders shall effect conversions of Series A Preferred Stock into Common Stock by providing the Corporation with the form of conversion notice attached hereto as Annex A (a "**Notice of Conversion**"), duly completed and executed. Provided the Corporation's transfer agent is participating in the Depository Trust Corporation ("**DTC**") Fast Automated Securities Transfer program, the Notice of Conversion may specify, at the Holder's election, whether the applicable Conversion Shares shall be credited to the DTC participant account nominated by the Holder through DTC's Deposit Withdrawal Agent Commission system (a "**DWAC Delivery**"). The "**Optional Conversion Date**", or the date on which a conversion shall be deemed effective, shall be defined as the Trading Day after the Trading Date that the Notice of Conversion, completed and executed, is sent by facsimile or other electronic transmission to, and received during regular business hours by, the Corporation; provided that the original certificate(s) (if any) representing such shares of Series A Preferred Stock being converted, duly endorsed, and the accompanying Notice of Conversion, are received by the Corporation within two (2) Trading Days thereafter. In all other cases, the Optional Conversion Date shall be defined as the Trading Day after the Trading Date on which the original shares of Series A Preferred Stock being converted, duly endorsed, and the accompanying Notice of Conversion, are received by the Corporation.

(b) Mandatory Conversion of Series A Preferred Stock into Common Stock. If at any time after the Corporation shall have obtained the Nasdaq Approval, the Corporation consummates the sale of shares of Common Stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, pursuant to which (A) the price per share of the Common Stock in such offering is at least the Series A Mandatory Conversion Price (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) and such offering results in at least \$25 million in proceeds, net of the underwriting discount and commissions, to the Corporation and the Common Stock continues to be listed for trading on the Nasdaq Capital Market or another Exchange such as NYSE (such offering, an “**Underwritten Offering**”, and the date of the consummation of such Underwritten Offering is referred to herein as the “**Mandatory Conversion Date**” and together with each Optional Conversion Date, a “**Conversion Date**”), (i) all outstanding shares of Series A Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective Series A Conversion Ratio and (ii) such shares may not be reissued by the Corporation. The provisions of Section 8(d) shall apply, with such necessary changes in the details thereof as are necessitated by the context, to the conversion of shares of Series A Preferred Stock into Common Stock pursuant to this Section 8(b). Notwithstanding the foregoing, an Underwritten Offering shall not include, and shares of Series A Preferred Stock will not automatically convert to shares of Common Stock upon the consummation of, any Underwritten Offering that includes the issuance of warrants to purchase capital stock of the Corporation or any other Convertible Security.

(c) Series A Conversion Limitation. Notwithstanding anything herein to the contrary, from and after the Issuance Date until the Voting Date, the Corporation shall not effect any conversion of the Series A Preferred (the “**Exchange Block**”); provided, however, that from and after the Voting Date, the Exchange Block shall not apply. From and after the Voting Date, the Corporation shall not effect any conversion of the Series A Preferred Stock into Common Stock, and a Holder shall not have the right to convert any portion of the Series A Preferred Stock into Common Stock, if the issuance of such shares of Common Stock would exceed the aggregate number of shares of Common Stock which the Corporation may issue upon conversion of the Series A Preferred Stock under applicable Nasdaq Marketplace rules (the number of shares of Common Stock which may be issued without violating such rules, the “**Exchange Cap**”), except that the Exchange Cap shall not apply in the event that the Corporation obtains the approval of its stockholders as required by applicable Nasdaq Marketplace rules for issuances of shares of Common Stock without regard to the Exchange Cap (the “**Nasdaq Approval**”). Within six (6) months following the Issuance Date, the Corporation shall call a meeting (the date that such meeting is completed, the “**Next Meeting Date**”) of the Corporation’s stockholders for the purpose of soliciting the Nasdaq Approval for the issuance of the full amount of shares of Common Stock issuable upon the conversion of the Series A Preferred Stock, including the Series A Preferred Stock issuable upon conversion of the Series A-1 Preferred Stock, authorized and designated under this Certificate of Designation without regard to the Exchange Cap.

