UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 15, 2019

INTERPACE DIAGNOSTICS GROUP, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	**0-24249**	**22-2919486**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

Morris Corporate Center 1, Building C
300 Interpace Parkway,
Parsippany, NJ 07054
(Address, including zip code, of Principal Executive Offices)

(855) 776-6419
Registrant's telephone number, including area code:

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

[ ] 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. [ ]

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

Explanatory Note

Interpace Diagnostics Group, Inc. (the "**Company**") filed a Current Report on Form 8-K (the "**Original Form 8-K**") with the Securities and Exchange Commission on July 19, 2019 announcing that the Company, Interpace BioPharma, Inc., a wholly-owned subsidiary of the Company, Cancer Genetics, Inc. ("**CGI**"), Gentris, LLC, a wholly-owned subsidiary of CGI ("**Gentris**") and Partners for Growth IV, L.P., a secured creditor of CGI, entered into and closed on a Secured Creditor Asset Purchase Agreement (the "**Asset Purchase Agreement**"). The Asset Purchase Agreement contains the terms and conditions of the acquisition of assets and assumption of certain liabilities (the "**Acquisition**") relating to CGI's and Gentris' biopharma services business (the "**BioPharma Business**"). This Amendment to the Original Form 8-K ("**Amendment No. 1**") is being filed solely to amend and supplement the Original Form 8-K to include the required financial statements and pro forma financial information described below. The pro forma financial information included in this Amendment No. 1 has been presented for informational purposes only, as required by Form 8-K. It does not purport to represent the actual results of operations that the Company and the BioPharma Business would have achieved had the businesses been combined during the periods presented in the pro forma financial information and is not intended to project the future results of operations that the Company may achieve after its acquisition of the BioPharma Business. Except as described above, the disclosures and exhibits included in the Original Form 8-K otherwise remain unchanged.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

The BioPharma Business audited Special Purpose Combined Statements of Revenues and Direct Expenses for the years ended December 31, 2018 and 2017 as well as the accompanying notes and independent auditors' report are filed as Exhibit 99.1 and are incorporated by reference herein.

The BioPharma Business Special Purpose Combined Statement of Assets Acquired and Liabilities Assumed as of July 15, 2019, as well as the accompanying notes are filed as Exhibit 99.2 and are incorporated by reference herein.

The BioPharma Business unaudited Special Purpose Interim Combined Statements of Revenues and Direct Expenses for the six months ended June 30, 2019 and 2018, as well as the accompanying notes are filed as Exhibit 99.3 and are incorporated by reference herein.

Pursuant to a letter dated September 10, 2019 from the staff of the Securities and Exchange Commission's Division of Corporation Finance, the staff stated that it would not object to the filing of abbreviated financial statements of the BioPharma Business in lieu of the full financial statements required by Rule 8-04 of Regulation S-X.

(b) Pro Forma Financial Information

The Company's unaudited Pro forma Consolidated Financial Information giving effect to the Acquisition as of and for the six months ended June 30, 2019 and for the year ended December 31, 2018, as well as the accompanying notes are filed as Exhibit 99.4 and are incorporated by reference herein.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm
99.1	Special Purpose Combined Statements of Revenues and Direct Expenses for the years ended December 31, 2018 and 2017
99.2	Special Purpose Combined Statement of Assets Acquired and Liabilities Assumed as of July 15, 2019
99.3	Special Purpose Interim Combined Statements of Revenues and Direct Expenses for the six months ended June 30, 2019 and 2018
99.4	Unaudited Pro forma Consolidated Financial Information as of and for the six months ended June 30, 2019 and for the year ended December 31, 2018

SIGNATURE

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

Interpace Diagnostics Group, Inc.

/s/ Jack E. Stover
Jack E. Stover
President and Chief Executive Officer

Date: September 20, 2019

EXHIBIT INDEX

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Consent of Independent Registered Public Accounting Firm

Interpace Diagnostics Group, Inc.
Parsippany, New Jersey

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1 (Nos. 333-218140 and 333-218780), Form S-3 (Nos. 333-207263 and 333-227728) and Form S-8 (Nos. 333-61231, 333-60512, 333-177969, 333-201070, and 333-214620) of Interpace Diagnostics Group, Inc. of our reports dated September 19, 2019, relating to the special purpose financial statements of the BioPharma business, which appear in this Form 8-K/A.

/s/ BDO USA, LLP

Woodbridge, New Jersey
September 19, 2019

BioPharma
(A Business of Cancer Genetics, Inc.)

Special Purpose Combined Statements of Revenues and Direct Expenses

For the years ended December 31, 2018 and 2017

Contents

Independent Auditor's Report

Management of Cancer Genetics, Inc.
Rutherford, NJ

Report on the Special Purpose Combined Financial Statements

We have audited the accompanying special purpose combined statements of revenues and direct expenses of BioPharma, a business of Cancer Genetics, Inc., for the years ended December 31, 2018 and 2017, and the related notes to the special purpose combined financial statements.

Management's Responsibility for the Special Purpose Combined Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special purpose combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the special purpose combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the special purpose combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the special purpose combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the accompanying financial statements have been prepared for the purposes of presenting the revenues and direct expenses of BioPharma, a business of Cancer Genetics, Inc., and are not intended to be a complete presentation of the financial position, results of operations or cash flows of BioPharma, a business of Cancer Genetics, Inc. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the special purpose combined financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of BioPharma, a business of Cancer Genetics, Inc., for the years ended December 31, 2018 and 2017, in accordance with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Woodbridge, NJ
September 19, 2019

BIOPHARMA
(A Business of Cancer Genetics, Inc.)

Special Purpose Combined Statements of Revenues and Direct Expenses

Years ended December 31, 2018 and 2017
(in thousands)

	2018	2017
Revenues	$ 15,322	$ 15,260
Cost of goods sold	8,657	8,400
Gross profit	6,665	6,860
Direct expenses:		
Research and development	1,428	2,735
General and administrative	5,858	5,022
Sales and marketing	2,467	2,524
Restructuring costs	1,067	-
Total direct expenses	10,820	10,281
Revenues less direct expenses	$ (4,155)	$ (3,421)

The accompanying notes to special purpose combined financial statements are an integral part of these abbreviated financial statements.

1. Description of Business and Basis of Presentation

Description of Business

On July 15, 2019 (the "Acquisition Date"), Interpace Diagnostics Group, Inc. (the "Company"), Interpace BioPharma, Inc., a newly formed and wholly owned subsidiary of the Company ("Buyer"), Cancer Genetics, Inc. ("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"). The Asset Purchase Agreement contains the terms and conditions of the acquisition of assets and assumption of certain liabilities (the "Acquisition") relating to CGI's and Gentris' biopharma services business ("BioPharma" or "Business"). BioPharma 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.

Under the Asset Purchase Agreement, Buyer acquired assets comprising the Business from Seller, through a private foreclosure sale under § 9-610 of the Uniform Commercial Code as enacted in all relevant jurisdictions (the "UCC"). Concurrently with the execution of the Asset Purchase Agreement, the Company entered into a financing arrangement with Ampersand 2018 Limited Partnership (the "Investor"), a fund managed by Ampersand Capital Partners, pursuant to which the Investor agreed to provide specified financing to the Company in connection with the Acquisition (the "Investment"), subject to the terms and conditions of such financing documents, as further discussed below.

At the closing, Seller irrevocably sold and transferred to Buyer all of its interests in CGI, free and clear of Seller's security interest and any other lien, in all of the properties and assets of CGI used or held for use in connection with BioPharma (collectively, the "Purchased Assets"). To the extent any assets owned by CGI or Gentris and relating to BioPharma were not subject to Seller's perfected and valid security interest, those assets were transferred directly to Buyer by CGI and Gentris. At closing, Seller delivered to CGI a release of all liens held by the first lien secured lender, Silicon Valley Bank ("SVB"), on CGI's assets through UCC-3 termination statements for all liens of PFG and SVB.

