As submitted to the Securities and Exchange Commission confidentially on June 9, 2016. This draft registration statement has not been publicly filed with the Securities and Exchange Commission and all information herein remains strictly confidential.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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

FULGENT DIAGNOSTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**8071**	**81-2621304**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

4978 Santa Anita Avenue
Temple City, CA 91780
(626) 350-0537
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Ming Hsieh
Chief Executive Officer
Fulgent Diagnostics, Inc.
4978 Santa Anita Avenue
Temple City, CA 91780
(626) 350-0537
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Scott M. Stanton, Esq.
Sara L. Terheggen, Esq.
Morrison & Foerster LLP
12531 High Bluff Drive, Suite 100
San Diego, CA 92130
(858) 720-5100

B. Shayne Kennedy, Esq.
Drew Capurro, Esq.
Latham & Watkins LLP
650 Town Center Drive, 20th Floor
Costa Mesa, CA 92626
(714) 540-1235

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price Per Share**	**Proposed Maximum Aggregate Offering Price(1)**	**Amount Of Registration Fee**
Common Stock, par value $0.0001 per share		$	$	$

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended. Includes the aggregate offering price of shares the underwriters have the option to purchase.

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

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 9, 2016

Shares

Common Stock

This is the initial public offering of shares of common stock of Fulgent Diagnostics, Inc. Prior to this offering, there has been no public market for our common stock. We anticipate that the initial public offering price will be between $ and $ per share. We intend to apply to list our common stock on the under the symbol "FLGT."

We have granted the underwriters a 30-day option to purchase up to additional shares from us at the initial public offering price, less the underwriting discounts and commissions.

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

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 12.

	Price to Public	Underwriting Discounts and Commissions[1]	Proceeds to Fulgent Diagnostics, Inc.
Per Share	$	$	$
Total	$	$	$

(1) See "Underwriting" for a description of the compensation payable to the underwriters.

The underwriters expect to deliver the shares to purchasers on or about , 2016.

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

Credit Suisse **Piper Jaffray**

Raymond James

BTIG

The date of this prospectus is , 2016.

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize to be distributed to you. We and the underwriters have not authorized anyone to provide you with any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you, and neither we, nor the underwriters take responsibility for any other information others may give you. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where such offers and sales are permitted. The information in this prospectus or any free writing prospectus is accurate only as of its date, regardless of its time of delivery or the time of any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside of the United States: We have not, and the underwriters have not, done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than the United States. Persons who come into possession of this prospectus and any applicable free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

Until , 2016 (the 25th day after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights selected information included in this prospectus and does not contain all of the information you should consider in making an investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including the financial statements and the related notes included in this prospectus. You should also consider, among other things, the matters described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in each case included in this prospectus.

The information in this prospectus reflects the completion of the Reorganization, as defined and described below, which will occur prior to closing this offering. Pursuant to the Reorganization, Fulgent Therapeutics LLC will become a wholly owned subsidiary of Fulgent Diagnostics, Inc., a holding company and the issuer of common stock in this offering. Unless the context otherwise requires, (i) the term "Fulgent LLC" refers to Fulgent Therapeutics LLC, (ii) the term "Fulgent Inc." refers to Fulgent Diagnostics, Inc. and (iii) the terms "Fulgent," the "company," "we," "us" and "our" refer, for periods prior to completion of the Reorganization, to Fulgent LLC and, for periods after completion of the Reorganization, to Fulgent Inc. and its consolidated subsidiary after giving effect to the Reorganization. See "—Corporate Information" and "Pharma Split-Off and Reorganization" for additional information.

Overview

We are a rapidly growing technology company with an initial focus on offering comprehensive genetic testing to provide physicians with clinically actionable diagnostic information they can use to improve the overall quality of patient care. We have developed a proprietary technology platform that integrates sophisticated data comparison and suppression algorithms, adaptive learning software, advanced genetic diagnostics tools and integrated laboratory processes. This platform allows us to offer a broad and flexible test menu while maintaining accessible pricing, high accuracy and competitive turnaround times. We believe our current test menu offers more genes for testing than our competitors in today's market, which enables expansive options for test customization and production of clinically actionable results. Our current test menu includes more than 18,000 single-gene tests and more than 180 pre-established disease-specific panels that collectively test for more than 7,500 genetic conditions, including various cancers, cardiovascular diseases and neurological disorders.