(d) Mechanics of Conversion of Series A Preferred Stock into Common Stock.

(i) Delivery of Certificate or Electronic Issuance Upon Conversion. Not later than three (3) Trading Days after the applicable Conversion Date (the "**Share Delivery Date**"), the Corporation shall (a) deliver, or cause to be delivered, to the converting Holder or recipient of the Conversion Shares a physical certificate or certificates representing the number of Conversion Shares set forth in a Notice of Conversion being acquired upon the conversion of shares of Series A Preferred Stock, or (b) in the case of a DWAC Delivery (if so requested by the Holder), electronically transfer such Conversion Shares by crediting the DTC participant account nominated by the Holder through DTC's DWAC system. If in the case of any Notice of Conversion such certificate or certificates are not delivered to or as directed by or, in the case of a DWAC Delivery, such shares are not electronically delivered to or as directed by, the applicable Holder by the Share Delivery Date, the applicable Holder shall be entitled to elect to rescind such Conversion Notice by written notice to the Corporation at any time on or before its receipt of such certificate or certificates for Conversion Shares or electronic receipt of such shares, as applicable, in which event the Corporation shall promptly return to such Holder any original Series A Preferred Stock certificate delivered to the Corporation and such Holder shall promptly return to the Corporation any Common Stock certificates or otherwise direct the return of any shares of Common Stock delivered to the Holder through the DWAC system, representing the shares of Series A Preferred Stock unsuccessfully tendered for conversion to the Corporation.

(ii) Obligation Absolute. Subject to Section 8(c) hereof and subject to Holder's right to rescind a Conversion Notice pursuant to Section 8(d)(i) above, the Corporation's obligation to issue and deliver the Conversion Shares upon conversion of Series A Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Corporation or any violation or alleged violation of law by such Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Corporation to such Holder in connection with the issuance of such Conversion Shares. Nothing herein shall limit a Holder's right to pursue actual damages for the Corporation's failure to deliver Conversion Shares within the period specified herein and such Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief; provided that Holder shall not receive duplicate damages for the Corporation's failure to deliver Conversion Shares within the period specified herein. The exercise of any such rights shall not prohibit a Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

(iii) Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion If the Corporation fails to deliver to a Holder (or its transferee) the applicable certificate or certificates or to effect a DWAC Delivery, as applicable, in each case that represent shares of Common Stock by the Share Delivery Date pursuant to Section 8(d)(i) (other than a failure caused by incorrect or incomplete information provided by Holder to the Corporation), and if after such Share Delivery Date such Holder is required to or otherwise purchases (in an open market transaction or otherwise), shares of Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which such Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "**Buy-In**"), then the Corporation shall (A) pay in cash to such Holder (in addition to any other remedies available to or elected by such Holder) the amount by which (x) such Holder's total purchase price (including any brokerage commissions) for the shares of Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of such Holder, either reissue (if surrendered) the shares of Series A Preferred Stock equal to the number of shares of Series A Preferred Stock submitted for conversion or deliver to such Holder the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 8(d)(i). For example, if a Holder purchases shares of Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of shares of Series A Preferred Stock with respect to which the actual sale price (including any brokerage commissions) giving rise to such purchase obligation was a total of \$10,000 under clause (A) of the immediately preceding sentence, the Corporation shall be required to pay such Holder \$1,000. The Holder shall provide the Corporation written notice, within three (3) Trading Days after the occurrence of a Buy-In, indicating the amounts payable to such Holder in respect of such Buy-In together with applicable confirmations and other evidence reasonably requested by the Corporation. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Corporation's failure to timely deliver certificates representing shares of Common Stock upon conversion of the shares of Series A Preferred Stock as required pursuant to the terms hereof; provided, however, that the Holder shall not be entitled to both (i) require the reissuance of the shares of Series A Preferred Stock submitted for conversion for which such conversion was not timely honored and (ii) receive the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 8(d)(i).

