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

FORM 10-Q

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from _____ to _____.

Commission file number: 001-36284

Biocept, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**80-0943522**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5810 Nancy Ridge Drive, San Diego, California
(Address of principal executive offices)

92121
(Zip Code)

(858) 320-8200
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

As of August 1, 2014, there were 4,449,603 shares of the Registrant's common stock outstanding.

BIOCEPT, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED
June 30, 2014

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IMPORTANT NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements included or incorporated by reference in this Quarterly Report other than statements of historical fact, are forward-looking statements. You can identify these and other forward-looking statements by the use of words such as "may," "will," "could," "anticipate," "expect," "intend," "believe," "continue" or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to such statements.

Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in our other filings with the Securities and Exchange Commission (the "SEC"). Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for us to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements. The forward-looking statements speak only as of the date on which they are made and we undertake no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they are made except as required by law. Readers should, however, review the factors and risks we describe in the reports and registration statements we file from time to time with the SEC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Biocept, Inc.

Condensed Balance Sheets

	December 31, 2013	June 30, 2014 (unaudited)
Current assets:		
Cash and cash equivalents	$ 69,178	$ 12,460,565
Accounts receivable	9,200	28,445
Inventories, net	92,823	143,143
Prepaid expenses and other current assets	799,131	356,453
Total current assets	970,332	12,988,606
Fixed assets, net	358,887	343,369
Other non-current assets, net	500	28,007
Total assets	$ 1,329,719	$ 13,359,982
Current liabilities:		
Accounts payable	$ 1,540,618	$ 765,343
Accrued liabilities	2,242,058	496,321
Line of credit	1,981,000	—
Notes payable, net	5,200,599	—
Warrant liability	2,140,532	4,454
Supplier financings	218,925	6,853
Total current liabilities	13,323,732	1,272,971
Credit facility, net	—	4,706,038
Non-current interest payable	—	13,545
Deferred rent	462,001	484,159
Total liabilities	13,785,733	6,476,713
Commitments and contingencies (see Note 9)		
Shareholders' equity/(deficit):		
Series A convertible preferred stock, $0.0001 par value, 100,000,000 authorized; 69,421,047 issued and outstanding at December 31, 2013; 5,000,000 shares authorized; no shares issued and outstanding at June 30, 2014; liquidation preference of $41,652,628 at December 31, 2013 (see Note 2).	6,942	—
Common stock, $0.0001 par value, 53,000,000 authorized; 185,550 issued and outstanding at December 31, 2013; 40,000,000 authorized; 4,449,603 issued and outstanding at June 30, 2014 (see Note 2).	19	445
Additional paid-in capital	109,958,001	137,428,511
Accumulated deficit	(122,420,976)	(130,545,687)
Total shareholders' equity/(deficit)	(12,456,014)	6,883,269
Total liabilities and shareholders' equity/(deficit)	$ 1,329,719	$ 13,359,982

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

Biocept, Inc.

Condensed Statements of Operations and Comprehensive Loss

(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2014	2013	2014
Revenues	$ 48,369	$ 19,245	$ 83,523	$ 47,520
Cost of revenues	593,237	359,364	1,140,488	1,017,679
Gross profit/(loss)	(544,868)	(340,119)	(1,056,965)	(970,159)
Operating expenses				
Research and development expenses	690,582	1,107,678	1,400,788	2,116,607
General and administrative expenses	478,163	1,032,855	929,320	2,909,767
Sales and marketing expenses	27,932	423,361	124,336	434,503
Loss from operations	(1,741,545)	(2,904,013)	(3,511,409)	(6,431,036)
Other income/(expense)				
Interest expense, net	(510,273)	(94,111)	(977,837)	(1,488,555)
Change in fair value of warrant liability	283,019	2,084	601,012	(204,320)
Other income/(expense)	(6,210)	—	(11,949)	—
Total other income/(expense)	(233,464)	(92,027)	(388,774)	(1,692,875)
Loss before income taxes	(1,975,009)	(2,996,040)	(3,900,183)	(8,123,911)
Income tax expense	—	(800)	(800)	(800)
Net loss & comprehensive loss	$ (1,975,009)	$ (2,996,840)	$ (3,900,983)	$ (8,124,711)
Weighted-average shares outstanding used in computing net loss per share attributable to common shareholders:				
Basic	182,304	4,449,603	181,427	3,538,503
Diluted	182,304	4,449,603	181,427	3,538,503
Net loss per common share:				
Basic	$ (10.83)	$ (0.67)	$ (21.50)	$ (2.30)
Diluted	$ (10.83)	$ (0.67)	$ (21.50)	$ (2.30)

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

Biocept, Inc.

Condensed Statements of Cash Flows

(Unaudited)

	For the six months ended June 30,	
	2013	2014
Cash Flows From Operating Activities		
Net loss	$ (3,900,983)	$ (8,124,711)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	136,768	112,164
Inventory reserve	36,146	(8,545)
Stock-based compensation	21,019	1,185,164
Non-cash interest expense related to convertible debt, credit facility and other financing activities	977,837	1,396,413
Change in fair value of warrant liability	(601,012)	204,320
Increase/(decrease) in cash resulting from changes in:		
Accounts receivable	(19,872)	(19,245)
Inventory	(55,891)	(41,775)
Prepaid expenses and other current assets	93,121	(544,972)
Other non-current assets	—	(28,894)
Accounts payable	159,988	(865,624)
Accrued liabilities	109,290	(1,256,892)
Non-current interest payable	—	13,545
Deferred rent	(2,244)	22,158
Net cash used in operating activities	(3,045,833)	(7,956,894)
Cash Flows From Investing Activities		
Purchases of fixed assets	(711)	(6,297)
Net cash used in investing activities	(711)	(6,297)
Cash Flows From Financing Activities		
Proceeds from exercise of stock options	395	—
Net proceeds from issuance of common stock	—	17,390,240
Payments on supplier and other third party financings	(46,118)	(156,558)
Payments on line of credit	—	(2,346,000)
Proceeds from borrowings on line of credit	—	365,000
Proceeds from issuance of convertible notes and warrants	2,911,494	175,000
Net proceeds from borrowings on credit facility and warrants	—	4,926,896
Net cash provided by financing activities	2,865,771	20,354,578
Net increase/(decrease) in Cash and Cash Equivalents	(180,773)	12,391,387
Cash and Cash Equivalents at Beginning of Period	185,256	69,178
Cash and Cash Equivalents at End of Period	$ 4,483	$ 12,460,565
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ —	$ 196,180
Taxes	$ 800	$ 800

Non-cash Investing and Financing Activities:

During the six months ended June 30, 2013, 21,846 shares of common stock, with a par value of $0.0001, were issued for restricted stock units.

During the six months ended June 30, 2013, convertible notes with a principal balance of $20,231,000 and accrued interest of approximately $2,581,000 were converted into 42,245,834 shares of preferred stock with a par value of $0.0001. In conjunction with this conversion, $236,799 of derivative warrant liabilities were reclassified to additional paid-in capital, as the underlying exercise prices on the warrants were determined by the debt conversion.

During the six months ended June 30, 2014, the Company cancelled its private company directors and officers liability insurance policy. The previously financed premium balance of $44,559 was cancelled and a partial refund of $10,955 was received.

During the six months ended June 30, 2014, common stock warrants with an estimated aggregate grant date fair value of $135,222 were issued in conjunction with guarantees on the Company's additional borrowings under its Line of Credit and additional borrowings made under its 2013 Convertible Bridge Notes, and were recorded as a discount to outstanding debt at the date of issuance.

An initial public offering ("IPO") of the Company's common stock was effected on February 5, 2014, the closing of which occurred on February 10, 2014 (see Note 2). On February 4, 2014, as contemplated by the registration statement covering the IPO, 69,421,047 shares of outstanding Series A Preferred Stock were automatically converted into 1,652,851 shares of common stock. In connection with the closing of the IPO on February 10, 2014, (i) the underwriters of the IPO were granted a 45 day option from the closing date of the IPO to purchase up to 285,000 shares of common stock at $9.30 per share to cover overallotments with a grant date fair value of $202,143 (see Note 4), which was not exercised and is recorded as an offset to additional paid-in capital within common stock issuance costs at June 30, 2014, (ii) certain designees of the representative of the underwriters were issued warrants to buy (in the aggregate) up to 95,000 shares of common stock at $12.50 per share with a term of five years and a grant date fair value of $544,116 (see Note 4), and is recorded as an offset to additional paid-in capital within common stock issuance costs at June 30, 2014, (iii) underwriter IPO costs and discounts of $279,760 and $1,330,000, respectively, were netted against the proceeds from the IPO and are reflected as an offset to additional paid-in capital, (iv) the $1,400,000 principal amount and $233,982 of accrued interest related to the 2008 Convertible Note were converted at $10.00 per share into a total of 163,399 shares of common stock, (v) the $5,165,000 principal amount and $313,017 of accrued interest related to the 2013 Convertible Bridge Notes were converted at $10.00 per share into a total of 547,794 shares of common stock, (vi) derivative warrant liabilities of $2,475,620 associated with an aggregate of 387,152 common stock warrants related to the 2013 Convertible Bridge Notes and Line of Credit were reclassified to additional paid-in capital when their underlying exercise price was fixed at $10.00 per share, and (vii) additional costs associated with the IPO of $932,136 were reclassified from prepaid expenses and other current assets to additional paid-in capital.