Genetic testing has experienced significant growth in recent years. As this trend continues, we believe genetic testing will become a more accepted part of standard medical care and the knowledge of a person's unique genetic makeup will begin to play a more important role in the practice of medicine. The advent of next generation sequencing, or NGS, technology, a relatively new genetic testing technique that enables millions of DNA fragments to be sequenced in parallel, has dramatically lowered the cost and improved the quality of genetic testing, contributing to increased adoption. According to GrandView Research, the global genetic testing market, including services, supplies and equipment, was valued at approximately $6.2 billion in 2014 and is expected to reach over $10.0 billion by 2022, and the market for genetic testing in the U.S. totaled approximately $2.2 billion in 2014 and is expected to reach over $3.4 billion by 2022.

While adoption of genetic testing has increased in recent years, we believe widespread utilization has been restrained in large part because of certain barriers to adoption that exist in today's market. Among these barriers are that genetic testing may be prohibitively expensive, only a limited number of genetic tests are currently reimbursable, certain genetic conditions cannot be diagnosed due to the limited scope of genetic analysis, genetic testing can be an inefficient process and the interpretation of genetic results can be cumbersome and time-consuming. We believe a significant market exists for a genetic testing option that provides broad genetic coverage and the flexibility to customize tests for individual patient needs, while maintaining accuracy and affordability.

We have developed a proprietary technology platform that we believe enables us to overcome many of the challenges facing our industry today. Our technology platform includes proprietary gene probes, advanced database algorithms, adaptive learning software and proprietary laboratory management systems. Together, the elements of our technology platform enable us to provide tests at a low cost to us and accessible price points to our customers, offer a broad test menu and continually expand and improve our proprietary genetic reference library. In addition, our technology platform allows us to offer customers the ability to design customized tests tailored to their specifications using our expansive library of genes, and we believe this flexibility increases efficiency and the utility of the genetic data we produce. Further, our gene probes, when combined with our proprietary genetic reference library and publicly available genetic databases, support our ability to sequence DNA regions that we believe laboratories using commercial probes cannot and improve the detection rate of our test data. In turn, we believe this enables us to produce clinically actionable results physicians can use to improve care for their patients.

Our existing customer base consists primarily of hospitals and medical institutions, which are frequent and high-volume users of genetic tests and which typically pay us directly for our tests. We believe our relationships with these customers provide an avenue for further growth as we seek to deepen these relationships and drive increased ordering. We believe the key to further penetrating our existing customer base and expanding into new customer markets is to continue to focus on delivering a superior test menu while maintaining affordable prices. In order to offer our customers affordable price points, we continue to enhance our technology platform to develop tests that we can perform at a low internal cost.

Our headquarters are located in Temple City, California, where we have our corporate offices and a laboratory certified under Clinical Laboratory Improvement Amendments of 1988, or CLIA, accredited by the College of American Pathologists, or CAP, and licensed by the State of California Department of Public Health, or CA DPH. We have assembled a highly qualified team of approximately 50 employees as of March 31, 2016, which includes 25 individuals with a PhD or other advanced degree and personnel with expertise in a number of fields important to our business, including bioinformatics, genetics, software engineering, laboratory management and sales and marketing. We have relied upon this team to develop our proprietary technology platform and differentiated business model, which we believe have driven our commercial success to date and provide us with significant opportunity for future growth.

Our Technology Platform

Through our technology-driven approach, we have developed a system of proprietary tools and processes that we believe enable us to overcome many of the challenges facing our industry today. The key features of our technology platform include:

- **Proprietary gene probes**. We have developed proprietary gene probes that we formulate in our laboratory and use to perform our genetic tests. Our proprietary gene probes are specifically engineered to generate genetic data that is optimized for our software, which enables us to rapidly incorporate new genes into our test menu, develop new panels of disease-specific tests, customize tests for our customers and, we believe, more effectively enrich the targeted genes to improve the quality of the sequenced data we produce.
- **Advanced database algorithms**. Our advanced database comparison algorithms measure DNA sequences from specimens against genetic data available from the broader scientific community and our own proprietary reference library of genetic information, which enables us to rapidly and effectively detect pathogenic mutations. Our advanced data suppression algorithms reduce irrelevant noise in the genetic data we analyze to improve the efficiency and speed of the data analysis while reducing the need for manual curation.

- **Adaptive learning software**. We have developed software that automatically incorporates the data from each completed test into our expansive genetic reference library, enabling it to continuously evolve and, by leveraging the capabilities of our gene probes, improve the speed and effectiveness of curation and reporting. Our adaptive learning software communicates with our integrated laboratory systems, which leads to increasing efficiency and effectiveness.
- **Proprietary laboratory information management systems**. We have developed proprietary laboratory information management systems that provide the backbone by which we efficiently manage workflow, monitor quality and ensure the fidelity of information generation and analytics for reporting to our customers. The result is a highly connected platform that allows us to process tests and information in an efficient manner.