(iv) Not later than two (2) Business Days after the Nasdaq Approval Date, the Corporation shall issue to each Holder the number of shares of Series A Preferred Stock being acquired upon the conversion of shares of Series A-1 Preferred Stock held by such Holder pursuant to Section 7(a) solely in book-entry form or, if requested by any Holder, such shares may be issued in certificated form.

(e) Reservation of Shares Issuable Upon Conversion. The Corporation covenants that it will, at all times reserve and keep available out of its authorized and unissued shares of Series A Preferred Stock for the sole purpose of issuance upon conversion of the Series A-1 Preferred Stock, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holders of the Series A-1 Preferred Stock, not less than such aggregate number of shares of the Series A Preferred Stock as shall be issuable upon the conversion of all outstanding shares of Series A-1 Preferred Stock. The Corporation covenants that all shares of Series A Preferred Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid, non-assessable and free and clear of all liens and other encumbrances. The Corporation covenants that it will, at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Series A Preferred Stock, including all shares of Series A Preferred Stock issuable upon conversion of shares of Series A-1 Preferred Stock, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holders of the Series A Preferred Stock, not less than such aggregate number of shares of the Common Stock as shall be issuable (taking into account the adjustments of Section 9) upon the conversion of all outstanding shares of Series A Preferred Stock, including all shares of Series A Preferred Stock issuable upon conversion of shares of Series A-1 Preferred Stock. The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid, non-assessable and free and clear of all liens and other encumbrances.

(f) Fractional Shares. No fractional shares or scrip representing fractional shares of Series A Preferred Stock shall be issued upon the conversion of the Series A-1 Preferred Stock. As to any fraction of a share of Series A Preferred Stock which a Holder would otherwise be entitled to receive upon such conversion, the Corporation shall pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Stated Value. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of the Series A Preferred Stock. As to any fraction of a share of Common Stock which a Holder would otherwise be entitled to receive upon such conversion, the Corporation shall pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Series A Conversion Price.

(g) Transfer Taxes. The issuance of certificates (or book entry notations) for shares of Series A Preferred Stock upon conversion of the Series A-1 Preferred Stock and the issuance of certificates (or book entry notations) for shares of the Common Stock upon conversion of the Series A Preferred Stock, in each case, shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates (or such book entry notation), provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate (or such book entry notation) upon conversion in a name other than that of the registered Holder(s) of such shares of Series A-1 Preferred Stock or Series A Preferred Stock, as applicable, and the Corporation shall not be required to issue or deliver such certificates (or such book entry notation) unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(h) Status as Stockholder. Upon each Conversion Date and Mandatory Conversion Date: (i) the shares of Series A Preferred Stock being converted shall be deemed converted into shares of Common Stock; and (ii) the Holder's rights as a holder of such converted shares of Series A Preferred Stock shall cease and terminate, excepting only the right to receive certificates (or book entry notations) for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Corporation to comply with the terms of this Certificate of Designation. In all cases, the Holder shall retain all of its rights and remedies for the Corporation's failure to convert Series A Preferred Stock. From and after the Nasdaq Approval Date: (i) the shares of Series A-1 Preferred Stock shall be deemed converted into shares of Series A Preferred Stock; and (ii) the Holder's rights as a Holder of such converted shares of Series A-1 Preferred Stock shall cease and terminate, excepting only the right to receive certificates (or book entry notations) for such shares of Series A Preferred Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Corporation to comply with the terms of this Certificate of Designation. In all cases, the Holder shall retain all of its rights and remedies for the Corporation's failure to convert Series A-1 Preferred Stock.

Section 9. Certain Adjustments.