During the six months ended June 30, 2014, a common stock warrant with an estimated grant date fair value of $233,107 was issued in conjunction with borrowings made under the Company's 2014 Credit Facility, and was recorded as a discount to outstanding debt at the date of issuance (see Note 6).

Fixed assets purchased totaling $90,349 during the six months ended June 30, 2014 remain unpaid as of June 30, 2014, and are excluded from the Company's unaudited condensed statement of cash flows.

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

BIOCEPT, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Basis of Presentation

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America.

The unaudited condensed financial statements included in this Form 10-Q have been prepared in accordance with the U.S. Securities and Exchange Commission ("SEC") instructions for Quarterly Reports on Form 10-Q. Accordingly, the condensed financial statements are unaudited and do not contain all the information required by U.S. Generally Accepted Accounting Principles ("GAAP") to be included in a full set of financial statements. The unaudited condensed balance sheet at December 31, 2013 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for a complete set of financial statements. The audited financial statements for the year ended December 31, 2013, filed with the SEC with our Annual Report on Form 10-K on March 28, 2014 include a summary of our significant accounting policies and should be read in conjunction with this Form 10-Q. In the opinion of management, all material adjustments necessary to present fairly the results of operations for such periods have been included in this Form 10-Q. All such adjustments are of a normal recurring nature. The results of operations for interim periods are not necessarily indicative of the results of operations for the entire year.

The Company and Business Activities

Biocept, Inc. ("the Company") was founded in California in May 1997 and is a commercial-stage cancer diagnostics company developing and commercializing proprietary circulating tumor cell (CTC) and circulating tumor DNA (ctDNA) tests utilizing a standard blood sample to improve the treatment that oncologists provide to their patients by providing better, more detailed information on the characteristics of their tumor.

The Company operates a clinical laboratory that is CLIA-certified (under the Clinical Laboratory Improvement Amendment of 1988) and CAP-accredited (by the College of American Pathologists), and manufactures CEE microfluidic channels, related equipment and certain reagents to perform the Company's diagnostic tests in a facility located in San Diego, California. CLIA certification and accreditation are required before any clinical laboratory may perform testing on human specimens for the purpose of obtaining information for the diagnosis, prevention, treatment of disease, or assessment of health. The tests the Company offers are classified as laboratory developed tests (LDTs), under the CLIA regulations.

In July 2013, the Company effected a reincorporation to Delaware by merging itself with and into Biocept, Inc., a Delaware corporation, which had been formed to be and was a wholly-owned subsidiary of the Company since July 23, 2013.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that requires netting unrecognized tax benefits against deferred tax assets for a loss or other carryforward that would apply in settlement of uncertain tax positions. This guidance is effective for annual reporting periods beginning after December 15, 2013, and was effective for the Company's fiscal year beginning January 1, 2014. The adoption of this guidance did not have a material impact on the Company's financial statements or disclosures.

In May 2014, the FASB issued authoritative guidance that requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Company is currently in the process of evaluating the impact of the adoption of this guidance on its financial statements and disclosures.

In June 2014, the FASB issued authoritative guidance requiring share-based payments with a performance target which affects vesting and that could be achieved after the requisite service period be treated as a performance condition. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The Company does not expect adoption of this guidance to have a material impact on its financial statements or disclosures.

2. Initial Public Offering

Pursuant to an underwriting agreement dated February 4, 2014 between the Company and Aegis Capital Corp. ("Aegis"), as representative of the several underwriters named therein, an IPO of 1,900,000 shares of common stock at $10.00 per share was effected on February 5, 2014. The closing of the sale of these shares to the underwriters occurred on February 10, 2014. The Company received, after deducting underwriting discounts and additional costs paid to the underwriters, approximately $17,390,000 of net cash proceeds from the sale of these 1,900,000 shares. The total increase in capital as a result of the sale of these shares was approximately $16,458,000 after deducting $932,136 of additional non-underwriter costs incurred that are netted against these proceeds under

applicable accounting guidance. Additionally, the underwriters were granted a 45 day option from the closing date of the IPO to purchase up to 285,000 shares of common stock at $9.30 per share to cover overallotments with a grant date fair value of $202,143 (see Note 4), which was not exercised. In addition, designees of Aegis were issued warrants to buy (in the aggregate) up to 95,000 shares of common stock at $12.50 per share with a term of five years and a grant date fair value of $544,116 (see Note 4).

On February 4, 2014, as contemplated by the registration statement covering the IPO, 69,421,047 shares of outstanding Series A Preferred Stock were converted into 1,652,851 shares of common stock and the Company's certificate of incorporation was amended to provide for an authorized capitalization of 40,000,000 shares of common stock and 5,000,000 shares of preferred stock.

In connection with the closing of the Company's IPO on February 10, 2014, (i) the $1,400,000 principal amount and $233,982 of accrued interest related to the 2008 Convertible Note were converted at $10.00 per share into a total of 163,399 shares of common stock, (ii) the $5,165,000 principal amount and $313,017 of accrued interest related to the 2013 Convertible Bridge Notes were converted at $10.00 per share into a total of 547,794 shares of common stock, (iii) the exercise price of the warrants associated with the 2013 Bridge Notes was fixed at $10.00 per share for an aggregate 258,249 shares of common stock, (iv) the exercise price of the warrants associated with the $2,578,104 of collateral provided to secure the Company's Line of Credit was fixed at $10.00 per share for an aggregate 128,903 shares of common stock, (v) 73,151 shares of common stock vested as settlement of certain restricted stock units (which were previously expressed in shares of preferred stock) and became issuable subsequent to the expiration of the 180 day lock-up period, (vi) the Company's Executive Chairman ceased to be an employee and continues to serve as non-executive Chairman, (vii) the number of shares of common stock covered by the 2013 Equity Incentive Plan increased by 800,000, (viii) all but 1,587 of the preferred warrants previously outstanding were canceled due to early termination clauses associated with the IPO, (ix) derivative warrant liabilities of $2,475,620 associated with the aggregate of 387,152 common stock warrants related to the Company's 2013 Convertible Bridge Notes and Line of Credit were reclassified to additional paid-in capital when their underlying exercise price was fixed, (x) unamortized discounts of $996,024 related to the warrants associated with the 2013 Convertible Bridge Notes and Line of Credit were reclassified to interest expense, and (xi) offering costs associated with the IPO of $932,136 were reclassified from prepaid expenses and other current assets to additional paid-in capital, while additional underwriter IPO costs and discounts of $279,760 and $1,330,000, respectively, were netted against the proceeds from the IPO and are reflected as an offset to additional paid-in capital.

Subsequent to December 31, 2013, the maximum amount of the Company's Line of Credit was increased to approximately $2.6 million and common stock warrants were issued to four shareholders in conjunction with their guarantees on the Company's additional borrowings under the line of credit. On February 10, 2014, the current outstanding balance under the line of credit of $2,346,000 plus accrued interest of $27,043 was paid in full using the net proceeds from the IPO.

On February 13, 2014, the Compensation Committee of the Company's Board of Directors approved the payment of an aggregate $1,009,552 in deferred salary obligations, including contractual interest, to current and former named executive officers pursuant to previously existing agreements, which was fully disbursed by April 2014 using the net proceeds from the IPO. An additional $344,883 in deferred salary obligations and interest thereon was paid to former employees other than named executive officers. Also on February 13, 2014, in connection with the closing of the IPO and pursuant to a Board resolution for a director compensation policy adopted in 2013, the Company's Board of Directors approved annual cash retainers to non-employee directors, and granted 238,500 stock options under the 2013 Equity Incentive Plan to non-employee directors. These option awards vest in equal annual installments over 3 years from the date of grant with a 10 year term, subject to continuing service requirements (see Note 7). Subsequently in February 2014, the Company's Board of Directors approved grants of 54,298 stock options as a result of the closing of the IPO pursuant to the terms of underlying employment agreements. Included in the stock options granted pursuant to the terms of underlying employment agreements are 53,108 option awards granted to the Company's non-executive Chairman, which vested fully on the date of grant (see Note 7).

Under the terms of certain employment agreements with executive officers, the Company incurred additional cash compensation expense of $150,000 immediately, and $225,000 annually, upon the closing of its IPO. All payments required under these agreements as a result of the closing of the Company's IPO on February 10, 2014 have been subsequently made in February and March 2014, using the net proceeds from the IPO.