Our Solution

We launched our first commercial genetic tests in 2013 and by the first quarter of 2014, our tests covered more than 1,000 genes in 100 pre-established disease-specific panels. Since then we have expanded our test menu to offer more than 18,000 single-gene tests and more than 180 panels that collectively test for more than 7,500 genetic conditions, including various cancers, cardiovascular diseases and neurological disorders. We offer tests at competitive prices, averaging approximately $1,400 per billable test delivered in the first quarter of 2016, and with competitive turnaround times. Our volume has grown rapidly since commercial launch, with over 10,000 billable tests delivered to over 500 total customers as of March 31, 2016. We delivered 6,852 billable tests in 2015 compared to 966 billable tests delivered in 2014, and we delivered 2,428 billable tests in the first quarter of 2016 compared to 1,141 billable tests delivered in the first quarter of 2015. We have experienced 21% compound quarterly growth in the number of billable tests delivered from the first quarter of 2015 through the first quarter of 2016.

We believe that our commercial success to date has been driven by the benefits provided by our technology platform, which include the following:

- **Low cost per billable test**. Our technology platform enables us to perform each test and deliver its results at a low cost to us and an attractive price to our customers, which we believe encourages repeat ordering from existing customers and attracts new customers. We believe our low cost per billable test will also facilitate the process for establishing reimbursement from third-party payors at a level adequate for us to achieve profitability with this payor group.
- **Broad and flexible test menu**. Our technology platform has allowed us to incorporate, to our knowledge, thousands more genes into our gene portfolio than any of our competitors' portfolios. Our technology platform also allows us to provide a flexible and customizable test menu for our customers. We offer single-gene tests on over 18,000 genes, as well as deletion/duplication analysis and site specific tests. If customers desire a broader test, we offer more than 180 pre-established panels that focus on various genetic conditions. These panels can be adjusted up or down to include more or fewer genes, or customers can design their own panels to their exact specifications.
- **Expansive and growing genetic library**. Using our proprietary gene probes and testing processes, we are able to capture large amounts of genetic information on each test we perform, which has allowed us to develop a proprietary reference library of expansive genetic information. This reference library is automatically curated by our adaptive learning software, supplemented by manual curation by our team of highly trained professionals, which adds to and improves upon the information available in public genetic databases to develop a more reliable catalog of genetic information.

Our Strategy

We aim to be a leading provider of genetic information and other diagnostic tools to physicians for disease prediction and prognosis, as well as pharmacogenomic purposes. Our strategy for long-term growth is to focus on the following key drivers of our business:

- grow our customer base;
- broaden our test menu;
- globalize our business;
- maintain our low-cost operations;
- develop relationships with payors by focusing on established genetic testing markets;
- pursue additional opportunities in pharmacogenomics and drug discovery; and
- leverage our technology platform into other diagnostic modalities.

Risks Affecting Us

Our business is subject to a number of risks and uncertainties, including those highlighted under “Risk Factors” immediately following this prospectus summary. These risks include, among others, the following:

- our industry is subject to rapidly changing technology and new and increasing amounts of scientific data. If we fail to keep pace with these technological advances we may be unable to compete effectively and our business and prospects could suffer;
- we are an early-stage company with a limited operating history, which may expose us to enhanced risks and increase the difficulty of evaluating our business and prospects;
- if we are not able to grow our customer base and increase demand for our tests from existing and new customers, our commercial success would be limited;
- we face intense competition, which is likely to intensify further as existing competitors devote additional resources to, and new participants enter, the market. If we cannot compete successfully, we may be unable to increase our revenue or achieve or grow profitability;
- we will need to invest in and expand our infrastructure and hire additional skilled personnel in order to support our anticipated growth. A failure to effectively manage any future growth could jeopardize our business;
- we have limited experience marketing and selling our tests and our commercial success will depend in part upon our ability to grow our sales and marketing team and generate sales using this relatively small internal and developing team;
- we conduct business in a heavily regulated industry, and any changes in applicable regulations or the U.S. Food and Drug Administration’s, or FDA, enforcement discretion, or violations of regulations by us, could adversely affect our business, prospects, results of operations or financial condition;
- if we fail to comply with applicable federal, state, local and foreign laboratory licensing requirements, we could lose the ability to perform our tests or experience disruptions to our business;
- we currently own no patents related to our technology platform and rely upon trade secret protection, non-disclosure agreements and invention assignment agreements to protect our proprietary information, which may not effectively protect our proprietary technologies and other information;

- our ability to achieve profitability depends upon our ability to collect payment for the tests we deliver to hospitals and medical institutions, which we may not be able to do successfully;
- if third-party payors do not provide coverage and adequate reimbursement for our tests, our commercial success could be limited;
- if our sole laboratory facility becomes inoperable, if we are forced to vacate the facility or if we are unable to obtain additional laboratory space as and when needed, we would be unable to perform our tests and our business would be harmed;
- we are exposed to additional business, regulatory, political, operational, financial and economic risks related to our international operations;
- actual or attempted security breaches, loss of data and other disruptions could compromise sensitive information related to our business or to patients or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation; and
- the loss of any member of our senior management team could adversely affect our business.