1. Description of Business and Basis of Presentation (continued)

Description of Business (continued)

Buyer paid $23,500,000, less certain closing adjustments totaling $1,978,240 (the "Base Purchase Price"), as consideration for the Purchased Assets, of which $7,692,300 was in the form of a subordinated seller note (the "Excess Consideration Note", as further described below) issued by Buyer to CGI, and the remainder was paid in cash to or on behalf of Seller on the closing date. In addition, Buyer is assuming certain liabilities (accounts payable and accrued expenses) of CGI related to BioPharma in the aggregate sum of approximately $5,000,000. Seller utilized the cash proceeds of approximately $13,829,000 to satisfy the outstanding balance of approximately $2,910,000 due to SVB under that certain loan and security agreement by and among CGI and SVB, as amended, to satisfy the outstanding balance of approximately $6,340,000 due to Seller under that certain loan and security agreement by and among CGI and Seller, as amended, and to satisfy certain transaction expenses. The balance of approximately $2,260,000, net of payment of transaction expenses, was delivered to CGI along with the Excess Consideration Note. The Base Purchase Price is subject to two additional adjustments following the closing: for the finalized net worth (assets less liabilities) of BioPharma as of June 30, 2019 (the "NWA"), subject to a cap of $775,000, and for certain older accounts receivable, in the aggregate amount of approximately $830,000, still uncollected as of December 31, 2019 (the "ARA"). Any amounts due to Buyer under the NWA will be set off against the Excess Consideration Note, and any amounts due to Buyer under the ARA will be either set off against the Excess Consideration Note or, if it is no longer outstanding, satisfied through an AR Holdback (as defined in the Asset Purchase Agreement) mechanism, in each case as further set forth in the Asset Purchase Agreement.

The Asset Purchase Agreement contains certain representations and warranties, which are made solely for purposes of the Asset Purchase Agreement and, in some cases, are subject to qualifications and limitations agreed to by the parties thereto in connection with the negotiated terms of the Asset Purchase Agreement, and which are qualified by certain disclosures that were made in connection with the parties' entry into such agreement. The Asset Purchase Agreement provides for indemnification by CGI for limited breaches of representations and warranties, covenants and specified line-items, subject to agreed upon caps and baskets and survival periods. Indemnification payments due to Buyer may be (x) set off against the Excess Consideration Note, (y) if it is no longer outstanding, funded by a $735,000 holdback from payout to CGI under the Excess Consideration Note, subject to an additional retained AR Holdback if applicable, or (z) required to be paid directly by CGI, depending on the agreed upon limitations.

1. Description of Business and Basis of Presentation (continued)

Basis of Presentation

BioPharma has not historically been accounted for as a separate entity, subsidiary or division of CGI. In addition, stand-alone financial statements related to BioPharma have not been prepared previously as CGI's financial system is not designed to provide complete financial information of BioPharma. Therefore, special purpose combined financial statements have been prepared for the years ended December 31, 2018 and 2017 to satisfy the financial statement requirements of Rule 3-05 of Regulation S-X in lieu of full financial statements. Pursuant to a letter dated September 10, 2019 from the staff of the Division of Corporate Finance (the "Division") of the SEC, the Division stated that it will not object to the Buyer's proposal to provide abbreviated financial statements in satisfaction of the requirements of Rule 3-05 of Regulation S-X.

These special purpose combined financial statements have been derived from the historical accounting records of CGI. The special purpose combined financial statements do not represent revenues and direct expenses as if BioPharma had operated as a separate, stand-alone entity during the periods presented. In addition, the special purpose combined financial statements are not meant to be indicative of results of operations of BioPharma going forward as a result of future changes in the Business and the omission of various operating expenses.

All significant intracompany balances and transactions have been eliminated.

The revenues included in the accompanying special purpose combined statements of revenues and direct expenses represent revenues directly attributable to BioPharma. The costs and expenses included in the accompanying special purpose combined statements of revenues and direct expenses were incurred by CGI and include direct and allocated costs and expenses related to BioPharma. The allocated costs and expenses are allocated to the Business based on direct usage or benefit where identifiable, with the remainder allocated on a pro rata basis of test counts performed, revenue, or other relevant measures. The Business considers the expense allocation methodology and results to be reasonable for all periods presented.

The special purpose combined statements of revenues and direct expenses do not include expenses not directly associated with BioPharma business, such as corporate, shared services, indirect general and administrative expenses, interest income/expense, other income/expense, and income taxes.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the special purpose combined financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that may affect the reported amounts of revenues, direct expenses and related disclosures during the periods being presented. Management bases its estimates on historical experience and various other assumptions it believes to be reasonable. Components of these special purpose combined financial statements particularly subject to estimation include the allocation of certain direct expenses. Actual results may differ from management's estimates.

Revenue recognition under ASC 606

Revenues consist of customized solutions for patient stratification and treatment selection through an extensive suite of DNA-based testing services. The services are billed to pharmaceutical and biotechnology companies. Effective January 1, 2018, the Company recognizes revenue in accordance with FASB Accounting Standards Codification ("ASC") 606. BioPharma adopted the new standard using the modified retrospective method. BioPharma recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of accumulated deficit. Financial information for the year ended December 31, 2017 has not been restated and continues to be reported under the accounting standards in effect for that period.

The adoption of ASC 606 had no impact on BioPharma's total cash flows from operations.

The following tables present the amounts by which revenue was affected by adopting the new revenue recognition guidance (in thousands):

	Year Ended December 31, 2018		
	As Reported	ASC 606 Adjustments	Balances Without Adoption
Revenue	$ 15,322	$ (832)	$ 14,490

2. Summary of Significant Accounting Policies (continued)

Revenue recognition under ASC 606 (continued)

Performance Obligations

Performance Obligation Satisfaction and Revenue Recognition: Performance obligations are satisfied at a point in time as the Company processes samples delivered by the customer. Project level activities, including study setup and project management, are satisfied over the life of the contract. Revenues are recognized at a point in time when the test results or other deliverables are reported to the customer. Project level fee revenue is recognized ratably over the life of the contract.

Significant Payment Terms: Monthly invoices at a contractual rate are generated as services are delivered for work completed during the prior month. Some contracts have prepayments prior to services being rendered that are recorded as deferred revenue.

Nature of Services: BioPharma testing services, study setup and study management

Remaining Performance Obligations

Services offered frequently take time to complete under their respective contacts. These times vary depending on specific contract arrangements including the length of the study and how samples are delivered to us for processing. As of December 31, 2018, the Company had approximately $34.8 million in remaining performance obligations. BioPharma expects to recognize the remaining performance obligations over the next two to three years.

Practical Expedients

BioPharma's customer arrangements do not contain any significant financing component (interest). BioPharma incurs incremental costs on its clients but has elected the practical expedient afforded by the new revenue standard to expense such costs as incurred. BioPharma excludes from the measurement of the transaction price all taxes collected from customers that are assessed by governmental authorities and are both imposed on and concurrent with specific revenue-producing transactions.

2. Summary of Significant Accounting Policies (continued)

Revenue recognition under ASC 606 (continued)

Concentrations

There was one customer that accounted for 12% of revenues for the year ended December 31, 2018 and there was one customer that accounted for 21% of revenues for the year ended December 31, 2017. No other customers accounted for more than 10% of revenues in either year.

Revenue recognition under ASC 605

Prior to 2018, BioPharma recognized revenue in accordance with FASB ASC 605, as well as SEC Staff Accounting Bulletin 104. These standards generally required that four basic criteria be met before revenue could be recognized: (1) persuasive evidence that an arrangement exists; (2) delivery has occurred and title and the risks and rewards of ownership have been transferred to the customer or services have been rendered; (3) the price is fixed or determinable; and (4) collectability is reasonably assured. For some customers billed directly, revenue was recorded based upon the contractually agreed upon fee schedule. When assessing collectability, BioPharma considered whether it had sufficient payment history to reliably estimate a payor's individual payment patterns. BioPharma did not bill customers for shipping and handling fees, other than reimbursement of such expenses incurred on behalf of BioPharma clients, and BioPharma did not collect any sales or other taxes from customers.

Depreciation

For the special purpose combined statements of revenues and direct expenses, depreciation is calculated on CGI's historical cost basis of property and equipment using the straight-line method over the estimated useful lives of the respective assets, which generally range from five to seven years. Leasehold improvements are depreciated over the lesser of the lease term or the estimated useful lives of the improvements using the straight-line method. The cost of computer software developed for internal use, which consists of lab information system that is still in its configuration and implementation stages, is capitalized and will be amortized on a straight-line basis over its estimated useful life of ten years when complete. Repairs and maintenance are charged to expense as incurred while improvements are capitalized.

2. Summary of Significant Accounting Policies (continued)

Depreciation (continued)

Depreciation expense included in the special purpose combined statements of revenues and direct expenses was $795,563 and $1,060,972 for the years ended December 31, 2018 and 2017, respectively. Of these amounts, $490,677 and $542,253 was included in cost of goods sold for the years ended December 31, 2018 and 2017, respectively.

Lease expense

The special purpose combined statements of revenues and direct expenses includes an allocation of amortization of the right of use assets and finance costs related to the lease liabilities for both operating and finance leases.