During the six months ended June 30, 2014, the Company repaid in full the remaining amounts outstanding of approximately $70,000 due for laboratory equipment under financing agreements with a supplier, which is a business owned by a member of the Company's board of directors, using the net proceeds from the IPO.

3. Liquidity

At December 31, 2013 and June 30, 2014, the Company had accumulated deficits of approximately $122,421,000 and $130,546,000, respectively. For the three and six months ended June 30, 2014, the Company incurred net losses of approximately $2,997,000 and $8,125,000, respectively. While the Company is currently in the commercialization stage of operations, the Company has not yet achieved profitability and anticipates that it will continue to incur net losses in the foreseeable future.

Historically, the Company's principal sources of cash have included proceeds from the issuance of common and preferred stock, proceeds from the issuance of debt, and revenues from clinical laboratory testing through contracted partners. The Company's principal uses of cash have included cash used in operations, payments relating to purchases of property and equipment and repayments of borrowings. The Company expects that the principal uses of cash in the future will be for continuing operations, hiring of sales and marketing personnel and increased sales and marketing activities, funding of research and development, capital

expenditures, and general working capital requirements. The Company expects that, as revenues grow, sales and marketing and research and development expenses will continue to grow, albeit at a slower rate and, as a result, the Company will need to generate significant net revenues to achieve and sustain income from operations.

As of June 30, 2014, cash and cash equivalents totaled approximately $12,461,000. On February 10, 2014, the Company received cash proceeds of approximately $17,390,000 as a result of the closing of its IPO, net of underwriting discounts and additional underwriting costs incurred (see Note 2). On April 30, 2014, the Company received net cash proceeds of approximately $4,927,000 pursuant to the execution of a term loan agreement with Oxford Finance LLC (see Note 6). Management believes that its cash resources should be sufficient to support currently forecasted operations through at least the next twelve months. Management expects that the Company will need additional financing in the future to execute on its current or future business strategies beyond the next twelve months. Management can provide no assurances that any sources of a sufficient amount of financing will be available to the Company on favorable terms, if at all. In addition to test revenues, such financing may be derived from one or more of the following types of transactions: debt, equity, product development, technology licensing or collaboration.

4. Fair Value Measurement

The Company uses a three-tier fair value hierarchy to prioritize the inputs used in the Company's fair value measurements. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets for identical assets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company believes the carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their estimated fair values due to the short-term maturities of these financial instruments.

Warrant Liability Derivatives

The Company classified the fair value measurements of the Company's warrant liability derivatives as Level 3 in all periods presented. The Company adjusted the carrying value of the warrants classified as liabilities until the completion of its IPO on February 10, 2014, at which time the exercise price was fixed at $10.00 per share and the fair value of the warrants was reclassified to shareholders' deficit, except for a warrant for 1,587 preferred shares that remains outstanding at June 30, 2014 (see Note 2).

The aggregate fair value of the Company's warrant liability at the closing of the IPO on February 10, 2014 was estimated using a Black-Scholes valuation model with the following assumptions for the five-year term and two-year term common stock warrants, respectively:

	Five-year term	Two-year term
Stock price	$ 8.91	$ 8.91
Exercise price	$ 10.00	$ 10.00
Expected dividend yield	0.00%	0.00%
Discount rate-bond equivalent yield	1.48%	0.32%
Expected life (in years)	5.00	2.00
Expected volatility	90.0%	90.0%

The fair value attributed to such warrants as of December 31, 2013 and June 30, 2014 is as follows:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities			
Warrant Liability at December 31, 2013	—	—	$ 2,140,532
Warrant Liability at June 30, 2014	—	—	$ 4,454

The following table includes a summary of changes in the fair value of the warrants for the six months ended June 30, 2014:

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)
Balance at December 31, 2013	$ 2,140,532
Warrant liability incurred	135,222
Change in fair value included in expense	204,320
Warrant liability reclassified to additional paid-in capital	(2,475,620)
Balance at June 30, 2014	$ 4,454

Other Fair Value Measurements

In connection with the closing of the Company's IPO on February 10, 2014, the IPO's underwriters were granted a 45 day option to purchase up to 285,000 shares of common stock to cover overallotments with a grant date fair value of $202,143, which was not exercised. Additionally, certain designees of the representative of the underwriters were issued warrants to buy (in the aggregate) up to 95,000 shares of common stock with a grant date fair value of $544,116. The fair values of these stock option and common stock warrants were estimated using probability weighted Black-Scholes valuation models with the following assumptions:

	Options	Warrants
Stock price	$ 8.91	$ 8.91
Exercise price	$ 9.30	$ 12.50
Expected dividend yield	0.00%	0.00%
Discount rate-bond equivalent yield	0.07%	1.46%
Expected life (in years)	0.12	5.00
Expected volatility	70.0%	90.0%

The estimated grant date fair values of these non-cash equity classified instruments are recorded as an offset to additional paid-in capital within common stock issuance costs in the Company's unaudited condensed balance sheet at June 30, 2014.

In connection with the closing of the Company's Credit Facility on April 30, 2014, the lender was granted a warrant to purchase 52,966 shares of common stock with a 10 year term and an estimated grant date fair value of $233,107 (see Note 6). The fair value of this warrant was estimated using a Black-Scholes valuation model with the following assumptions:

Stock price	$ 4.74
Exercise price	$ 4.72
Expected dividend yield	0.00%
Discount rate-bond equivalent yield	2.67%
Expected life (in years)	10.00
Expected volatility	110.0%

The estimated grant date fair value of this non-cash equity classified instrument is recorded as a discount to outstanding debt in the Company's unaudited condensed balance sheet at June 30, 2014, and is amortized to interest expense utilizing the effective interest method over the underlying term of the loan.

The estimated fair value of the Company's Credit Facility at June 30, 2014 approximated carrying value, which was determined using a discounted cash flow analysis. The analysis considered interest rates of instruments with similar maturity dates, which involved the use of significant unobservable Level 3 inputs (see Note 6).

5. Balance Sheet Details

The following provides certain balance sheet details:

	December 31, 2013	June 30, 2014
Accrued Liabilities		
Accrued interest	$ 524,885	$ 33,159
Accrued payroll	125,299	196,691
Deferred wages	1,377,987	—
Accrued vacation	213,601	264,915
Other	286	1,556
Total accrued liabilities	$2,242,058	$496,321

As of December 31, 2013, the Company incurred $538,318 in costs directly associated with its IPO, which are reflected on the unaudited condensed balance sheet as a component of prepaid expenses and other current assets. As of June 30, 2014, a balance of $1,211,896 of such costs, in addition to underwriting discounts of $1,330,000 and an aggregate $746,259 of associated stock option and restricted stock awards, are offset against additional paid-in capital as a result of the closing of the Company's IPO on February 10, 2014 (see Note 2).

6. Credit Facility

Effective as of April 30, 2014, the Company entered into a loan and security agreement (the "Credit Facility") in an aggregate principal amount of up to $10.0 million with Oxford Finance LLC ("Oxford") for working capital and general business purposes. The first term loan under the Credit Facility was funded on April 30, 2014 in a principal amount of $5.0 million. A second term loan of up to a principal amount of $5.0 million will be funded at the Company's request prior to December 31, 2015, subject to the achievement of product and services revenues of at least $9.0 million for the trailing six month period by November 30, 2015. In connection with the first term loan under the Credit Facility, a facility fee of $50,000 was charged and an additional $50,000 facility fee will be due upon execution of the second term loan under the Credit Facility. The Credit Facility is secured by substantially all of the Company's assets other than its intellectual property. Each term loan under the credit facility bears interest at an annual rate equal to the greater of (i) 7.95% or (ii) the sum of (a) the three-month U.S. LIBOR rate reported in the Wall Street Journal three business days prior to the funding date of the applicable term loan, plus (b) 7.71%. The Company is required to make interest-only payments on the first term loan through February 1, 2016 if the funding date of the second term loan occurs before June 30, 2015, or through August 1, 2015 otherwise. If executed, interest-only payments are required to be made on the second term loan through February 1, 2016 if the funding date of the second term loan occurs before June 30, 2015, or through the seventh month following the funding date of the second term loan otherwise. The first term loan under the credit facility matures on July 1, 2018, and the second term loan matures on the first day of the 29th month following the end of the applicable interest-only period. Upon repayment of each term loan, the Company is also required to make a final payment equal to 5.50% of the original principal amount(s) funded. At the Company's option, the outstanding principal balance of the term loans may be repaid in whole but not in part, subject to a prepayment fee of 3% of any amount prepaid if the prepayment occurs on or prior to April 30, 2015, 2% of the amount prepaid if the prepayment occurs after April 30, 2015 but on or prior to April 30, 2016, and 1% of any amount prepaid after April 30, 2016. Additionally, a warrant to purchase up to 52,966 shares of the Company's common stock at an exercise price of $4.72 per share with a term of 10 years was issued to Oxford on April 30, 2014 (see Note 4). Additional warrants for shares of the Company's common stock will be issued upon execution of the second term loan under the Credit Facility in an amount equal to 5.0% of the funded amount divided by the exercise price, which will be equal to the lower of (i) the closing price per share of the Company's common stock on the NASDAQ on the date prior to the funding date of the second term loan or (ii) the ten-day average closing price per share prior to the funding date of the second term loan.