Recent Developments

In May 2016, we issued and sold 5,131,579 Class D-2 preferred units to Xi Long USA, Inc., or Xi Long, at a purchase price per unit of $2.9598 and for gross proceeds to us of approximately $15.2 million. Additionally, Xi Long purchased an aggregate of 10,263,158 units from certain of our members at a purchase price per unit of $1.1669, which we subsequently exchanged for 10,263,158 of our Class D-2 preferred units.

Pharma Split-Off and Reorganization

On April 4, 2016, Fulgent LLC separated its former pharmaceutical business, or the Pharma Business, from the business described in this prospectus. We refer to this separation as the “Pharma Split-Off.” Since completion of the Pharma Split-Off, Fulgent LLC has not pursued any aspect of the Pharma Business and, except as described in this prospectus, neither Fulgent LLC nor Fulgent Inc. is associated with the Pharma Business. The operating results of the Pharma Business have been reported as discontinued operations in the consolidated financial data for all periods presented in this prospectus.

Prior to completion of this offering, Fulgent LLC will become our wholly owned subsidiary in a transaction that we refer to as the “Reorganization.” As a result of the Reorganization, the holders of all equity interests in Fulgent LLC immediately prior to the Reorganization will constitute all of our stockholders immediately following the Reorganization and prior to completion of this offering. Following the Reorganization, we will be a holding company with no material assets other than 100% of the equity interests in Fulgent LLC, which we will manage as its Manager. Fulgent LLC’s authorized, issued and outstanding equity interests are referred to as “shares” in its operating agreement, but are referred to as “units” in this prospectus.

See “Pharma Split-Off and Reorganization” for additional information.

Corporate and Other Information

Fulgent Therapeutics LLC was initially formed in June 2011 as a California corporation and converted to a California limited liability company in September 2012. Our initial operations focused on the Pharma Business, and we commenced our genetic testing operations as described in this prospectus in 2013. In October 2015, we recapitalized Fulgent LLC to establish two series of units with economic rights based on our two lines of business at that time. See “Pharma Split-Off and Reorganization” for additional information.

We were incorporated in Delaware on May 13, 2016 to be the issuer in this offering and the holding company of Fulgent LLC.

Our headquarters and laboratory are located at 4978 Santa Anita Avenue, Temple City, California 91780, and our telephone number is (626) 350-0537. Our website address is *www.fulgentdiagnostics.com*. The information contained on, or that can be accessed through, our website is not part of and is not incorporated by reference into this prospectus. Investors should not rely on any such information in deciding whether to purchase our common stock.

We own unregistered trademark rights to Fulgent™ and our company name and logo. All other service marks, trademarks and trade names appearing in this prospectus are the property of their respective owners. We do not use the ™ symbol in each instance in which one of our common law trademarks appears in this prospectus, but this should not be construed as any indication that we will not assert, to the fullest extent under applicable law, our rights thereto.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act. An emerging growth company may take advantage of reduced reporting requirements that are otherwise applicable to public companies, including, among others, the following:

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

We may take advantage of these reduced reporting requirements as an emerging growth company until the last day of our fiscal year following the fifth anniversary of the closing of this offering. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or Exchange Act, our annual gross revenue exceeds $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

We have elected to take advantage of certain of these reduced reporting requirements in the registration statement of which this prospectus is a part and we may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our stockholders may be different than the information disclosed by other public companies that are not emerging growth companies.

The JOBS Act also provides that an emerging growth company may take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

THE OFFERING

Common stock offered by us	shares.
Underwriters' option to purchase additional shares	shares.
Common stock to be outstanding immediately after this offering	shares (or shares if the underwriters exercise in full their option to purchase additional shares).
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million (or approximately $ million if the underwriters exercise in full their option to purchase additional shares), assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for working capital and general corporate purposes. See "Use of Proceeds" for a more complete description of the intended use of proceeds from this offering.
Risk factors	Please read "Risk Factors" beginning on page 12 and the other information in this prospectus for a discussion of factors you should consider carefully before deciding to invest in shares of our common stock.
Directed share program	At our request, the underwriters have reserved for sale at the initial public offering price up to shares of our common stock, or approximately % of the shares offered by this prospectus, for purchase by our employees, directors and other persons associated with us. Any directed shares purchased by our officers and directors will be subject to the 180-day lock-up restriction described in the "Underwriting" section of this prospectus. Any other participants in the directed share program will not be subject to any lock-up arrangements with any underwriter with respect to the directed shares sold to them. The number of shares of common stock available for sale to the general public in the offering will be reduced by the number of shares sold pursuant to the directed share program. Any directed shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. The directed share program will be arranged through .
Proposed symbol	"FLGT"