Amortization of intangible assets

For the special purpose combined statements of revenues and direct expenses, amortization of intangible assets is calculated on CGI's historical cost basis over their useful lives. Patents are amortized over the useful lives of the assets, using the straight-line method. Certain patents are in the legal application process and therefore are not currently being amortized.

Other intangible assets consist of software acquired with Response Genetics and vivoPharm's customer list and trade name, which are all amortized using the straight-line method over the estimated useful lives of the assets, which range from three to ten years.

Amortization expense included in the special purpose combined statements of revenues and direct expenses was $93,781 and $29,970 for the years ended December 31, 2018 and 2017, respectively.

Research and development

Research and development costs associated with service and product development include direct costs of payroll, employee benefits, stock-based compensation and supplies and an allocation of indirect costs including rent, utilities, depreciation and repairs and maintenance. All research and development costs are expensed as they are incurred.

2. Summary of Significant Accounting Policies (continued)

Stock-based compensation

Direct expenses related to BioPharma include an allocation of stock-based compensation. Stock-based compensation is accounted for in accordance with the provisions of ASC 718, Compensation-Stock Compensation, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors based on estimated fair values on the grant date. BioPharma estimates the fair value of stock-based awards on the date of grant using the Black-Scholes option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods using the straight-line method.

All issuances of stock options or other issuances of equity instruments to employees as the consideration for services received by us are accounted for based on the fair value of the equity instrument issued.

BioPharma accounts for stock-based compensation awards to non-employees in accordance with ASC 505-50,*Equity Based Payments to Non-Employees.* Under ASC 505-50, BioPharma determines the fair value of the warrants or stock-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Stock-based compensation awards issued to non-employees are recorded in expense and additional paid-in capital in stockholders' equity over the applicable service periods based on the fair value of the awards or consideration received at the vesting date.

3. Recent Accounting Pronouncements

Recent Standards Not Yet Effective

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350):*Simplifying the Accounting for Goodwill Impairment*, which removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted and applied prospectively. Management is evaluating ASU 2017-04 to determine the impact on the special purpose combined financial statements.

3. Recent Accounting Pronouncements (continued)

In June 2018, the FASB issued ASU 2018-07, Compensation - Stock Compensation (Topic 718): *Improvements to Nonemployee Share-Based Payment Accounting*, which simplifies the accounting for nonemployee share-based payment transactions. Under the new guidance, equity-classified share-based payment awards issued to nonemployees will now be measured on the grant date, instead of the previous requirement to remeasure the awards through the performance completion date. Awards that include performance conditions will recognize compensation cost when the achievement of the performance condition is probable, rather than upon achievement of the performance condition. Finally, the current requirement to reassess the classification (equity or liability) for nonemployee awards will be eliminated, except for awards in the form of convertible instruments. The ASU is effective for annual periods beginning after December 15, 2018, but no earlier than the adoption of ASC 606. Management plans to adopt the guidance on January 1, 2019. The adoption of ASU 2018-07 is not expected to have a material impact on special purpose combined financial statements.

4. Lease Commitments

BioPharma leases laboratory, research facility and administrative office space under various operating leases. At December 31, 2018, BioPharma has approximately 17,900 square feet of office and laboratory space in Rutherford, New Jersey and 24,900 square feet in Morrisville, North Carolina. During 2018, BioPharma had a lease agreement for approximately 19,100 square feet of laboratory space in Los Angeles, California which expired on December 31, 2018. For a portion of 2018, BioPharma also had 10,000 square feet in Hyderabad, India, which was vacated in April 2018. BioPharma has escalating lease agreements for our New Jersey and North Carolina spaces, which expire February 2023 and May 2020, respectively. These leases require monthly rent with periodic rent increases that vary from $0.32 to $0.50 per square foot of the rented premises per year. The difference between minimum rent and straight-line rent is recorded as deferred rent payable. The terms of the New Jersey lease require that a $350,000 security deposit for the facility be held in a stand by letter of credit in favor of the landlord.

BioPharma acquired office and scientific equipment under long term leases which have been capitalized at the present value of the minimum lease payments.

Lease expense included the special purpose combined statements of revenues and direct expenses was approximately $808,000 and $924,000 for the years ended December 31, 2018 and 2017, respectively.

5. Stock-based Compensation

CGI has two equity incentive plans: the 2008 Stock Option Plan (the "2008 Plan") and the 2011 Equity Incentive Plan (the "2011 Plan", and together with the 2008 Plan, the "Stock Option Plans"). The Stock Option Plans are meant to provide additional incentive to officers, employees and consultants of BioPharma to remain in BioPharma's employment. Options granted are generally exercisable for up to 10 years.

The fair value of options granted to employees is estimated on the grant date using the Black-Scholes option valuation model. This valuation model requires CGI to make assumptions and judgments about the variables used in the calculation, including the expected term (the period of time that the options granted are expected to be outstanding), the volatility of CGI's common stock, a risk-free interest rate, and expected dividends. BioPharma records forfeitures of unvested stock options when they occur. No compensation cost is recorded for options that do not vest. CGI uses the simplified calculation of expected life described in the SEC's Staff Accounting Bulletin No. 107, Share-Based Payment, and volatility is based on the historical volatility of CGI's common stock. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. CGI uses an expected dividend yield of zero, as CGI has not paid dividends historically.

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

	Year Ended December 31,	
	2018	2017
Volatility	77.79%	74.58%
Risk free interest rate	2.88%	1.98%
Dividend yield	—	—
Term (years)	6.45	5.92
Weighted-average fair value of options granted during the period	$ 0.59	$ 1.87

5. Stock-based Compensation (continued)

The following table presents the effects of stock-based compensation related to stock option and restricted stock awards to employees and non-employees on the special purpose combined statements of revenues and direct expenses during the periods presented (in thousands):

	Year Ended December 31,	
	2018	2017
Cost of revenues	$ 164	$ 232
Research and development	8	13
General and administrative	54	129
Sales and marketing	11	11
Total stock-based compensation	$ 237	$ 385

6. Commitments and Contingencies

In the ordinary course of business, the Business is involved in litigation, claims, government inquiries, investigations and proceedings, relating to intellectual property, commercial, employment, environmental and regulatory matters. Management does not believe that the resolution of such claims and disputes will have a material adverse effect on the Company's financial statements.

7. Subsequent Events

Management has evaluated subsequent events through September 19, 2019, the date the special purpose combined financial statements were available to be issued. No events were identified requiring additional recognition of disclosure in the notes to the abbreviated financial statements.

BioPharma
(A Business of Cancer Genetics, Inc.)

Special Purpose Combined Statement of Assets Acquired and Liabilities Assumed

As of July 15, 2019

Contents

Independent Auditor's Report

Management of Interpace Diagnostics Group, Inc.
Rutherford, NJ

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We have audited the accompanying special purpose combined statement of assets acquired and liabilities assumed of BioPharma, a business of Cancer Genetics, Inc., as of July 15, 2019 and the related notes to the special purpose combined financial statement.

Management's Responsibility for the Special Purpose Combined Financial Statement

Management is responsible for the preparation and fair presentation of the special purpose combined financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special purpose combined financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the special purpose combined financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose combined financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose combined financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the special purpose combined financial statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the special purpose combined financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose combined financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statement, the accompanying financial statement has been prepared for the purposes of presenting the assets acquired and liabilities assumed of BioPharma, a business of Cancer Genetics, Inc., and is not intended to be a complete presentation of the financial position, results of operations or cash flows of BioPharma, a business of Cancer Genetics, Inc. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the special purpose combined financial statement referred to above presents fairly, in all material respects, the assets acquired and liabilities assumed of BioPharma, a business of Cancer Genetics, Inc., as of July 15, 2019, in accordance with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Woodbridge, NJ
September 19, 2019

BioPharma
(A Business of Cancer Genetics, Inc.)

Special Purpose Combined Statement of Assets Acquired and Liabilities Assumed

July 15, 2019
(in thousands)

Assets acquired		
Accounts receivable	$	3,731
Accrued revenue		289
Lab supplies		877
Prepaid expenses		266
Property and equipment		6,412
Operating lease assets		2,187
Trademarks and trade name		1,600
Customer relationships		5,700
Developed technology and know-how		300
Goodwill		7,973
Total assets acquired	$	29,335
Liabilities assumed		
Accounts payable	$	(4,535)
Accrued liabilities		(435)
Deferred revenue		(1,076)
Operating lease liabilities		(2,187)
Finance lease liabilities		(451)
Total liabilities assumed	$	(8,684)
Net assets acquired	**$**	**20,651**

The accompanying notes to special purpose combined financial statements are an integral part of these abbreviated financial statements.