Issuance costs of $73,104 associated with the first term loan under the Credit Facility were deducted from the gross proceeds by the lender and were recorded as a discount to outstanding debt as of the closing date, resulting in net proceeds of $4,926,896. Other issuance costs of $28,932 directly related to the Credit Facility but not associated with the lender were recorded as a component of other non-current assets in the unaudited condensed balance sheet. The estimated fair value of the warrant issued of $233,107 was recorded as a discount to outstanding debt as of the closing date. The discounts and other issuance costs are amortized to interest expense utilizing the effective interest method over the underlying term of the loan. The total amount of interest expense recorded during the three and six months ended June 30, 2014 related to the Credit Facility was $93,469. The Credit Facility bears an effective annual interest rate of 10.81% at both April 30, 2014 and June 30, 2014.

7. Stock-based Compensation

Stock Options

A summary of stock option activity for option awards granted under the Company's 2007 Equity Incentive Plan and 2013 Equity Incentive Plan for the six months ended June 30, 2014 is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Average Remaining Contractual Term in Years
Vested and unvested expected to vest, December 31, 2013	331,540	$ 5.14	9.3
Outstanding at December 31, 2013	333,106	$ 5.14	9.3
Granted	573,298	$ 7.13	
Exercised	—	—	
Cancelled/forfeited/expired	(11,936)	$ 5.13	
Outstanding at June 30, 2014	894,468	$ 6.42	9.4
Vested and unvested expected to vest, June 30, 2014	890,708	$ 6.42	9.4

The intrinsic value of options outstanding at June 30, 2014 was $557,797. The intrinsic value of options vested and unvested expected to vest at June 30, 2014 was $554,984.

The fair values of option awards granted during the six months ended June 30, 2014 were estimated using a Black-Scholes pricing model with the following assumptions:

Stock and exercise prices	$4.38 - $9.11
Expected dividend yield	0.00%
Discount rate-bond equivalent yield	1.56% – 2.06%
Expected life (in years)	5.00 – 6.08
Expected volatility	90.0% – 100.0%
Expected forfeiture rate	0.00% – 5.00%

Using the assumptions described above, with stock and exercise prices being equal on date of grant, the weighted-average estimated fair value of options granted in the six months ended June 30, 2014 was $5.57 per share.

Further information about the options outstanding and exercisable at June 30, 2014 is as follows:

Options Outstanding and Exercisable at June 30, 2014			
Weighted Average Exercise Price	Total Shares Outstanding	Weighted Average Contractual Life (in years)	Total Shares Exercisable
$ 4.38	120,000	9.9	2,499
$ 4.62	20,185	6.7	16,249
$ 5.04	8,471	5.0	8,273
$ 5.18	292,514	9.0	143,068
$ 5.35	117,500	10.0	—
$ 7.50	43,000	9.7	—
$ 8.88	238,500	9.6	—
$ 9.11	54,298	9.7	53,207
	894,468		223,296

The intrinsic value of options exercisable at June 30, 2014 was $155,132.

Performance Stock Units

On June 12, 2014, the Company's Board of Directors approved the issuance of 44,496 Restricted Stock Units ("RSUs") to its Chief Executive Officer pursuant to its 2013 Equity Incentive Plan. Vesting of the RSU's may occur based on the Company's achievement of specified objectives as determined by the Company's Board of Directors or Compensation Committee, as follows:

	Percentage of Overall RSU Grant Subject to Vesting
Target	
Minimum revenue in 2015	25%
Maximum EBITDA loss in 2015	15%
Attainment of financial plan for fiscal 2015	20%
Minimum value of strategic agreements by December 31, 2015	20%
Implementation of four new diagnostic test panels by December 31, 2015	20%
Total	100%

The amount of compensation expense recognized is based on management's estimate of the most likely outcome.

Stock-based Compensation Expense

The following table presents the effects of stock-based compensation related to equity awards to employees and nonemployees on the unaudited condensed statement of operations and comprehensive loss during the periods presented:

	For the three months ended June 30,		For the six months ended June 30,	
	2013	2014	2013	2014
Stock Options				
Research and development expenses	$ 3,757	$ 44,023	$ 7,515	$ 114,057
General and administrative expenses	6,752	207,236	13,504	671,720
Sales and marketing expenses	—	17,715	—	18,929
Total expenses related to stock options	10,509	268,974	21,019	804,706
RSUs				
Research and development expenses	—	7,500	—	15,000
General and administrative expenses	—	13,750	—	365,458
Total stock-based compensation	$ 10,509	$ 290,224	$21,019	$1,185,164

As of June 30, 2014, total unrecognized stock-based compensation expense related to unvested stock option and RSU awards, adjusted for estimated forfeitures, was approximately $3,273,000 and $92,000, respectively, and is expected to be recognized over a weighted-average period of 2.9 years and 1.1 years, respectively.

8. Net Loss per Common Share

Basic and diluted net loss per common share is determined by dividing net loss applicable to common shareholders by the weighted-average common shares outstanding during the period. Because there is a net loss attributable to common shareholders for the three and six months ended June 30, 2013 and 2014, the outstanding shares of Series A preferred stock, RSUs, convertible debt, warrants, and common stock options have been excluded from the calculation of diluted loss per common share because their effect would be anti-dilutive. Therefore, the weighted-average shares used to calculate both basic and diluted loss per share are the same.

In November 2013, the Company effected a 1:14 reverse stock split of all common shares outstanding. The calculation of weighted-average shares outstanding has been adjusted for this reverse split as if it had occurred on January 1, 2013.

The following potentially dilutive securities have been excluded from the computations of diluted weighted-average shares outstanding for the periods presented, as they would be anti-dilutive:

	For the three and six months ended June 30,	
	2013	2014
Series A preferred (number of common stock equivalents)	1,652,851	—
Preferred warrants outstanding (number of common stock equivalents)	192,262	1,587
Notes payable convertible into preferred shares (number of common stock equivalents)	63,717	—
Preferred share RSUs (number of common stock equivalents)	33,158	73,151
Common warrants outstanding	302,990	609,187
Notes payable convertible into common shares	608,939	—
Common share RSUs	32,769	178,467
Common options outstanding	52,709	894,468
Total anti-dilutive common share equivalents	2,939,395	1,756,860

9. Commitments and Contingencies

In the normal course of business, the Company may be involved in legal proceedings or threatened legal proceedings. The Company is not party to any legal proceedings or aware of any threatened legal proceedings which are expected to have a material adverse effect on its financial condition, results of operations or liquidity.

The Company’s former Vice President of Operations filed an administrative proceeding against the Company with the California Labor Commissioner in April 2013, seeking damages for alleged unpaid wages and penalties. A hearing was held on August 19, 2013 which resulted in a finding against the Company for approximately $65,000, of which $40,000 was paid during the year ended December 31, 2013 and $25,000 was accrued as of December 31, 2013. On February 25, 2014, the aforementioned administrative proceeding filed with the California Labor Commissioner by the Company’s former Vice President of Operations was settled in full following payment of the remaining $25,000 due.

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

An investment in our common stock involves a high degree of risk. You should consider carefully the risks described below, together with all of the other information included in this Quarterly Report, as well as in our other filings with the SEC, in evaluating our business. If any of the following risks actually occur, our business, financial condition, operating results and future prospects could be materially and adversely affected. In that case, the trading price of our common stock may decline and you might lose all or part of your investment. The risks described below are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business, financial condition, operating results and prospects. Certain statements below are forward-looking statements. For additional information, see the information included under the heading "Important Note Regarding Forward-Looking Statements."

We are an early-stage cancer diagnostics company that develops and commercializes proprietary circulating tumor cell, or CTC, and circulating tumor DNA, or ctDNA, tests utilizing a standard blood sample. Our current CTC breast cancer test provides, and our planned future tests would provide, information to oncologists that enable them to select appropriate personalized treatment for their patients based on better, timelier and more-detailed data on the characteristics of their patients' tumors.