The number of shares of our common stock to be outstanding immediately after this offering is based on shares of our common stock issued and outstanding as of March 31, 2016, after giving effect to the exchange of outstanding units of Fulgent LLC on such date for shares of our common stock in the Reorganization prior to completion of this offering, and excludes the following:

- shares of our common stock that will be issued in the Reorganization in exchange for 5,131,579 Class D-2 preferred units of Fulgent LLC that were sold by us after March 31, 2016;
- shares of our common stock issuable upon exercise of options with a weighted-average exercise price of $ per share, which, prior to completion of the Reorganization, were exercisable for 3,645,000 common units of Fulgent LLC with a weighted-average exercise price of $0.05 per unit and were outstanding as of March 31, 2016;
- shares of our common stock issuable upon exercise of options with a weighted-average exercise price of $ per share, which, prior to completion of the Reorganization, were exercisable for common units of Fulgent LLC with a weighted-average exercise price of $ per unit and were issued after March 31, 2016; and
- shares of our common stock that will be reserved for future issuance under our 2016 Omnibus Incentive Plan, or the 2016 Plan, which will be adopted prior to completion of this offering.

Unless otherwise indicated, all information in this prospectus, including the above summary information about the offering, reflects and assumes the following:

- the completion of the Reorganization, which includes the exchange of all outstanding units of Fulgent LLC for shares of our common stock and the conversion of all outstanding options to purchase common units of Fulgent LLC into options to purchase shares of our common stock, prior to completion of this offering;
- no exercise of outstanding options to purchase common units of Fulgent LLC, all of which are unexercisable until completion of the Reorganization prior to closing this offering; and
- no exercise by the underwriters of their option to purchase up to additional shares of our common stock in this offering.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The tables below summarize the consolidated financial and other data of Fulgent LLC for the periods presented. Following the Reorganization, Fulgent LLC will be considered our predecessor for accounting purposes and its financial statements will be our historical financial statements. The summary consolidated statements of operations data of Fulgent LLC for the years ended December 31, 2014 and 2015 are derived from Fulgent LLC's audited financial statements included in this prospectus. The summary consolidated statements of operations data of Fulgent LLC for the three months ended March 31, 2015 and 2016 and the summary consolidated balance sheet data as of March 31, 2016 are derived from Fulgent LLC's unaudited condensed financial statements included in this prospectus. We have prepared the unaudited condensed financial data on the same basis as the audited financial statements and we have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in these financial statements.

The following summary consolidated financial data should be read together with "Pharma Split-Off and Reorganization," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included in this prospectus. Historical results are not necessarily indicative of the results that may be expected in any future period, and interim results are not necessarily indicative of the results that may be expected in the full year or any other period. The summary consolidated financial data in this section are not intended to replace the financial statements from which they are derived and are qualified in their entirety by the financial statements and related notes included in this prospectus.

Historical financial information of Fulgent Inc. is included elsewhere in this prospectus, but summary historical financial data of Fulgent Inc. have not been presented below, as Fulgent Inc. is a newly incorporated entity, has had no business transactions or activities to date and had no assets or liabilities during the periods presented below.

	Year Ended December 31,		Three Months Ended March 31,	
	2014	2015	2015	2016
	(in thousands, except per unit and per share data)			
Consolidated Statements of Operations Data:				
Revenue	$ 1,278	$ 9,576	$ 1,588	$ 3,440
Cost of revenue(1)	936	5,069	653	1,304
Gross profit	342	4,507	935	2,136
Operating expenses:				
Research and development(1)	521	4,431	217	561
Selling and marketing(1)	581	2,670	234	301
General and administrative(1)	230	2,418	79	1,889
Total operating expenses	1,332	9,519	530	2,751
Operating income (loss)	(990)	(5,012)	405	(615)
Interest and other income	—	27	20	13
Income (loss) before income taxes	(990)	(4,985)	425	(602)
Provision for income taxes	—	—	—	—
Income (loss) from continuing operations	(990)	(4,985)	425	(602)
Income (loss) from discontinued operations(2)	(3,293)	(3,329)	(554)	59
Net loss	(4,283)	(8,314)	(129)	(543)
Basic and diluted loss per common unit:(3)				
Continuing operations—Class D common units—profits interests		$ (0.21)		$ (0.02)
Continuing operations:(3)				
Weighted average Class D common units—profits interests—outstanding—basic and diluted		34,000		34,000
Pro forma loss per share attributable to common stockholders (unaudited):(4)				
Basic and diluted				
Shares used in computing pro forma loss per share attributable to common stockholders (unaudited):(4)				
Basic and diluted				