1. Description of Business and Basis of Presentation

Description of Business

On July 15, 2019 (the "Acquisition Date"), Interpace Diagnostics Group, Inc. (the "Company"), Interpace BioPharma, Inc., a newly formed and wholly owned subsidiary of the Company ("Buyer"), Cancer Genetics, Inc. ("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"). The Asset Purchase Agreement contains the terms and conditions of the acquisition of assets and assumption of certain liabilities (the "Acquisition") relating to CGI's and Gentris' biopharma services business ("BioPharma" or "Business"). BioPharma 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.

Under the Asset Purchase Agreement, Buyer acquired assets comprising the Business from Seller, through a private foreclosure sale under § 9-610 of the Uniform Commercial Code as enacted in all relevant jurisdictions (the "UCC"). Concurrently with the execution of the Asset Purchase Agreement, the Company entered into a financing arrangement with Ampersand 2018 Limited Partnership (the "Investor"), a fund managed by Ampersand Capital Partners, pursuant to which the Investor agreed to provide specified financing to the Company in connection with the Acquisition (the "Investment"), subject to the terms and conditions of such financing documents, as further discussed below.

At the closing, Seller irrevocably sold and transferred to Buyer all of its interests in CGI, free and clear of Seller's security interest and any other lien, in all of the properties and assets of CGI used or held for use in connection with BioPharma (collectively, the "Purchased Assets"). To the extent any assets owned by CGI or Gentris and relating to BioPharma were not subject to Seller's perfected and valid security interest, those assets were transferred directly to Buyer by CGI and Gentris. At closing, Seller delivered to CGI a release of all liens held by the first lien secured lender, Silicon Valley Bank ("SVB"), on CGI's assets through UCC-3 termination statements for all liens of PFG and SVB.

1. Description of Business and Basis of Presentation (continued)

Description of Business (continued)

Buyer paid $23,500,000, less certain closing adjustments totaling $1,978,240 (the "Base Purchase Price"), as consideration for the Purchased Assets, of which $7,692,300 was in the form of a subordinated seller note (the "Excess Consideration Note", as further described below) issued by Buyer to CGI, and the remainder was paid in cash to or on behalf of Seller on the closing date. In addition, Buyer is assuming certain liabilities of CGI related to BioPharma in the aggregate sum of approximately $5,000,000. Seller utilized the cash proceeds of approximately $13,829,000 to satisfy the outstanding balance of approximately $2,910,000 due to SVB under that certain loan and security agreement by and among CGI and SVB, as amended, to satisfy the outstanding balance of approximately $6,340,000 due to Seller under that certain loan and security agreement by and among CGI and Seller, as amended, and to satisfy certain transaction expenses. The balance of approximately $2,260,000, net of payment of transaction expenses, was delivered to CGI along with the Excess Consideration Note. The Base Purchase Price is subject to two additional adjustments following the closing: for the finalized net worth (assets less liabilities) of BioPharma as of June 30, 2019 (the "NWA"), subject to a cap of $775,000, and for certain older accounts receivable, in the aggregate amount of approximately $830,000, still uncollected as of December 31, 2019 (the "ARA"). Any amounts due to Buyer under the NWA will be set off against the Excess Consideration Note, and any amounts due to Buyer under the ARA will be either set off against the Excess Consideration Note or, if it is no longer outstanding, satisfied through an AR Holdback (as defined in the Asset Purchase Agreement) mechanism, in each case as further set forth in the Asset Purchase Agreement.

The Asset Purchase Agreement contains certain representations and warranties, which are made solely for purposes of the Asset Purchase Agreement and, in some cases, are subject to qualifications and limitations agreed to by the parties thereto in connection with the negotiated terms of the Asset Purchase Agreement, and which are qualified by certain disclosures that were made in connection with the parties' entry into such agreement. The Asset Purchase Agreement provides for indemnification by CGI for limited breaches of representations and warranties, covenants and specified line-items, subject to agreed upon caps and baskets and survival periods. Indemnification payments due to Buyer may be (x) set off against the Excess Consideration Note, (y) if it is no longer outstanding, funded by a $735,000 holdback from payout to CGI under the Excess Consideration Note, subject to an additional retained AR Holdback if applicable, or (z) required to be paid directly by CGI, depending on the agreed upon limitations.

1. Description of Business and Basis of Presentation (continued)

Basis of Presentation

BioPharma has not historically been accounted for as a separate entity, subsidiary or division of CGI. In addition, stand-alone financial statements related to BioPharma have not been prepared previously as CGI's financial system is not designed to provide complete financial information of BioPharma. Therefore, this special purpose combined financial statement has been prepared as of July 15, 2019 to satisfy the financial statement requirements of Rule 3-05 of Regulation S-X in lieu of full financial statements. Pursuant to a letter dated September 10, 2019 from the staff of the Division of Corporate Finance (the "Division") of the SEC, the Division stated that it will not object to the Buyer's proposal to provide abbreviated financial statements in satisfaction of the requirements of Rule 3-05 of Regulation S-X.

This special purpose combined financial statement has been derived from the purchase price allocation, which represents the fair value of assets acquired and liabilities assumed at the Acquisition Date. The special purpose combined financial statement does not represent the assets sold or liabilities assumed as if BioPharma had operated as a separate, stand-alone entity. In addition, the special purpose combined financial statement is not meant to be indicative of the financial condition of BioPharma going forward as a result of future changes in the Business. The special purpose combined statement of assets acquired and liabilities assumed includes only the specific assets and liabilities related to the Business that is being acquired by the Buyer in accordance with the Agreement.

All significant intracompany balances and transactions have been eliminated.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the special purpose combined financial statement in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that may affect the reported amounts of the assets acquired, liabilities assumed, and related disclosures as of the period being presented. Management bases its estimates on historical experience and various other assumptions it believes to be reasonable. Components of this special purpose combined financial statement particularly subject to estimation include the fair value of assets acquired and liabilities assumed. Actual results may differ from management's estimates.

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Accrued Revenue

Accounts receivable and accrued revenue are carried at fair value.

Lab Supplies

Lab supplies are recorded at fair value.

Property and equipment

Property and equipment consists of lab equipment, furniture and fixtures, internally developed software and leasehold improvements. Property and equipment are stated at fair value in the special purpose combined statement of assets acquired and liabilities assumed.

Lease assets and liabilities

Operating lease assets and liabilities, and finance lease liabilities are recorded at fair value. Management has elected to use the package of practical expedients, which allows BioPharma to not (1) reassess whether any expired or existing contracts are considered or contain leases; (2) reassess the lease classification for any expired or existing leases; and (3) reassess the initial direct costs for any existing leases. Management did not elect the hindsight practical expedient, which permits entities to use hindsight in determining the lease term and assessing impairment.

ROU assets represent BioPharma's right to use an underlying asset for the lease term and lease liabilities represents BioPharma's obligation to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. As the leases assumed do not provide an implicit rate, management used the incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate was determined by adjusting the secured borrowing interest rate for the longer-term nature of the leases. Variable lease payments primarily consist of maintenance and other operating expenses from real estate leases. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. The operating lease ROU asset also includes any lease payments made and excludes lease incentives incurred. Lease terms may include options to extend or terminate the lease when it is reasonably certain that management will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

2. Summary of Significant Accounting Policies (continued)

Lease assets and liabilities (continued)

BioPharma has lease agreements with lease and non-lease components. Management has elected to account for these lease and non-lease components as a single lease component. Management are also electing not to apply the recognition requirements to short-term leases of twelve months or less and instead will recognize lease payments as expense on a straight-line basis over the lease term.

Goodwill and other intangible assets

Goodwill represents the excess of the purchase price of the acquisition over the fair value of the net assets acquired. Other intangible assets are carried at fair value. Certain patents are in the legal application process and therefore are not currently being amortized.

Other intangible assets consist of software acquired with Response Genetics and vivoPharm's customer list and trade name, which are all amortized using the straight-line method over the estimated useful lives of the assets, which range from three to ten years.

Deferred revenue

Deferred revenue is recorded at fair value and represents payments received in advance of services rendered.

Fair value measurements

Assets acquired and liabilities assumed have been recorded at fair value in accordance with ASC 820-10,*Fair Value Measurements and Disclosures*. ASC 820-10 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 requires a three level hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy level assigned to each asset and liability is based on the assessment of the transparency and reliability of the inputs used in the valuation of such items at the measurement date based on the lowest level of input that is significant to the fair value measurement.

2. Summary of Significant Accounting Policies (continued)

Fair value measurements (continued)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Assets acquired and liabilities assumed measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active and financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The fair value of the acquired accounts receivable and other current assets and the fair value of the assumed accounts payable and accrued expenses approximated their carrying value at the acquisition date. Inventories, property and equipment, intangible assets and contingent consideration were valued using Level 3 inputs.