Our current breast cancer test and our planned future tests utilize our Cell Enrichment and Extraction (CEE) technology for the enumeration and analysis of CTCs, and our CEE-Selector technology for the detection and analysis of ctDNA, each performed on a standard blood sample. The CEE technology is an internally developed, microfluidics-based CTC capture and analysis platform, with enabling features that change how CTC testing can be used by clinicians by providing real-time biomarker monitoring with only a standard blood sample. The CEE-Selector technology enables mutation detection with enhanced sensitivity and specificity and is applicable to nucleic acid from CTCs or other samples types, such as blood plasma for ctDNA. We believe the CEE-Selector technology is an important part of certain of our pipeline CTC tests and will be a stand-alone test for molecular analysis of biomarkers.

At our corporate headquarters facility located in San Diego, California, we operate a clinical laboratory that is certified under the Clinical Laboratory Improvement Amendments of 1988, or CLIA, and accredited by the College of American Pathologists, or CAP. We manufacture our CEE microfluidic channels, related equipment and certain reagents to perform our current breast cancer test and our planned future tests at this facility. CLIA certification is required before any clinical laboratory, including ours, may perform testing on human specimens for the purpose of obtaining information for the diagnosis, prevention, or treatment of disease or the assessment of health. The tests we offer and intend to offer are classified as laboratory developed tests, or LDTs, under CLIA regulations.

We are in the process of commercializing our first test, OncoCEE-BR, for breast cancer, and anticipate launching an OncoCEE-LU test for non-small cell lung cancer, or NSCLC, in the second half of 2014. These tests utilize our CEE technology platform and provide CTC enumeration as well as biomarker analysis from a standard blood sample. In the case of the OncoCEE-BR test, biomarker analysis involves fluorescence in situ hybridization, or FISH, for the detection and quantitation of the human epidermal growth factor receptor 2, or HER2, gene copy number as well as immunocytochemical analysis of estrogen receptor protein, which is now launched. We plan to include immunocytochemical analysis of progesterone receptor proteins in the OncoCEE-BR test within the next year. A patient's HER2 status provides the physician with information about the appropriateness of therapies such as Herceptin® or lapatinib. Estrogen receptor (ER) and progesterone receptor (PR) status provides the physician with information about the appropriateness of endocrine therapies such as Tamoxifen and Exemestane.

The OncoCEE-LU test's biomarker analysis would include FISH for EML4/ALK and ROS1 gene fusions, as well as mutation analysis for the epidermal growth factor receptor, or EGFR, gene, the K-ras gene and the B-raf gene. The L858R mutation of the EGFR gene and Exon 19 deletions as activators of EGFR kinase activity are linked to the drugs Tarceva® and Iressa® (AstraZeneca). The T790M mutation of the EGFR gene as a resistance marker for EGFR tyrosine kinase inhibitors is linked to drugs in clinical development that address this resistance such as Gilotrif® (Boehringer-Ingelheim) and dacomitinib (Pfizer). The codon 12 and 13 mutations of the K-ras gene are found in patients whose tumors are unlikely to respond to the EGFR kinase inhibitors such as Erbitux and Vectibix, and the codon 600 mutations of the B-raf gene are linked to Zelboraf® and Tafinlar®, which are both approved for melanoma and are in clinical trials for lung cancer. Our OncoCEE-LU test would be performed on a standard blood sample.

We plan to add other biomarker analyses on blood samples to our current breast cancer test and our planned future OncoCEE tests as their relevance is demonstrated in clinical trials, for example, ret proto-oncogene gene fusions in NSCLC, which may indicate a particular course of therapy, and NRAS for melanoma, which may predict therapy resistance. In addition, we are developing a series of other CTC and ctDNA tests for different solid tumor types, including colorectal cancer, prostate cancer, gastric cancer and melanoma, each incorporating treatment-associated biomarker analyses specific to that cancer, planned to be launched as noted in the table below.

Test Name/ Solid Tumor Type	Biomarkers	Indication	Status of Test or Project	Targeted Quarter of Availability for Commercialization
OncoCEE-BR™ / Breast Cancer	Enumeration, HER2 by FISH, ER	Prognosis, therapy selection, monitoring	Currently available	N/A
	PR	Prognosis, therapy selection, monitoring	Validation	2015 Q2
	ER Mutation by CEE- Selector™	Prognosis, therapy selection, monitoring	Development	2015 Q2
OncoCEE-LU™ / Lung Cancer	Enumeration, ALK, Met and ROS1 by FISH	Prognosis, therapy selection, monitoring	Validation	2014 Q3/Q4
	K-ras, B-raf , EGFR and ALK mutations by CEE-Selector™	Prognosis, therapy selection, monitoring	Development and Validation	2014 Q4, 2015 Q1, Q2
OncoCEE-GA™ / Gastric Cancer	Enumeration, HER2 by FISH	Prognosis, therapy selection, monitoring	Validation	2014 Q4
OncoCEE-CR™ / Colorectal Cancer	Enumeration, EGFR by FISH	Prognosis, therapy selection, monitoring	Validation	2015 Q2
	K-ras and B-raf by CEE-Selector™	Prognosis, therapy selection, monitoring	Development	2015 Q2
OncoCEE-PR™ / Prostate Cancer	Enumeration, PTEN deletion and AR by FISH	Prognosis, therapy selection, monitoring	Validation	2015 Q3
OncoCEE-ME™ / Melanoma	Enumeration, B-raf and N-ras mutations by CEE-Selector™	Prognosis, therapy selection, monitoring	Development	2015 Q2
OncoCEE-DTC™	Breast and Prostate Cancer- DTC analysis in bone marrow; HER2 and AR/PTEN by FISH, respectively	Prognosis, therapy selection, monitoring	Currently available for Research and Pharma	
CEE-Selector™	Sequencing application for multiple cancer types- K-ras, B-raf, EGFR and other mutations detected in plasma.	Therapy selection, monitoring	Development	2015 Q3

Our revenue generating efforts are focused in three areas:

- Providing clinical testing that oncologists use in order to determine the best treatment plan for their patients;
- Providing clinical trial, research and development services to biopharma companies developing cancer therapies; and
- Licensing our proprietary testing and/or technologies to partners in the United States and abroad.

Results of Operations

Quarters Ended June 30, 2013 and 2014

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

	Quarters Ended June 30,		Change	
(dollars in thousands)	2013	2014	$	%
Revenue	$ 48	$ 19	$ (29)	(60%)
Cost of revenues	593	359	(234)	(39%)
Research and development expenses	691	1,108	417	60%
General and administrative expenses	478	1,033	555	116%
Sales and marketing expenses	28	423	395	1,411%
Loss from operations	(1,742)	(2,904)	(1,162)	67%
Interest income/(expense), net	(510)	(94)	416	(82%)
Change in fair value of warrant liability	283	2	(281)	(99%)
Other income/(expense)	(6)	—	6	(100%)
Loss before income taxes	(1,975)	(2,996)	(1,021)	52%
Income tax expense	—	(1)	(1)	—
Net loss	$ (1,975)	$ (2,997)	$(1,022)	52%

Revenue

Revenues were approximately $19,000 for the three months ended June 30, 2014, compared with approximately $48,000 for the three months ended June 30, 2013, a decrease of $29,000, or 60%. The decrease was primarily related to lower Dana Farber Cancer Institute sample volume as the trial's enrollment approaches completion.

Cost of Revenues

Cost of revenues was approximately $359,000 for the three months ended June 30, 2014, compared with approximately $593,000 for the three months ended June 30, 2013, a decrease of $234,000, or 39%. The decrease was primarily due to the decrease in the number of commercial and development services samples processed for the three months ended June 30, 2014 as compared to the same period in 2013.

Operating Expenses

Research and Development Expenses. Research and development expenses were approximately $1,108,000 for the three months ended June 30, 2014, compared with approximately $691,000 for the three months ended June 30, 2013, an increase of $417,000, or 60%. The increase was primarily due to an increase of $234,000 in allocated costs related to the higher proportion of lab activities relating to research and development for the three months ended June 30, 2014 as compared to the same period in 2013, as well as increases of approximately $111,000 in facilities, repairs and maintenance expenses and $69,000 in personnel costs.

General and Administrative Expenses. General and administrative expenses were approximately $1,033,000 for the three months ended June 30, 2014, compared with approximately $478,000 for the three months ended June 30, 2013, an increase of $555,000, or 116%. The increase was primarily due to an increase of $242,000 in insurance costs and legal, accounting, and consulting fees as a result of becoming a publicly traded company during the quarter ended March 31, 2014, and increases of $214,000 in stock-based compensation expense and $74,000 in legal fees associated with patents for the three months ended June 30, 2014 as compared to the same period in 2013.

Sales and Marketing Expenses. Sales and marketing expenses were approximately $423,000 for the three months ended June 30, 2014, compared with approximately $28,000 for the three months ended June 30, 2013, an increase of $395,000, or 1,411%. The increase was primarily due to an increase in personnel-related expenses resulting from an expansion in sales and marketing headcount from an average of 1 for the three months ended June 30, 2013 to an average of 5 for the same period in 2014.