(1) Includes equity-based compensation expense as follows:

	Year Ended December 31,		Three Months Ended March 31,	
	2014	2015	2015	2016
	(in thousands)			
Cost of revenue	$—	$1,673	$ —	$ —
Research and development	—	3,241	—	—
Selling and marketing	—	1,569	—	—
General and administrative	—	1,673	—	1,625
Total equity-based compensation expense	$—	$8,156	$ —	$ 1,625

(2) On April 4, 2016, we completed the Pharma Split-Off. The financial results of the Pharma Business through the separation date of April 4, 2016 are included in Fulgent LLC's results as discontinued operations for all periods presented. See "—Corporate Information" and "Pharma Split-Off and Reorganization" for additional information.

(3) See Notes 2 and 10 to Fulgent LLC's audited consolidated financial statements for the year ended December 31, 2015 and Note 3 to Fulgent LLC's unaudited condensed consolidated financial statements for the three months ended March 31, 2016, each included in this prospectus, for an explanation of the method used to calculate basic and diluted loss per unit from continuing operations and the weighted-average number of units used in the computation of the per unit amounts.

(4) See Note 2 to Fulgent LLC's audited consolidated financial statements for the year ended December 31, 2015 and Note 2 to Fulgent LLC's unaudited condensed consolidated financial statements for the three months ended March 31, 2016, each included in this prospectus, for an explanation of the method used to calculate basic and diluted pro forma loss per share attributable to common stockholders and the number of shares used in the computation of the per share amount.

	Year Ended December 31,		Three Months Ended March 31,	
	2014	2015	2015	2016
Other Operating Data:				
Billable tests(1)	966	6,852	1,141	2,428

(1) Billable tests represent the number of tests performed in a period for which we bill our customers. We consider the number of billable tests we deliver to be an important indicator of the growth of our business.

	As of March 31, 2016		
	Actual (Fulgent LLC)	Pro Forma (Fulgent Inc.)(1)	Pro Forma as Adjusted (Fulgent Inc.)(2)(3)
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash	$ 1,023	$ 1,023	$
Assets of discontinued operations(4)	556	556	
Total assets	7,359	7,359	
Liabilities of discontinued operations(4)	48	48	
Total liabilities	1,131	1,131	
Accumulated deficit	(53,703)	(53,703)	
Total members' equity	6,228	—	—
Total stockholders' equity	—	6,228	

(1) The pro forma consolidated balance sheet data give effect to the Reorganization prior to completion of this offering.
(2) The pro forma as adjusted balance sheet data give effect to the pro forma adjustments and our issuance and sale in this offering of shares of common stock at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.
(3) Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) each of our pro forma as adjusted cash, total assets and total stockholders' equity by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million shares in the number of shares of common stock offered by us would increase (decrease) each of our pro forma as adjusted cash, total assets and total stockholders' equity by approximately $ million, assuming the initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.
(4) On April 4, 2016, we completed the Pharma Split-Off. The financial results of the Pharma Business through the separation date of April 4, 2016 are included in Fulgent LLC's results as discontinued operations for all periods presented. See "—Corporate Information" and "Pharma Split-Off and Reorganization" for additional information.

RISK FACTORS

Investing in our common stock involves a high degree of risk. Before making your decision to invest in shares of our common stock, you should carefully consider the risks described below, together with the other information included in this prospectus, including the financial statements and related notes. If any of the events discussed below occurs, we may experience a material and adverse impact on our business, results of operations, financial condition and cash flows, in which case the trading price of our common stock could decline and you could lose all or part of your investment.

Business and Strategy Risks

Our industry is subject to rapidly changing technology and new and increasing amounts of scientific data. If we fail to keep pace with these technological advances we may be unable to compete effectively and our business and prospects could suffer.

In recent years, there have been numerous advances in the analysis of large amounts of genomic information and the role of genetics and gene variants in disease diagnosis and treatment. Our industry has been and will continue to be characterized by rapid technological change, increasing amounts of data, frequent introductions of new genetic tests and evolving industry standards, all of which could make our tests obsolete if we are not able to enhance our technologies and tests faster and better than our competitors to maintain our competitive advantage. Our future success will depend on our ability to keep pace with the evolving needs of our customers in a timely and cost-effective manner and to pursue new market opportunities that develop as a result of technological and scientific advances. If we are not able to keep pace with technological advances and increased customer expectations that develop as a result of these advances, we may be unable to sustain or grow our business and our future operations and prospects could suffer.