3. Recent Accounting Pronouncements

Recent Standards Not Yet Effective

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): *Simplifying the Accounting for Goodwill Impairment*, which removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted and applied prospectively. Management is evaluating ASU 2017-04 to determine the impact on the special purpose combined financial statements.

3. Recent Accounting Pronouncements (continued)

Recent Standards Not Yet Effective (continued)

In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): *(Part 1) Accounting for Certain Financial Instruments with Down Round Features (Part 2) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. This guidance changes the methodology for determining the liability or equity classification of certain financial instruments with a down round feature and clarifies existing disclosure requirements for equity-classified instruments, among other things. The revised guidance is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted and applied retrospectively. Management is evaluating the guidance to determine the potential impact of adoption.

In August 2018, the FASB issued ASU 2018-15, Intangibles - Goodwill and Other-Internal-Use Software (Subtopic 350-40): *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, which clarifies the accounting for implementation costs in cloud computing arrangements. The update will become effective for interim and annual periods beginning after December 15, 2019 and may be adopted either retrospectively or prospectively. Early adoption is permitted. Management is evaluating the guidance to determine the potential impact of adoption.

4. Preliminary Purchase Price Allocation

The special purpose combined statement of assets acquired and liabilities assumed is presented on the basis of BioPharma's preliminary purchase price allocation. BioPharma accounts for business combinations under the acquisition method of accounting, which requires recognition separately from goodwill, the assets acquired and the liabilities assumed at their acquisition date fair values. The valuation of net assets acquired and the contingent consideration comprising a portion of the total consideration is based on estimates and assumptions made at the time of the acquisition and as a result, the allocation of purchase price and estimated useful lives of property and equipment, and intangible assets is considered preliminary at this time. As additional information becomes available, the preliminary purchase price allocation may be revised during the remainder of the measurement period, which will not exceed 12 months from the acquisition date. Any such revisions or changes may be material.

4. Preliminary Purchase Price Allocation (continued)

The fair value of goodwill on the acquisition date is approximately $8.0 million. The fair value of intangible assets includes trademarks and trade names ($1.6 million), customer relationships ($5.7 million), and developed technology and know-how ($0.3 million). Intangible assets will begin amortization on a straight-line basis after the acquisition date. The useful lives of trademarks and trade names and developed technology and know-how is estimated to be 10 years and the useful life of customer relationships is estimated to be 8 years.

5. Property and Equipment

The following is a summary of property and equipment by major classifications (in thousands):

Lab equipment	$	4,778
Furniture and fixtures		180
Internally developed software		1,123
Leasehold improvements		331
Total property and equipment	$	6,412

6. Lease Commitments

BioPharma leases laboratory, research facility and administrative office space under various operating leases. At December 31, 2018, BioPharma has approximately 17,900 square feet of office and laboratory space in Rutherford, New Jersey and 24,900 square feet in Morrisville, North Carolina. BioPharma has escalating lease agreements for our New Jersey and North Carolina spaces, which expire February 2023 and May 2020, respectively. These leases require monthly rent with periodic rent increases that vary from $0.32 to $0.50 per square foot of the rented premises per year. The difference between minimum rent and straight-line rent is recorded as deferred rent payable. The terms of the New Jersey lease require that a $350,000 security deposit for the facility be held in a stand by letter of credit in favor of the landlord.

BioPharma acquired office and scientific equipment under long term leases which have been capitalized at the present value of the minimum lease payments. The equipment under these finance leases had a fair value of $1,016,034 and no accumulated depreciation as of July 15, 2019.

6. Lease Commitments (continued)

Minimum future lease payments under all finance and operating leases as of July 15, 2019 are as follows (in thousands):

December 31,	Operating	Finance
2019 (5 ½ months)	$ 475	$ 170
2020	756	200
2021	587	113
2022	563	13
2023	94	-
Total minimum lease payments	$ 2,475	$ 496
Less amount representing interest	(288)	(45)
Present value of net minimum obligations	$ 2,187	$ 451

Other supplemental information related to leases assumed was as follows as of July 15, 2019:

Weighted average remaining lease term (in years) Operating leases	2.82
Weighted average discount rate Operating leases	6.0%

7. Commitments and Contingencies

In the ordinary course of business, the Business is involved in litigation, claims, government inquiries, investigations and proceedings, relating to intellectual property, commercial, employment, environmental and regulatory matters. Management doesn't believe that the resolution of such claims and disputes will have a material adverse effect on the Company's Financial Statement.

8. Subsequent Events

Management has evaluated subsequent events through September 19, 2019, the date the special purpose combined financial statement was available to be issued. No events were identified requiring additional recognition of disclosure in the notes to the abbreviated financial statement.

BioPharma
(A Business of Cancer Genetics, Inc.)

Special Purpose Interim Combined Statements of Revenues and Direct Expenses

For the six-months ended June 30, 2019 and 2018

(Unaudited)

Contents

BIOPHARMA
(A Business of Cancer Genetics, Inc.)

Special Purpose Interim Combined Statements of Revenues and Direct Expenses

For the Six Months ended June 30, 2019 and 2018
(in thousands)
(unaudited)

	2019	2018
Revenues	$ 7,358	$ 7,501
Cost of goods sold	5,006	4,419
Gross profit	2,352	3,082
Direct expenses:		
Research and development	579	695
General and administrative	2,718	2,951
Sales and marketing	1,365	1,385
Restructuring costs	3	270
Total direct expenses	4,665	5,301
Revenues less direct expenses	$ (2,313)	$ (2,219)

The accompanying notes to special purpose interim combined financial statements are an integral part of these abbreviated financial statements.

1. Description of Business and Basis of Presentation

Description of Business

On July 15, 2019 (the "Acquisition Date"), Interpace Diagnostics Group, Inc. (the "Company"), Interpace BioPharma, Inc., a newly formed and wholly owned subsidiary of the Company ("Buyer"), Cancer Genetics, Inc. ("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"). The Asset Purchase Agreement contains the terms and conditions of the acquisition of assets and assumption of certain liabilities (the "Acquisition") relating to CGI's and Gentris' biopharma services business ("BioPharma" or "Business"). BioPharma 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.

Under the Asset Purchase Agreement, Buyer acquired assets comprising the Business from Seller, through a private foreclosure sale under § 9-610 of the Uniform Commercial Code as enacted in all relevant jurisdictions (the "UCC"). Concurrently with the execution of the Asset Purchase Agreement, the Company entered into a financing arrangement with Ampersand 2018 Limited Partnership (the "Investor"), a fund managed by Ampersand Capital Partners, pursuant to which the Investor agreed to provide specified financing to the Company in connection with the Acquisition (the "Investment"), subject to the terms and conditions of such financing documents, as further discussed below.

At the closing, Seller irrevocably sold and transferred to Buyer all of its interests in CGI, free and clear of Seller's security interest and any other lien, in all of the properties and assets of CGI used or held for use in connection with BioPharma (collectively, the "Purchased Assets"). To the extent any assets owned by CGI or Gentris and relating to BioPharma were not subject to Seller's perfected and valid security interest, those assets were transferred directly to Buyer by CGI and Gentris. At closing, Seller delivered to CGI a release of all liens held by the first lien secured lender, Silicon Valley Bank ("SVB"), on CGI's assets through UCC-3 termination statements for all liens of PFG and SVB.

1. Description of Business and Basis of Presentation (continued)

Description of Business (continued)

Buyer paid $23,500,000, less certain closing adjustments totaling $1,978,240 (the "Base Purchase Price"), as consideration for the Purchased Assets, of which $7,692,300 was in the form of a subordinated seller note (the "Excess Consideration Note", as further described below) issued by Buyer to CGI, and the remainder was paid in cash to or on behalf of Seller on the closing date. In addition, Buyer is assuming certain liabilities (accounts payable and accrued expenses) of CGI related to BioPharma in the aggregate sum of approximately $5,000,000. Seller utilized the cash proceeds of approximately $13,829,000 to satisfy the outstanding balance of approximately $2,910,000 due to SVB under that certain loan and security agreement by and among CGI and SVB, as amended, to satisfy the outstanding balance of approximately $6,340,000 due to Seller under that certain loan and security agreement by and among CGI and Seller, as amended, and to satisfy certain transaction expenses. The balance of approximately $2,260,000, net of payment of transaction expenses, was delivered to CGI along with the Excess Consideration Note. The Base Purchase Price is subject to two additional adjustments following the closing: for the finalized net worth (assets less liabilities) of BioPharma as of June 30, 2019 (the "NWA"), subject to a cap of $775,000, and for certain older accounts receivable, in the aggregate amount of approximately $830,000, still uncollected as of December 31, 2019 (the "ARA"). Any amounts due to Buyer under the NWA will be set off against the Excess Consideration Note, and any amounts due to Buyer under the ARA will be either set off against the Excess Consideration Note or, if it is no longer outstanding, satisfied through an AR Holdback (as defined in the Asset Purchase Agreement) mechanism, in each case as further set forth in the Asset Purchase Agreement.