Interest Income and Expense

Interest expense was approximately $94,000 for the three months ended June 30, 2014, compared with approximately $510,000 for the three months ended June 30, 2013, a decrease of $416,000, or 82%. The decrease was primarily related to the conversion of convertible notes with a principal balance of $20,231,000 and accrued interest of approximately $2,581,000 into 42,245,834 shares of preferred stock during the three months ended June 30, 2013.

Change in Fair Value of Warrant Liability

The non-cash gain resulting from the change in the fair value of warrant liability of approximately $2,000 for the three months ended June 30, 2014 compared with approximately $283,000 for the three months ended June 30, 2013 represents a decrease of $281,000, or 99%. The decrease is due to a lower number of average estimated warrants outstanding during the three months ended June 30, 2014 as compared to the same period in 2013.

Income Taxes

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

We have not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since our formation, due to the complexity and cost associated with such a study, and the fact that there may be additional ownership changes in the future. We estimate that if such a change did occur, the federal and state net operating loss carryforwards and research and development credits that can be utilized in the future will be significantly limited.

Six Months Ended June 30, 2013 and 2014

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

	Six Months Ended June 30,		Change	
(dollars in thousands)	2013	2014	$	%
Revenue	$ 84	$ 48	$ (36)	(43%)
Cost of revenues	1,140	1,018	(122)	(11%)
Research and development expenses	1,401	2,117	716	51%
General and administrative expenses	930	2,910	1,980	213%
Sales and marketing expenses	124	434	310	250%
Loss from operations	(3,511)	(6,431)	(2,920)	83%
Interest income/(expense), net	(978)	(1,489)	(511)	52%
Change in fair value of warrant liability	601	(204)	(805)	(134%)
Other income/(expense)	(12)	—	12	(100%)
Loss before income taxes	(3,900)	(8,124)	(4,224)	108%
Income tax expense	(1)	(1)	—	—
Net loss	$ (3,901)	$ (8,125)	$(4,224)	108%

Revenue

Revenues were approximately $48,000 for the six months ended June 30, 2014, compared with approximately $84,000 for the six months ended June 30, 2013, a decrease of $36,000, or 43%. The decrease was primarily related to lower Dana Farber Cancer Institute sample volume as the trial's enrollment approaches completion. The average price per commercial test increased from $599 for the six months ended June 30, 2013 to an average of $758 for the six months ended June 30, 2014, and the average price per development services test was $400 for the six months ended June 30, 2013 and 2014.

Cost of Revenues

Cost of revenues was approximately $1,018,000 for the six months ended June 30, 2014, compared with approximately $1,140,000 for the six months ended June 30, 2013, a decrease of $122,000, or 11%. The decrease was primarily due to the decrease in the number of commercial and development services samples processed for the six months ended June 30, 2014 as compared to the same period in 2013, partially offset by an increase in personnel expense primarily related to non-recurring compensation triggered by our initial public offering.

Operating Expenses

Research and Development Expenses. Research and development expenses were approximately $2,117,000 for the six months ended June 30, 2014, compared with approximately $1,401,000 for the six months ended June 30, 2013, an increase of $716,000, or 51%. The increase was primarily due to an increase of $305,000 in personnel expense primarily related to non-recurring compensation triggered by our initial public offering, and increases of $221,000 in facilities, repairs and maintenance costs and $122,000 in stock-based compensation expense.

General and Administrative Expenses. General and administrative expenses were approximately $2,910,000 for the six months ended June 30, 2014, compared with approximately $930,000 for the six months ended June 30, 2013, an increase of $1,980,000, or 213%. The increase was primarily due to an increase of $1,024,000 in stock-based compensation expense, an increase of $585,000 in insurance costs and legal, accounting, and consulting fees as a result of becoming a publicly traded company during the quarter ended March 31, 2014, and an increase of $199,000 in personnel expense primarily related to non-recurring compensation triggered by our initial public offering.

Sales and Marketing Expenses. Sales and marketing expenses were approximately $434,000 for the six months ended June 30, 2014, compared with approximately $124,000 for the six months ended June 30, 2013, an increase of $310,000, or 250%. The increase was primarily due to an increase in personnel-related expenses resulting from an expansion in sales and marketing headcount from an average of 1 for the six months ended June 30, 2013 to an average of 4 for the same period in 2014.

Interest Income and Expense

Interest expense was approximately $1,489,000 for the six months ended June 30, 2014, compared with approximately $978,000 for the six months ended June 30, 2013, an increase of $511,000, or 52%. The increase is primarily due to an increase of $1,339,000 in amortization and write-offs of discounts to notes payable and other non-current assets for the six months ended June 30, 2014 as compared to the same period in 2013, partially offset by the conversion of convertible notes with a principal balance of $20,231,000 and accrued interest of approximately $2,581,000 into 42,245,834 shares of preferred stock during the six months ended June 30, 2013.

Change in Fair Value of Warrant Liability

The non-cash loss resulting from the change in the fair value of warrant liability of approximately $204,000 for the six months ended June 30, 2014 compared with the non-cash gain of approximately $601,000 for the six months ended June 30, 2013 represents an increase in non-cash loss of $805,000, or 134%. The increase is due to an increase in the average relative price of the shares underlying warrants, as well as a greater number of average estimated warrants outstanding, during the six months ended June 30, 2014 as compared to the six months ended June 30, 2013.

Income Taxes

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

We have not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since our formation, due to the complexity and cost associated with such a study, and the fact that there may be additional ownership changes in the future. We estimate that if such a change did occur, the federal and state net operating loss carryforwards and research and development credits that can be utilized in the future will be significantly limited.

Liquidity and Capital Resources

Cash Flows

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

(dollars in thousands)	Six Months Ended June 30, 2013	2014
Cash provided by (used in):		
Operating activities	$(3,046)	$ (7,957)
Investing activities	(1)	(6)
Financing activities	2,866	20,354
Net increase (decrease) in cash and cash equivalents	$ (181)	$12,391

Cash Used in Operating Activities. Net cash used in operating activities was approximately $7,957,000 for the six months ended June 30, 2014, compared to net cash used in operating activities of approximately $3,046,000 for the six months ended June 30, 2013. In all periods the primary use of cash was to fund our net loss. Additionally, an increase of $3,006,000 in cash used to fund operating assets and liabilities, primarily related to the payment of deferred salaries, interest and taxes thereon as well as initial public offering costs, was partially offset by an increase of $2,319,000 in non-cash operating expenses during the six months ended June 30, 2014 as compared to the same period in 2013.

Cash Provided by Financing Activities. Net cash provided by financing activities was approximately $20,354,000 for the six months ended June 30, 2014, compared to net cash provided by financing activities of approximately $2,866,000 for the six months ended June 30, 2013. Our primary source of financing in the six months ended June 30, 2013 consisted of loans received from our major shareholder and members of our board of directors and their affiliates in exchange for convertible promissory notes and warrants, and our primary sources of financing in the six months ended June 30, 2014 consisted of proceeds from our initial public offering and borrowings on our credit facility and warrants.

Capital Resources and Expenditure Requirements

We expect to continue to incur substantial operating losses in the future. It may take several years to achieve positive operational cash flow or we may not ever achieve positive operational cash flow. We expect that we will use a portion of the net proceeds from our initial public offering and our revenues from operations to hire sales and marketing personnel, support increased sales and marketing activities, fund further research and development, clinical utility studies and future enhancements of our tests, acquire equipment, implement automation and scale our capabilities to prepare for significant test volume, for general corporate purposes and to fund ongoing operations and the expansion of our business, including the increased costs associated with being a public company. We may also use a portion of the net proceeds of our initial public offering to acquire or invest in businesses, technologies, services or products, although we do not have any current plans to do so.

As of June 30, 2014, our cash and cash equivalents totaled approximately $12,461,000. While we currently are in the commercialization stage of operations, we have not yet achieved profitability and anticipate that we will continue to incur net losses for the foreseeable future. On February 10, 2014, we received net cash proceeds of approximately $17,390,000 as a result of the closing of our initial public offering, after deducting approximately $1,610,000 of underwriting discounts and additional underwriting costs incurred. On April 30, 2014, we received net cash proceeds of approximately $4,927,000 pursuant to the execution of a term loan agreement with Oxford Finance LLC. We believe that our cash resources should be sufficient to support currently forecasted operations through at least the next twelve months. We expect that we will need additional financing in the future to execute on our current or future business strategies beyond the next twelve months. We can provide no assurances that any sources of a sufficient amount of financing will be available to us on favorable terms, if at all. In addition to test revenues, such financing may be derived from one or more of the following types of transactions: debt, equity, product development, technology licensing or collaboration. If we are unable to raise a sufficient amount of financing in a timely manner, we would likely need to scale back our general and administrative activities and certain of our research and development activities. Our forecast pertaining to our current financial resources and the costs to support our general and administrative and research and development activities are forward-looking statements and involve risks and uncertainties. Actual results could vary materially and negatively as a result of a number of factors, including:

- our ability to secure financing and the amount thereof;
- the costs of operating and enhancing our laboratory facilities;
- the costs of developing our anticipated internal sales and marketing capabilities;
- the scope, progress and results of our research and development programs, including clinical utility studies;
- the scope, progress, results, costs, timing and outcomes of the clinical utility studies for our cancer diagnostic tests;
- our ability to manage the costs for manufacturing our microfluidic channels;
- the costs of maintaining, expanding and protecting our intellectual property portfolio, including potential litigation costs and liabilities;
- our ability to obtain adequate reimbursement from governmental and other third-party payors for our tests and services;
- the costs of additional general and administrative personnel, including accounting and finance, legal and human resources, as a result of becoming a public company;
- our ability to collect revenues; and
- other risks discussed in our other filings with the SEC.