We are an early-stage company with a limited operating history, which may expose us to enhanced risks and increase the difficulty of evaluating our business and prospects.

We began operations in May 2012 and commercially launched our first genetic tests in 2013. As a result, we have only a limited operating history upon which you can evaluate our business and prospects. Our revenue growth may not increase or even continue, we may not achieve profitability and, if we achieve profitability, we may not be able to sustain it. Our limited operating history makes it difficult to evaluate our current business and inhibits our ability to forecast our future operating results, including revenue, cash flows and profitability. For example, our gross profit during the last three months of 2015 was less than our gross profit in the preceding and subsequent three months. Our limited operating history makes it difficult to determine if these fluctuations reflect seasonality in our performance or are the result of other events. We have encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in the life sciences and technology industries, such as risks related to an evolving and unpredictable business model, management of growth and other uncertainties described in this prospectus. If our assumptions regarding these risks and uncertainties are incorrect or these risks and uncertainties change due to changes in our markets, or if we do not address these risks successfully, our operating and financial results may differ materially from our expectations, and our business may suffer.

If we are not able to grow our customer base and increase demand for our tests from existing and new customers, our commercial success would be limited.

To achieve our anticipated revenue growth, we must increase test volume by growing our customer base beyond hospitals and medical institutions and into additional customer groups, such as individual physicians, other practitioners and research institutions. In addition, we must further penetrate our existing hospital and medical institution customers. However, we may not succeed in facilitating the clinical acceptance and adoption

of our tests needed to achieve the increased volumes and customer growth we expect. Because detailed genetic data from tests such as ours have only recently become available at relatively affordable prices, the pace and degree of market acceptance and adoption of these tests is uncertain.

We may fail to expand our customer base and grow our volume of tests delivered for a variety of reasons, including, among others:

- the genetic testing market generally, and particularly the market for NGS genetic tests, is relatively new and may not grow as predicted or may decline;
- our efforts to improve our existing tests and develop and launch new tests may be unsuccessful;
- we may not be able to convince additional hospitals and medical institutions or additional customer groups, such as individual physicians, other practitioners and research institutions, of the utility of our tests and their potential advantages over existing and new alternatives;
- we may be unsuccessful in demonstrating the benefits of our broad and customizable test menu;
- genetic testing is expensive and many existing and potential new customers may be sensitive to pricing, particularly if we are not able to maintain low prices relative to our competitors;
- potential new customers, particularly individual physicians and other practitioners, may not adopt our tests if coverage and adequate reimbursement are not available;
- negative publicity or regulatory investigations into the actions of companies within our industry could raise doubts about the legitimacy of diagnostics technologies generally, and could result in scrutiny of diagnostic activities by the FDA or other applicable government agencies;
- our competitors may introduce new tests that cover more genes or that provide more accurate or reliable results at the same or a lower cost than ours; and
- our efforts to increase our sales force and expand our marketing efforts may fail.

If we are unable to address these and other risks associated with growing our customer base and deepening our relationships with existing companies, we may not achieve our anticipated growth in billable tests and our results of operations would be adversely impacted.

We face intense competition, which is likely to intensify further as existing competitors devote additional resources to, and new participants enter, the market. If we cannot compete successfully, we may be unable to increase our revenue or achieve or grow profitability.

With the development of NGS, the clinical genetics market has become increasingly competitive, and we expect this competition to further intensify in the future. We face competition from a variety of sources, including, among others:

- dozens of companies focused on molecular genetic testing services, including specialty and reference laboratories that offer traditional single-gene and multi-gene tests, such as Ambry Genetics, Inc.; Counsyl Inc.; Foundation Medicine, Inc.; GeneDx, a subsidiary of OPKO Health, Inc.; Invitae Corporation; Myriad Genetics, Inc.; and Pathway Genomics Corporation, as well as other commercial and academic laboratories; and
- established and emerging healthcare, information technology and service companies that may develop and sell competitive tests, which may include informatics, analysis, integrated genetic tools and services for health and wellness.

Additionally, participants in closely related markets, such as prenatal testing and clinical trial or companion diagnostic testing, could converge on offerings that are competitive with the type of tests we perform. Instances where potential competitors are aligned with key suppliers or are themselves suppliers could provide such

potential competitors with significant advantages. Further, hospitals, research institutions and eventually individual physicians and other practitioners may also seek to perform at their own facilities the type of genetic testing we would otherwise perform for them. In this regard, continued development of, and associated decreases in the cost of, equipment, reagents and other materials and databases and genetic data interpretation services may enable broader direct participation in genetic testing and analysis and drive down use of third-party testing companies such as ours. Moreover, the biotechnology and genetic testing fields continue to undergo significant consolidation, permitting larger clinical laboratory service providers to increase cost efficiencies and service levels, resulting in more intense competition.