(a) Stock Dividends and Stock Splits. If the Corporation, at any time while any shares of Series A Preferred Stock are outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock with respect to the then outstanding shares of Common Stock; (ii) subdivides outstanding shares of Common Stock into a larger number of shares; or (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, then the Series A Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event (excluding any treasury shares of the Corporation). Any adjustment made pursuant to this Section 9(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

(b) Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Issuance Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property and the provisions of Section 3 do not apply to such dividend or distribution, then and in each such event the Holders of Senior Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Series A Preferred Stock, including if all shares of Series A-1 Preferred Stock shall have been converted to Series A Preferred Stock, had been converted into Common Stock on the date of such event.

(c) Adjustment for Merger or Reorganization, etc. Subject to the provisions of Section 5, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Series A Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Section 9(a), Section 9(b), Section 9(e) or Section 9(f)), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Series A Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of Series A Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Certificate of Designation with respect to the rights and interests thereafter of the Holders of the Series A Preferred Stock, to the end that the provisions set forth in this Certificate of Designation (including provisions with respect to changes in and other adjustments of the Series A Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Series A Preferred Stock.

(d) No Adjustment of Series A Conversion Price. No adjustment in the Series A Conversion Price shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the Holders representing a majority of the Senior Preferred Stock (voting as a single class) then-outstanding agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock.

(e) Deemed Issue of Additional Shares of Common Stock.

(i) If the Corporation at any time or from time to time after the Issuance Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(ii) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Series A Conversion Price pursuant to the terms of Section 9(f), are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security pursuant to which an adjustment has already been made under this Section 9(e)) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the Series A Conversion Price computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Series A Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this Section 9(e)(ii) shall have the effect of increasing the Series A Conversion Price to an amount which exceeds the lower of (i) the Series A Conversion Price in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the Series A Conversion Price that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(iii) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which are themselves Exempted Securities), the issuance of which did not result in an adjustment to the Series A Conversion Price pursuant to the terms of Section 9(f) (either because the consideration per share (determined pursuant to Section 9(g)) of the Additional Shares of Common Stock subject thereto was equal to or greater than the Series A Conversion Price then in effect, or because such Option or Convertible Security was issued before the Issuance Date), are revised after the Issuance Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security pursuant to which an adjustment has already been made under this Section 9(e)) to provide for either (1) any increase in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Section 9(e)(ii)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(iv) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Series A Conversion Price pursuant to the terms of Section 9(f), the Series A Conversion Price shall be readjusted to such Series A Conversion Price as would have obtained had such Option or Convertible Security (or portion thereof) never been issued.

(v) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Series A Conversion Price provided for in this Section 9(e) shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (ii) and (iii) of this Section 9(e)). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the Series A Conversion Price that would result under the terms of this Section 9(e) at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the Series A Conversion Price that such issuance or amendment took place at the time such calculation can first be made.

(f) Adjustment of Series A Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Issuance Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Section 9(e)), without consideration or for a consideration per share less than the Series A Conversion Price in effect immediately prior to such issuance or deemed issuance, then the Series A Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

$$CP2 = CP1 * (A + B) \div (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

“**CP2**” shall mean the Series A Conversion Price in effect immediately after such issuance or deemed issuance of Additional Shares of Common Stock.

“**CP1**” shall mean the Series A Conversion Price in effect immediately prior to such issuance or deemed issuance of Additional Shares of Common Stock;

“**A**” shall mean the number of shares of Common Stock outstanding immediately prior to such issuance or deemed issuance of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of Options outstanding immediately prior to such issuance or deemed issuance or upon conversion or exchange of Convertible Securities (including the Series A Preferred Stock into Common Stock, including the shares of Series A-1 Preferred Stock into Series A Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);

“**B**” shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued or deemed issued at a price per share equal to CP1 (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CP1); and

“C” shall mean the number of such Additional Shares of Common Stock issued in such transaction.