We may raise additional capital to fund our current operations and to fund expansion of our business to meet our long-term business objectives through public or private equity offerings, debt financings, borrowings or strategic partnerships coupled with an investment in our company or a combination thereof. If we raise additional funds through the issuance of convertible debt securities, or other debt securities, these securities could be secured and could have rights senior to those of our common stock. In addition, any new debt incurred by us could impose covenants that restrict our operations. The issuance of any new equity securities will also dilute the interest of our current stockholders. Given the risks associated with our business, including our unprofitable operating history and our ability or inability to develop additional tests, additional capital may not be available when needed on acceptable terms, or at all. If adequate funds are not available, we will need to curb our expansion plans or limit our research and development activities, which would have a material adverse impact on our business prospects and results of operations.

Off-Balance Sheet Arrangements

We have not engaged in any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

Critical Accounting Policies and Significant Judgments and Estimates

For a discussion of accounting policies that we consider critical to our business operations and understanding of our results of operations, and that affect the more significant judgments and estimates used in the preparation of our financial statements, see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Judgments and Estimates” contained in our Annual Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As of June 30, 2014, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2014.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to our Annual Report on Form 10-K for the year ended December 31, 2013 (the "Form 10-K") for a description of our legal proceedings. There have been no material changes to the Company's legal proceedings as disclosed in the Form 10-K.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, please see the information listed in the item captioned "Risk Factors" in the Form 10-K. There have been no material changes to the risk factors as disclosed in the Form 10-K.

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

Unregistered Sales of Equity Securities

None.

Use of Proceeds

Our initial public offering of common stock was effected through a Registration Statement on Form S-1 (File No. 333-191323), which was declared effective by the Securities and Exchange Commission on February 4, 2014. On February 4, 2014, additional shares of our common stock were registered through a Registration Statement on Form S-1 (File No. 333-193760) filed pursuant to Rule 462(b) under the Securities Act. On February 10, 2014, a total of 1,900,000 shares of common stock were sold on our behalf at an initial public offering price of $10.00 per share, for aggregate gross offering proceeds of $19 million, managed by Aegis Capital Corp. We paid to the underwriters underwriting discounts totaling approximately $1.3 million in connection with the offering. In addition, we incurred additional costs of approximately $1.2 million in connection with the offering, which when added to the underwriting discounts paid by us, amounts to total costs of approximately $2.5 million. Thus, the net offering proceeds to us, after deducting underwriting discounts and offering expenses, were approximately $16.5 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates.

There has been no material change in the expected use of the net proceeds from our initial public offering as described in our registration statement on Form S-1.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The exhibits listed on the accompanying index to exhibits immediately preceding the exhibits are filed as part of, or hereby incorporated by reference into, this Quarterly Report.

SIGNATURES

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

BIOCEPT, INC.
(Registrant)

Date: August 8, 2014

By: /s/ Michael W. Nall
Michael W. Nall
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: August 8, 2014

By: /s/ William G. Kachioff
William G. Kachioff
Chief Financial Officer and Senior Vice President of Finance
(Principal Financial and Accounting Officer)

Exhibit Index

The exhibits listed below are hereby filed with the SEC as part of this Quarterly Report on Form 10-Q.

EXHIBITS

Exhibit No.	Description of Exhibit
4.1	Form of Warrant issued to the lenders under the Loan and Security Agreement, dated as of April 30, 2014, by and among Biocept, Inc., Oxford Finance LLC, as collateral agent, and the lenders party thereto from time to time, including Oxford Finance LLC. (1)
10.1	Loan and Security Agreement by and among Biocept, Inc., Oxford Finance LLC, as collateral agent, and the lenders party thereto from time to time, including Oxford Finance LLC, dated as of April 30, 2014.(1)
10.2	2014 Annual Incentive Plan.
31.1	Certification of Michael Nall, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of William Kachioff, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Michael Nall, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of William Kachioff, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Filed as an exhibit to the registrant's Current Report on Form 8-K filed on May 6, 2014 and incorporated herein by reference.

* This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

** Users of this data are advised that pursuant to Rule 406T of Regulation S-T, this XBRL information is being furnished and not filed herewith for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and Sections 11 or 12 of the Securities Act of 1933, as amended, and is not to be incorporated by reference into any filing, or part of any registration statement or prospectus, of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 10.2

BIOCEPT MANAGEMENT INCENTIVE PLAN

1. PURPOSE

This Annual Incentive Plan (the ***"Plan"***) is intended to provide an incentive for eligible employees of Biocept (the ***"Company"***) to perform to the best of their capabilities, to further the growth, development and financial success of the Company, and to enable the Company to attract and retain highly qualified employees.

2. PARTICIPANTS

All employees of the Company and its subsidiaries meeting the eligibility requirements set forth in the Section 2 shall be eligible to receive a bonus award (an ***"Award"***) hereunder (each such eligible employee, a ***"Participant"***). To receive an Award under the Plan with respect to any Incentive Plan Year (as defined below), a Participant must:

(a) Be an ***"Active"*** employee as of the date of payment of his or her Award. For purposes of this Plan, ***"Active"*** shall mean an employee who is actively employed by the Company, including an employee on an approved leave of absence, such as medical, personal or military leave, but not an employee who has been moved to "inactive" status pursuant to the Company's employee handbook.

(b) Be a ***"Regular Full-Time Employee"*** at the end of the relevant Incentive Plan Year. For purposes of this Plan, ***"Regular Full-Time Employee"*** shall mean an employee who is regularly scheduled to work at least 20 hours per week. The preceding hours requirement will be prorated for employees out on medical leave of absence covered by the federal Family and Medical leave Act or similar state law. Temporary or seasonal employees, interns, independent contractors and consultants are ineligible to participate in the Plan.

(c) Have been an eligible employee for at least two consecutive months prior to the end of the relevant Incentive Plan Year.

(d) Be an employee in good standing (e.g., not on a performance improvement plan) as of the last day of the Incentive Plan Year or the date the Awards are paid and performing at a minimum level of "Needs Improvement" or higher at the time of his or her Award is paid.

(e) Not engage in and/or be involuntarily terminated as a result of serious misconduct (e.g., theft, dishonesty, workplace violence) or violation of Company policy during the Incentive Plan Year or prior to the payment of his or her Award, as determined by the Company.

3. THE COMMITTEE

The Plan shall be administered by a committee (the ***"Committee"***) of the Board of Directors of the Company (the ***"Board"***), which shall be appointed by the Board. Initially, the Compensation Committee of the Board shall constitute the Committee. The Committee shall have the discretion and authority to administer and interpret the Plan, including the authority to establish one or more bonus programs under the Plan from time to time containing such terms and conditions as the Committee may determine or deem appropriate in its discretion.

4. PERFORMANCE GOALS

The Plan is intended to provide incentive for the achievement of approved annual corporate and individual objectives (the ***"Performance Goals"***) with respect to each calendar year during the term of the Plan (each an ***"Incentive Plan Year"***).

(a) *Corporate Performance Goals.* Prior to or at the beginning of each Incentive Plan Year, the Committee shall select such objective corporate Performance Goals for such Incentive Plan Year as the Committee may determine in its sole discretion. It is intended that the corporate Performance Goals be objectively determinable and based upon financial metrics set forth in the Company's annual business plan or strategic objectives consistent with the Company's annual business plan, with the weighting of the various objectives to be approved by the Committee.

(b) *Individual Performance Goals.* All participants in the Plan will work with their managers to develop a list of key individual Performance Goals, which individual Performance Goals will be subject to the approval of the Participant's manager. The individual Performance Goals for the executive officers of the Company, if applicable, will be approved by the Chief Executive Officer of the Company.