The Asset Purchase Agreement contains certain representations and warranties, which are made solely for purposes of the Asset Purchase Agreement and, in some cases, are subject to qualifications and limitations agreed to by the parties thereto in connection with the negotiated terms of the Asset Purchase Agreement, and which are qualified by certain disclosures that were made in connection with the parties' entry into such agreement. The Asset Purchase Agreement provides for indemnification by CGI for limited breaches of representations and warranties, covenants and specified line-items, subject to agreed upon caps and baskets and survival periods. Indemnification payments due to Buyer may be (x) set off against the Excess Consideration Note, (y) if it is no longer outstanding, funded by a $735,000 holdback from payout to CGI under the Excess Consideration Note, subject to an additional retained AR Holdback if applicable, or (z) required to be paid directly by CGI, depending on the agreed upon limitations.

1. Description of Business and Basis of Presentation (continued)

Basis of Presentation

BioPharma has not historically been accounted for as a separate entity, subsidiary or division of CGI. In addition, stand-alone financial statements related to BioPharma have not been prepared previously as CGI's financial system is not designed to provide complete financial information of BioPharma. Therefore, special purpose interim combined financial statements have been prepared for the six-months ended June 30, 2019 and 2018 to satisfy the financial statement requirements of Rule 3-05 of Regulation S-X in lieu of full financial statements. Pursuant to a letter dated September 10, 2019 from the staff of the Division of Corporate Finance (the "Division") of the SEC, the Division stated that it will not object to the Buyer's proposal to provide abbreviated financial statements in satisfaction of the requirements of Rule 3-05 of Regulation S-X.

These special purpose interim combined financial statements have been derived from the historical accounting records of CGI. The special purpose interim combined financial statements do not represent revenues and direct expenses as if BioPharma had operated as a separate, stand-alone entity during the periods presented. In addition, the special purpose interim combined financial statements is not meant to be indicative of results of operations of BioPharma going forward as a result of future changes in the Business and the omission of various operating expenses.

All significant intracompany balances and transactions have been eliminated.

The revenues included in the accompanying special purpose interim combined statements of revenues and direct expenses represent revenues directly attributable to BioPharma. The costs and expenses included in the accompanying special purpose interim combined statements of revenues and direct expenses were incurred by CGI and include direct and allocated costs and expenses related to BioPharma. The allocated costs and expenses are allocated to the Business based on direct usage or benefit where identifiable, with the remainder allocated on a pro rata basis of test counts performed, revenue, or other relevant measures. The Business considers the expense allocation methodology and results to be reasonable for all periods presented.

The special purpose interim combined statements of revenues and direct expenses do not include expenses not directly associated with BioPharma business, such as corporate, shared services, indirect general & administrative expenses, interest income/expense, other income/expense, and income taxes.

1. Description of Business and Basis of Presentation (continued)

The special purpose interim combined financial statements and notes thereto are unaudited and, in the opinion of management, include all adjustments consisting only of normal recurring adjustments considered necessary for a fair statement of BioPharma's results of operations. The results reported in these special purpose interim combined financial statements should not be considered as necessarily indicative of the results that may be expected for the entire year. These special purpose interim combined financial statements should be read in conjunction with the special purpose combined financial statements for the years ended December 31, 2018 and 2017 and the related notes thereto.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the special purpose interim combined financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that may affect the reported amounts of revenues, direct expenses and related disclosures during the periods being presented. Management bases its estimates on historical experience and various other assumptions it believes to be reasonable. Components of these special purpose interim combined financial statements particularly subject to estimation include the allocation of certain direct expenses. Actual results may differ from management's estimates.

Revenue recognition

Revenues consist of customized solutions for patient stratification and treatment selection through an extensive suite of DNA-based testing services. The services are billed to pharmaceutical and biotechnology companies.

Performance Obligations

Performance Obligation Satisfaction and Revenue Recognition: Performance obligations are satisfied at a point in time as the Company processes samples delivered by the customer. Project level activities, including study setup and project management, are satisfied over the life of the contract. Revenues are recognized at a point in time when the test results or other deliverables are reported to the customer. Project level fee revenue is recognized ratably over the life of the contract.

2. Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

Significant Payment Terms: Monthly invoices at a contractual rate are generated as services are delivered for work completed during the prior month. Some contracts have prepayments prior to services being rendered that are recorded as deferred revenue.

Nature of Services: BioPharma testing services, study setup and study management

Remaining Performance Obligations

Services offered frequently take time to complete under their respective contacts. These times vary depending on specific contract arrangements including the length of the study and how samples are delivered to us for processing. As of June 30, 2019, the Company had approximately $37 million in remaining performance obligations. BioPharma expects to recognize the remaining performance obligations over the next two to three years.

Practical Expedients

BioPharma's customer arrangements do not contain any significant financing component (interest). BioPharma incurs incremental costs on its clients but has elected the practical expedient afforded by the new revenue standard to expense such costs as incurred. BioPharma excludes from the measurement of the transaction price all taxes collected from customers that are assessed by governmental authorities and are both imposed on and concurrent with specific revenue-producing transactions.

Concentrations

There was one customer that accounted for 11% of revenues for the six months ended June 30, 2019 and there was one customer that accounted for 11% of revenues for six months ended June 30, 2018. No other customers accounted for more than 10% of revenues in either period.

2. Summary of Significant Accounting Policies (continued)

Depreciation

For the special purpose interim combined statements of revenues and direct expenses, depreciation is calculated on CGI's historical cost basis of property and equipment using the straight-line method over the estimated useful lives of the respective assets, which generally range from five to seven years. Leasehold improvements are depreciated over the lesser of the lease term or the estimated useful lives of the improvements using the straight-line method. The cost of computer software developed for internal use, which consists of lab information system that is still in its configuration and implementation stages, is capitalized and will be amortized on a straight-line basis over its estimated useful life of ten years when complete. Repairs and maintenance are charged to expense as incurred while improvements are capitalized.

Depreciation expense included in the special purpose interim combined statements of revenues and direct expenses was $337,138 and $395,370 for the six-months ended June 30, 2019 and 2018, respectively. Of these amounts, $215,388 and $229,631 was included in cost of goods sold for the six months ended June 30, 2019 and 2018, respectively.

Lease expense

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance codified in ASC 842, *Leases*, which supersedes the guidance in former ASC 840, *Leases*, to increase transparency and comparability among organizations by requiring recognition of right-of-use assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements (with the exception of short-term leases). The most significant impact of adopting ASC 842 is related to the recognition of right-of-use assets and lease liabilities for operating leases. BioPharma's accounting for finance leases remains substantially unchanged. The adoption of ASC 842 had no impact on the special purpose interim combined statements of revenues and direct expenses.

The special purpose interim combined statements of revenues and direct expenses includes an allocation of amortization of the right of use assets and finance costs related to the lease liabilities for both operating and finance leases.

2. Summary of Significant Accounting Policies (continued)

Amortization of intangible assets

For the special purpose interim combined statements of revenues and direct expenses, amortization of intangible assets is calculated on CGI's historical cost basis over their useful lives. Patents are amortized over the useful lives of the assets, using the straight-line method. Certain patents are in the legal application process and therefore are not currently being amortized.

Other intangible assets consist of software acquired with Response Genetics and vivoPharm's customer list and trade name, which are all amortized using the straight-line method over the estimated useful lives of the assets, which range from three to ten years.

Amortization expense included in the special purpose interim combined statements of revenues and direct expenses was $55,828 and $42,168 for the six-months ended June 30, 2019 and 2018, respectively.

Research and development

Research and development costs associated with service and product development include direct costs of payroll, employee benefits, stock-based compensation and supplies and an allocation of indirect costs including rent, utilities, depreciation and repairs and maintenance. All research and development costs are expensed as they are incurred.

Stock-based compensation

Direct expenses related to BioPharma include an allocation of stock-based compensation. Stock-based compensation is accounted for in accordance with the provisions of ASC 718, Compensation-Stock Compensation, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors based on estimated fair values on the grant date. BioPharma estimates the fair value of stock-based awards on the date of grant using the Black-Scholes option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods using the straight-line method.