(g) Determination of Consideration. For purposes of this Certificate of Designation, the consideration received by the Corporation for the issuance or deemed issuance of any Additional Shares of Common Stock shall be computed as follows: (i) such consideration shall: (A) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest; (B) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors of the Corporation; and (C) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (A) and (B) above, as determined in good faith by the Board of Directors of the Corporation.

(h) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Section 9(e), relating to Options and Convertible Securities, shall be determined by dividing: (i) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by (ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

(i) Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock that are a part of one transaction or a series of related transactions and that would result in an adjustment to the Series A Conversion Price pursuant to the terms of Section 9(f), then, upon the final such issuance, the Series A Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

(j) Calculations. All calculations under this Certificate of Designation shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 9, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Corporation) issued and outstanding.

(k) Notice to the Holders.

(i) Adjustment to Series A Conversion Price. Whenever the Series A Conversion Price is adjusted pursuant to any provision of this Section 9, the Corporation shall promptly deliver to each Holder a notice setting forth the Series A Conversion Ratio after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(ii) Other Notices. If (A) the Corporation shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Corporation shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Corporation shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Corporation shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Corporation is a party, any Liquidation, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) consent of the Holders of Senior Preferred Stock is required pursuant to Section 4(d) or Section 4(e), then, in each case, the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of the shares of Series A Preferred Stock, and shall cause to be delivered to each Holder at its last address as it shall appear upon the stock books of the Corporation, at least ten (10) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, Liquidation or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice.

Section 10. Miscellaneous.

(a) Lost or Mutilated Stock Certificates. If a Holder's certificate representing shares of Series A Preferred Stock or Series A-1 Preferred Stock, if applicable, shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, if requested by the Holder, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series A Preferred Stock or Series A-1 Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership thereof, reasonably satisfactory to the Corporation and, in each case, customary and reasonable indemnity, if requested, without the requirement to post a bond. Applicants for a new certificate under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Corporation may prescribe, without the requirement to post a bond.

(b) Waiver. Any waiver by the Corporation or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Corporation or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation. Any waiver by the Corporation or a Holder must be in writing. Notwithstanding any provision in this Certificate of Designation to the contrary, any provision contained herein and any right of the Holders of Senior Preferred Stock granted hereunder may be waived as to all shares of Senior Preferred Stock (and the Holders thereof) upon the written consent of the Holders of a majority of the shares of Senior Preferred Stock (voting as a single class) then outstanding, unless a higher percentage is required by the DGCL, in which case the written consent of the Holders of not less than such higher percentage shall be required.

(c) Severability. If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

(d) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

(e) Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designation and shall not be deemed to limit or affect any of the provisions hereof.

(f) Status of Converted Senior Preferred Stock. If any shares of Senior Preferred Stock shall be converted or redeemed by the Corporation, such shares shall resume the status of authorized but unissued shares of preferred stock and shall no longer be designated as Series A Preferred Stock or Series A-1 Preferred Stock, as applicable.

IN WITNESS WHEREOF, Interpace Diagnostics Group, Inc., has caused this Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock and Series A-1 Convertible Preferred Stock to be executed by its duly authorized officer this 15th day of July, 2019.

INTERPACE DIAGNOSTICS GROUP, INC.

By: /s/ Jack E. Stover
Name: Jack E. Stover
Title: President & Chief Executive Officer

[SIGNATURE PAGE TO CERTIFICATE OF DESIGNATION]

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jack E. Stover, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of Interpace Diagnostics Group, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 13, 2019

/s/ Jack E. Stover

Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, James Early, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 of Interpace Diagnostics Group, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 13, 2019

/s/ James Early

Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Interpace Diagnostics Group, Inc. (the "Company") on form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jack E. Stover, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2019

/s/ Jack E. Stover

Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Interpace Diagnostics Group, Inc. (the "Company") on form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Early, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2019

/s/ James Early

Chief Financial Officer
(Principal Financial Officer)