5. TARGET AWARD PERCENTAGES

Each Participant will be assigned a ***"Target Award Percentage"*** based on his or her job classification and responsibilities. A Participant's Target Award Percentage for any given Incentive Plan Year will be based on his or her job classification as of December 31 of such Plan Incentive year. The Target Award percentages will be reviewed annually by the Committee and adjusted as necessary or appropriate. The initial Target Award Percentages for purposes of the Plan will be as follows:

Position	Target Award Percentages (% of base salary)
Chief Executive Officer	50%
Senior Vice President	35%
Vice President	25%
Senior Director	15%
Director	10%

A ***"Target Award"*** for each participant for each Incentive Plan Year will be determined by multiplying his or her ***"Target Award Percentage"*** by his or her base salary as of December 31 of such Incentive Plan Year.

6. WEIGHTINGS

Other than the Chief Executive Officer of the Company, whose Award will be determined solely by reference to corporate Performance Goa achievement as set forth below, a portion of each Participant's Award will be based on corporate Performance Goal achievement and a portion will be based on individual Performance Goal achievement. The relative weight between these goals will vary based on levels within the organization. The weighting will be reviewed annually by the Committee and be adjusted, as necessary or appropriate.

The initial weightings for purposes of the Plan will be as follows:

	Corporate	Individual
Chief Executive Officer	100%	0%
Senior Vice President	80%	20%
Vice President	70%	30%
Senior Director/Director	60%	40%
All Other Employees	50%	50%

7. PERFORMANCE MEASUREMENT

Separate ***"Performance Factors"*** will be established for each of the corporate and individual Performance Goals applicable to each Award for each Incentive Plan Year.

(a) *Corporate Performance Factor.* The Chief Executive Officer of the Company will present to the Committee for its approval his assessment of the level of the Company's achievement of its corporate Performance Goals, in the Committee's sole discretion. The corporate "Performance Factor" shall be expressed as a percentage within the range specified by the Committee with respect to each Incentive Plan Year, which percentage may exceed 100%. The same corporate "Performance Factor", as approved by the Committee, shall be used for the corporate component of each Participant's Award.

(b) *Individual Performance Factor.* A Participant's achievement level relative to his or her individual Performance Goals will be used to calculate a Performance Factor for such participant, which shall be expressed as a percentage within the range specified by the Committee or its designee with respect to each Incentive Plan Year, which percentage may exceed 100%. While a Participant's direct manager shall take a Participant's achievement with respect to his or her individual Performance Goals for the Incentive

Plan Year into account in determining the individual Performance Factor, any such determination remains in the sole discretion of the direct manager based on their subjective assessment of a Participant's overall performance. The proposed individual Performance Factors for the executive officers of the Company will be presented by the Chief Executive Officer of the Company to the Committee for approval, which shall retain the sole discretion to determine such executives' individual Performance Factors based on its subjective assessment of each executive's overall performance.

(c) *Performance Measurement.* Unless otherwise determined by the Committee, the corporate Performance Factor and each individual Performance Factor will be within the following ranges:

Performance Category	Performance Factor
Performance for the year was outstanding and exceeded objectives	110-150%
Performance for the year met or exceeded objectives or was excellent in view of prevailing conditions	90-110%
Performance generally met the year's objectives or was very acceptable in view of prevailing conditions	40-90%
Performance for the year met some but not all objectives	1-40%
The goal was not achieved and performance was not acceptable in view of prevailing conditions	0%

Unless otherwise determined by the Committee, each goal will be evaluated separately, the appropriate weighting applied and a total Performance Factor determined.

8. AWARD CALCULATIONS

The actual Award for a Participant will be calculated by allocating the Target Award for such Participant between the corporate and individual weightings for the relevant Incentive Plan Year, and then applying the corresponding corporate and individual Performance Factors to each such amount, respectfully.

The example below shows a sample Award calculation under the Plan. First, a total Target Award is calculated by multiplying the Plan Participant's base salary by the Target Award Percentage. The resulting amount is then divided into its corporate component and its individual component, if any, based on the relative weightings for that Participant's specific position. This calculation establishes specific dollar Target Award for the Plan year for each component of the Award.

Example:	Position:	Vice President
	Base Salary	$200,000
	Target Award Percentage	25%
	Target Award (in dollars)	$50,000

Assumed Performance Factors based on the following assessment of corporate and individual performance:

Corporate Performance Factor	90%
Individual performance Factor	100%

Award Calculation:

Target Award components (based on weightings):

Corporate performance (70%)	$35,000
Individual performance (30%)	$15,000
Corporate component	$31,500 (35,000 x 90%)
Individual component	$15,000 ($15,000 x 100%)
Total Award:	**$46,500 (93% of Target Award)**

Award calculations will be based on a Participant's base salary as of the last day of the applicable Incentive Plan year.

A Participant who has been as eligible employee for less than a year, but who is an eligible employee for at least two months prior to the end of the Incentive Plan Year and remains continuously employed through the end of such Incentive Plan Year, will receive a pro-rata Award based on the portion of the Incentive Plan Year he or she was an eligible employee. Award payments may also be prorated for any time during an Incentive Plan Year an otherwise eligible employee was not classified as an Active employee or Regular Full-Time Employee during such Incentive Plan Year, in the discretion of the Committee. Other than as stated above, Awards will not be prorated for partial year service.

The Committee may, in its discretion, reduce or eliminate an Award otherwise payable to any Participant. Any such reduction or elimination may be made based on such objective or subjective determinations as the Committee determines appropriate.

9. PAYMENT OF AWARDS

The payment of Awards under the Plan shall be made on any date or dates determined by the Committee during the calendar year following the Incentive Year to which such Awards relate and shall be subject to such terms and conditions as may be determined by the Committee in its sole discretion. As provided in Section 2, a Participant must be an Active employee of the Company or its subsidiaries and in good standing as of the date on which the Award is paid in order to be entitled to receive such Award. If a Participant dies or a Participant's employment is terminated for any reason prior to the payment of his or her Award, the payment of any Award (and in the case of death, the person or persons to whom such payment shall be made) shall be determined at the sole discretion of the Committee.

Any Award that becomes payable under the Plan may be paid in the form of cash, shares of the Company's common stock or a combination of both, as determined by the Committee in its sole discretion. To the extent that the Committee determines to pay an Award in the form of shares of the Company's common stock, such shares shall be awarded under the Company's 2013 Incentive Award Plan, as amended from time to time, and shall be subject to the terms and conditions thereof.

10. AMENDMENT, SUSPENSION AND TERMINATION

The Company may amend, suspend or terminate the Plan at any time in its sole discretion. Such discretion may be exercised any time before, during, and after the Plan year is completed. In the event of the Plan's termination prior to the payment of an Award, such Award will not be payable under this Plan. Such discretion may be exercised any time before, during and after the Incentive Plan Year is completed. No Participant shall have any vested right to receive any payment until actual delivery of such compensation. This Plan shall supersede and replace all of the Company's prior incentive compensation plans.

11. MISCELLANEOUS

(a) The Company shall deduct all federal, state, and local taxes required by law or Company policy from any Award paid hereunder.

(b) In no event shall the Company be obligated to pay to any participant an Award for any period by reason of the Company's payment of an Award to such Participant in any other period, or by reason of the Company's payment of an Award to any other Participant in such period or in any other period.

(c) This Plan does not, and Company policies and practices in administering the Plan do not constitute an express or implied contract or other agreement concerning the payment of any Award or the duration of any Participant's employment with the Company. The employment relationship of each Participant is "at will" and may be terminated at any time by the Company or by the Participant, with or without cause.

(d) The Plan shall be unfunded. Amounts payable under the Plan are not and will not be transferred to a trust or otherwise set aside. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under the Plan. Any accounts under the Plan are for bookkeeping purposes only and do not represent a claim against the specific assets of the Company.

(e) No rights of any Participant to payments of any amounts under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated. All rights with respect to an Award granted to a Participant under the Plan shall be available during his or her lifetime only to the Participant.

(f) Any provision of the Plan that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of the Plan.

(g) The Plan shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of California (without regard to principles of conflicts of law).

EXHIBIT 31.1

CERTIFICATION

I, Michael W. Nall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biocept, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2014

/s/ Michael W. Nall

Michael W. Nall
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, William G. Kachioff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biocept, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2014

/s/ William G. Kachioff

William G. Kachioff
Senior Vice-President of Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION

I, Michael W. Nall, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that, to my knowledge, the Quarterly Report on Form 10-Q of Biocept, Inc. for the period ended June 30, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Biocept, Inc.

Date: August 8, 2014

/s/ Michael W. Nall

Michael W. Nall
President and Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

EXHIBIT 32.2

CERTIFICATION

I, William G. Kachioff, hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that, to my knowledge, the Quarterly Report on Form 10-Q of Biocept, Inc. for the period ended June 30, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Biocept, Inc.

Date: August 8, 2014

/s/ William G. Kachioff

William G. Kachioff
Senior Vice-President of Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

This certification accompanies the Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.