All issuances of stock options or other issuances of equity instruments to employees as the consideration for services received by us are accounted for based on the fair value of the equity instrument issued.

2. Summary of Significant Accounting Policies (continued)

Stock-based compensation (continued)

BioPharma accounts for stock-based compensation awards to non-employees in accordance with ASC 505-50,*Equity Based Payments to Non-Employees*. Under ASC 505-50, BioPharma determines the fair value of the warrants or stock-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. Stock-based compensation awards issued to non-employees are recorded in expense and additional paid-in capital in stockholders' equity over the applicable service periods based on the fair value of the awards or consideration received at the vesting date.

3. Recent Accounting Pronouncements

Recent Standards Not Yet Effective

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350):*Simplifying the Accounting for Goodwill Impairment*, which removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted and applied prospectively. Management is evaluating ASU 2017-04 to determine the impact on the special purpose interim combined financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation - Stock Compensation (Topic 718):*Improvements to Nonemployee Share-Based Payment Accounting*, which simplifies the accounting for nonemployee share-based payment transactions. Under the new guidance, equity-classified share-based payment awards issued to nonemployees will now be measured on the grant date, instead of the previous requirement to remeasure the awards through the performance completion date. Awards that include performance conditions will recognize compensation cost when the achievement of the performance condition is probable, rather than upon achievement of the performance condition. Finally, the current requirement to reassess the classification (equity or liability) for nonemployee awards will be eliminated, except for awards in the form of convertible instruments. The ASU is effective for annual periods beginning after December 15, 2018, but no earlier than the adoption of ASC 606. Management adopted the guidance on January 1, 2019. The adoption of ASU 2018-07 did not have a material impact on special purpose interim combined financial statements.

4. Lease Commitments

BioPharma leases laboratory, research facility and administrative office space under various operating leases. At June 30, 2019, BioPharma has approximately 17,900 square feet of office and laboratory space in Rutherford, New Jersey and 24,900 square feet in Morrisville, North Carolina. During 2018, BioPharma had a lease agreement for approximately 19,100 square feet of laboratory space in Los Angeles, California which expired on December 31, 2018. For a portion of 2018, BioPharma also had 10,000 square feet in Hyderabad, India, which was vacated in April 2018. BioPharma has escalating lease agreements for our New Jersey and North Carolina, which expire February 2023 and May 2020, respectively. These leases require monthly rent with periodic rent increases that vary from $0.32 to $0.50 per square foot of the rented premises per year. The difference between minimum rent and straight-line rent is recorded as deferred rent payable. The terms of BioPharma's New Jersey lease require that a $350,000 security deposit for the facility be held in a stand by letter of credit in favor of the landlord.

BioPharma acquired office and scientific equipment under long term leases which have been capitalized at the present value of the minimum lease payments.

Lease expense included the special purpose interim combined statements of revenues and direct expenses was approximately $385,000 and $425,000 for the six-months ended June 30, 2019 and 2018, respectively.

The components of lease expense were as follows for the six months ended June 30, 2019 (in thousands):

	Six months ended June 30, 2019
Operating lease cost	$ 309
Short-term lease cost	-
Variable lease cost	76
	$ 385

5. Stock-based Compensation

CGI has two equity incentive plans: the 2008 Stock Option Plan (the "2008 Plan") and the 2011 Equity Incentive Plan (the "2011 Plan", and together with the 2008 Plan, the "Stock Option Plans"). The Stock Option Plans are meant to provide additional incentive to officers, employees and consultants of BioPharma to remain in BioPharma's employment. Options granted are generally exercisable for up to 10 years.

The fair value of options granted to employees is estimated on the grant date using the Black-Scholes option valuation model. This valuation model requires CGI to make assumptions and judgments about the variables used in the calculation, including the expected term (the period of time that the options granted are expected to be outstanding), the volatility of CGI's common stock, a risk-free interest rate, and expected dividends. BioPharma records forfeitures of unvested stock options when they occur. No compensation cost is recorded for options that do not vest. CGI uses the simplified calculation of expected life described in the SEC's Staff Accounting Bulletin No. 107, Share-Based Payment, and volatility is based on the historical volatility of CGI's common stock. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. CGI uses an expected dividend yield of zero, as CGI has not paid dividends historically.

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

	Six-months Ended June 30,	
	2019	2018
Volatility	90.15%	77.81%
Risk free interest rate	2.54%	2.89%
Dividend yield	—	—
Term (years)	6.32	6.49
Weighted-average fair value of options granted during the period	$ 0.34	$ 0.63

5. Stock-based Compensation (continued)

The following table presents the effects of stock-based compensation related to stock option and restricted stock awards to employees and non-employees on the special purpose interim combined statements of revenues and direct expenses during the periods presented (in thousands):

	Six-months Ended June 30,	
	2019	2018
Cost of revenues	$ 30	$ 114
Research and development	2	7
General and administrative	15	51
Sales and marketing	2	8
Total stock-based compensation	$ 49	$ 180

6. Commitments and Contingencies

In the ordinary course of business, the Business is involved in litigation, claims, government inquiries, investigations and proceedings, relating to intellectual property, commercial, employment, environmental and regulatory matters. Management does not believe that the resolution of such claims and disputes will have a material adverse effect on the Company's financial statements.

7. Subsequent Events

Management has evaluated subsequent events through September 19, 2019, the date the special purpose interim combined financial statements were available to be issued. No events were identified requiring additional recognition of disclosure in the notes to the abbreviated financial statements.

INTERPACE DIAGNOSTICS GROUP, INC.
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Overview

On July 15, 2019, Interpace Diagnostics Group, Inc. (the "Company"), through a private foreclosure sale from Partners for Growth IV, L.P., acquired substantially all assets and assumed certain liabilities of Cancer Genetics, Inc.'s biopharma services business ("BioPharma" or "Business", as defined in the asset purchase agreement). This acquisition is further described in Item 1.01 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on July 19, 2019.

Basis of Presentation

The following unaudited pro forma consolidated financial information reflects adjustments to the Company's historical financial results as reported under the U.S. Generally Accepted Accounting Principles ("GAAP") in connection with the acquisition of BioPharma. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2018 and for the six months ended June 30, 2019, respectively, have been prepared with the assumption that the acquisition of BioPharma was completed as of January 1, 2018.

BioPharma has not historically been accounted for as a separate entity, subsidiary or division of CGI. As such, the unaudited pro forma condensed consolidated balance sheet as of June 30, 2019 has been prepared with the assumption that the acquisition of BioPharma was completed as of that date, with the fair value of the assets acquired and liabilities assumed of BioPharma as of July 15, 2019 providing a reasonable estimation of the fair value of BioPharma as of June 30, 2019.

The "as reported" column in the unaudited pro forma condensed consolidated statements of operations reflect the Company's historical financial statements for the periods presented and does not reflect any adjustments related to the events. Assumptions and estimates underlying the pro forma adjustments column are described in the accompanying notes.

The unaudited pro forma condensed consolidated financial statements have been prepared in accordance with the rules and regulations of SEC Regulation S-X. The unaudited pro forma consolidated financial information does not purport to be indicative of the results of operations which would have actually resulted if the acquisition of BioPharma actually occurred on the dates presented or to project our results of operations for any future period. This financial information may not be predictive of the future results of operations of the Company, as the Company's future results of operation may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The unaudited pro forma financial information has been prepared by the Company based upon assumptions deemed appropriate by the Company's management and are based upon information and assumptions available at the time of filing the Company's current report on Form 8-K/A filed with the SEC on September 20, 2019. The following unaudited pro forma financial information should be read in conjunction with: (i) the accompanying notes to the unaudited pro forma consolidated financial information; and (ii) the audited consolidated financial statements of the Company, which were included in the Company's annual report on Form 10-K filed with the SEC on March 21, 2019 and the Company's unaudited quarterly report on Form 10-Q filed with the SEC on August 13, 2019.

The pro forma adjustments to the unaudited pro forma financial information for all periods presented do not include the following:

- Diluted weighted-average number of common shares and common share equivalents were not adjusted for the issuance or preferred stock related to the transaction as the additional common share equivalents are anti-dilutive.
- Any adjustments to the fair value of BioPharma as of July 15, 2019 to present the fair value as of June 30, 2019.
- Adjustments to the preliminary purchase price allocation as of July 15, 2019 for facts identified after filing of the unaudited pro forma financial information.

INTERPACE DIAGNOSTICS GROUP, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
for the six months ended June 30, 2019
(in thousands, except for per share data)

	Historical				
	Company, as reported	BioPharma	Pro Forma Adjustments		Pro Forma Consolidation
Revenue, net	$ 12,280	$ 7,358	$ -		$ 19,638
Cost of revenues	5,654	5,006	145	(1)	10,805
Gross profit	6,626	2,352	(145)		8,833
Operating expenses:					
Sales and marketing	5,369	1,365	-		6,734
Research and development	1,175	579	-		1,754
General and administrative	5,299	2,718	229	(1) (2) (3)	8,246
Acquisition related expense	1,696	-	(1,696)	(5)	-
Acquisition related amortization expense	1,626	-	451	(2)	2,077
Restructuring costs	-	3	-		3
Total operating expenses	15,165	4,665	(1,016)		18,814
Operating loss	(8,539)	(2,313)	871		(9,981)
Accretion expense	(220)	-	-		(220)
Other income (expense):	123	-	(208)	(4)	(85)
Loss from continuing operations before tax	(8,636)	(2,313)	663		(10,286)
Provision for income taxes	10	-	-		10
Loss from continuing operations	$ (8,646)	$ (2,313)	$ 663		$ (10,296)
Basic and diluted (loss) from continuing operations per share of common stock:	$ (0.24)				$ (0.28)
Basic and diluted weighted-average number of common shares and common share equivalents outstanding:	36,647				36,647

INTERPACE DIAGNOSTICS GROUP, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
for the year ended December 31, 2018
(in thousands, except for per share data)

	Historical				
	Company, as reported	BioPharma	Pro Forma Adjustments		Pro Forma Consolidation
Revenue, net	$ 21,896	$ 15,322	$ -		$ 37,218
Cost of revenues	10,197	8,657	214	(1)	19,068
Gross profit	11,699	6,665	(214)		18,150
Operating expenses:					
Sales and marketing	8,421	2,467	-		10,888
Research and development	2,124	1,428	-		3,552
General and administrative	8,499	5,858	336	(1) (2) (3)	14,693
Acquisition related amortization expense	3,252	-	903	(2)	4,155
Change in fair value of contingent consideration	1,522	-	-		1,522
Restructuring costs	-	1,067	-		1,067
Total operating expenses	23,818	10,820	1,239		35,877
Operating loss	(12,119)	(4,155)	(1,453)		(17,727)
Accretion expense	(331)	-	-		(331)
Other income (expense):	263	-	(415)	(4)	(152)
Loss from continuing operations before tax	(12,187)	(4,155)	(1,868)		(18,210)
Provision for income taxes	18	-	-		18
Loss from continuing operations	$ (12,205)	$ (4,155)	$ (1,868)		$ (18,228)
Basic and diluted (loss) from continuing operations per share of common stock:	$ (0.43)				$ (0.65)
Basic and diluted weighted-average number of common shares and common share equivalents outstanding:	28,155				28,155

INTERPACE DIAGNOSTICS GROUP, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
as of June 30, 2019 and July 15, 2019
(in thousands)

	June 30, 2019 Company, as reported	July 15, 2019 BioPharma at Fair Value	Pro Forma Adjustments		Pro Forma Consolidation
ASSETS					
Current assets					
Cash and cash equivalents	$ 4,210	$ -	$ (1,282)	(6)	$ 2,928
Accounts receivable, net	12,966	4,020	-		16,986
Other current assets	1,977	1,143	-		3,120
Total current assets	19,153	5,163	(1,282)		23,034
Property and equipment, net	731	6,412	-		7,143
Other intangible assets, net	28,227	7,600	-		35,827
Operating lease assets	2,190	2,187	-		4,377
Other long-term assets	31	-	-		31
Goodwill	-	7,973	-		7,973
Total Assets	$ 50,332	$ 29,335	$ (1,282)		$ 78,385
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Accounts payable	$ 1,712	$ 4,535	$ -		$ 6,247
Accrued salary and bonus	1,283	-	-		1,283
Other accrued expenses	7,205	2,634	-		9,839
Current portion of					
Current liabilities from discontinued operations	766	-	-		766
Acquisition note payable	-	-	6,822	(7)	6,822
Total current liabilities	10,966	7,169	6,822		24,957
Contingent consideration	2,531	-	-		2,531
Operating lease liabilities	1,738	1,334	-		3,072
Finance lease liabilities	-	181	-		181
Other long-term liabilities	4,268	-	-		4,268
Total liabilities	19,503	8,684	6,822		35,009
Stockholders' equity:					
Preferred stock	-	-	13,300	(8)	13,300
Common stock	383	-	-		383
Additional paid-in capital	182,231	-	-		182,231
Accumulated deficit	(150,073)	-	(753)	(9)	(150,826)
Treasury stock, at cost	(1,712)	-	-		(1,712)
Net assets acquired	-	20,651	(20,651)	(10)	-
Total stockholders' equity	30,829	20,651	(8,104)		43,376
Total liabilities and stockholders' equity	$ 50,332	$ 29,335	$ (1,282)		$ 78,385

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The pro forma adjustments are based on preliminary estimates and assumptions by management that are subject to change. The following adjustments have been reflected in the unaudited pro forma condensed consolidated financial statements:

(1) Pro forma adjustment to adjust depreciation expense for the fair value of property and equipment acquired (in thousands):

	Six months ended June 30, 2019	Year ended December 31, 2018
Remove prior depreciation expense at its historical basis	$ (337)	$ (796)
Add depreciation expense for the fair value of property and equipment acquired	570	1,139
Total adjustment (of which $145 and $214, respectively, is allocated to cost of revenues)	$ 233	$ 343

(2) Pro forma adjustment to adjust amortization expense for the fair value of intangible assets acquired (in thousands):

	Six months ended June 30, 2019	Year ended December 31, 2018
Remove prior amortization expense at its historical basis	$ (56)	$ (94)
Add amortization expense for the fair value of intangible assets acquired	451	903
Total adjustment	$ 395	$ 809

(3) Pro forma adjustment to adjust the incremental rent expense for the portion of leases which will be assumed from Cancer Genetics, Inc. in addition to those included in BioPharma's historical results (in thousands):

	Six months ended June 30, 2019	Year ended December 31, 2018
Remove prior rent expense	$ (385)	$ (808)
Rent expense for all leases assumed	582	1,109
Total adjustment	$ 197	$ 301

(4) Pro forma adjustment to reflect interest expense related to a note payable to Cancer Genetics, Inc. as part of the transaction (in thousands):

	Six months ended June 30, 2019	Year ended December 31, 2018
Interest expense	$ 208	$ 415

(5) Pro forma adjustment to remove transaction costs related to the acquisition of BioPharma.

(6) Pro forma adjustments to cash and cash equivalents to reflect the following:

Net proceeds from preferred stock issued in July 2019	$ 13,300
Cash paid at closing for BioPharma	(13,829)
Acquisition costs incurred after June 30, 2019	(753)
Total adjustment	$ (1,282)

(7) Pro forma adjustment to include the fair value of the note payable to Cancer Genetics, Inc. as part of the acquisition.

(8) Pro forma adjustment to include the net proceeds from the preferred stock issued to an investor in July 2019.

(9) Pro forma adjustment to include transaction costs incurred after June 30, 2019

(10) Pro forma adjustment to remove the net assets acquired

Estimated Preliminary Purchase Price Allocation

The table below represents the estimated preliminary purchase price allocation to the net assets acquired based on their estimated fair values. This business combination was accounted for under the acquisition method of accounting, which requires recognition separately from goodwill, the assets acquired and the liabilities assumed at their acquisition date fair values. The valuation of net assets acquired and the contingent consideration comprising a portion of the total consideration is based on estimates and assumptions made at the time of the acquisition and as a result, the allocation of purchase price and estimated useful lives of property, plant and equipment, and intangible assets is considered preliminary at this time. As additional information becomes available, the preliminary purchase price allocation may be revised during the remainder of the measurement period, which will not exceed 12 months from the acquisition date. Any such revisions or changes may be material.

Assets acquired		
Accounts receivable	$	3,731
Lab supplies		877
Prepaid expenses and other current assets		555
Property and equipment		6,412
Operating lease assets		2,187
Goodwill		7,973
Intangible assets		7,600
Total assets acquired		29,335
Liabilities assumed		
Accounts payable		(4,535)
Accrued liabilities		(435)
Deferred revenue		(1,076)
Lease liabilities		(2,638)
Total liabilities assumed		(8,684)
Purchase price allocated	$	20,651

Estimated Preliminary Purchase Price Consideration

The table below represents the total estimated preliminary purchase price consideration (amounts in thousands):

Base purchase price	$	21,521
Less: face value of promissory note		(7,692)
Amount paid at closing		13,829
Add: Fair value of promissory note		6,822
Total purchase price	$	20,651