Many of our existing and potential future competitors have longer operating histories, larger customer bases, greater brand recognition and market penetration, substantially greater financial, technological and research and development resources and selling and marketing capabilities, and considerably more experience dealing with third-party payors. As a result, they may be able to respond more quickly to changes in customer requirements or preferences, devote greater resources to the development, promotion and sale of their tests, devote more resources to and obtain more favorable results from third-party payors regarding coverage and reimbursement for their offerings, adopt more aggressive pricing policies for their tests, secure supplies from vendors on more favorable terms or devote substantially more resources to infrastructure and systems development. We may not be able to compete effectively against these organizations.

Additionally, increased competition and cost-saving initiatives on the part of government entities and other third-party payors could result in pricing pressures, which could harm our sales or ability to gain market share and achieve profitability. In addition, competitors may be acquired by, receive investments from or enter into other commercial relationships with larger, well-established and well-financed companies as use of NGS for clinical diagnosis and preventative care increases. Further, companies or governments that effectively control access to genetic testing through umbrella contracts or regional preferences could promote our competitors or prevent us from performing certain tests in certain territories. If we are unable to compete successfully against current and future competitors, we may be unable to increase market acceptance and sales volume of our tests, which could prevent us from increasing our revenue or achieving or growing profitability.

We will need to invest in and expand our infrastructure and hire additional skilled personnel in order to support our anticipated growth. A failure to effectively manage any future growth could jeopardize our business.

To increase the volume of tests that we offer and deliver, we must invest in our infrastructure, including our testing capacity and information systems, enterprise software systems, customer service, billing and collections systems processes and internal quality assurance program, in the near term. We will also need to invest in hiring additional skilled personnel, including biostatisticians, geneticists, software engineers, laboratory directors and specialists, sales and marketing experts and other scientific, technical and managerial personnel to market, process, interpret and validate the quality of results of our genetic tests and otherwise manage our operations. For example, before we deliver a report for any of our genetic tests, the results summarized in the report must be reviewed and approved by a licensed and qualified laboratory director. We currently have only one such laboratory director with all of the required licenses, Dr. Gao, who conducts this review and approval for each test we deliver. We are in the process of licensing additional laboratory directors to assist Dr. Gao, and we may need to hire more laboratory directors in the future to further scale our business. If we fail to hire additional personnel or otherwise develop our infrastructure sufficiently in advance of demand or if we fail to generate demand commensurate with our level of investment in our infrastructure, our business, prospects, financial condition and results of operations could be adversely affected. Additionally, although we do not presently have plans to acquire new or expand our existing laboratory space, we may need to do so in the future as our volumes increase and any need to obtain an additional facility or replace our existing facility with a larger one would involve significant challenges.

The time and resources required to implement new systems, to add and train additional skilled personnel and to acquire or expand laboratory space as needed are uncertain. Any future growth we may experience could

create a strain on our organizational, administrative and operational infrastructure, including laboratory operations, quality control, customer service, marketing and sales and management. We may not be able to maintain the quality of or expected turnaround times for our tests or satisfy customer demand as it grows. Our ability to manage our growth effectively will also require us to continue to improve our laboratory and other operational, financial and management systems and controls and our reporting processes and procedures, which we may not be able to do.

We have limited experience marketing and selling our tests and our commercial success will depend in part upon our ability to grow our sales and marketing team and generate sales using this relatively small internal and developing team.

We have limited experience marketing and selling our tests, which we began selling in 2013. We may not be able to market or sell our existing tests or any future tests we may develop in order to drive demand sufficient to support our planned growth. We currently sell our tests in the United States through a small internal sales force and outside the United States through one internal sales person and we have historically relied significantly on organic growth and word-of-mouth among our customers to generate interest in our tests. Our ability to maintain and grow sales volume in the future will depend in large part upon our ability to develop and substantially expand our sales team and to increase the scope of our marketing efforts. We intend to aggressively build our sales and marketing team in the near term in order to pursue expansion of our customer base and growth in the volume of tests ordered, which will involve significant time and expense. We may not be able to attract and hire the qualified personnel we need to grow our sales and marketing team as quickly as we intend for various reasons, including intense competition in our industry for qualified personnel. Even if we are able to further develop our sales and marketing team, we have limited experience managing a sales and marketing group and it may not be successful in growing our customer base or increasing penetration into our existing customers.

In addition, our future sales will depend in large part upon our ability to expand our brand awareness, laterally grow our customer base and vertically penetrate our relationships with existing customers by educating the medical community, including existing and potential future customers, about the benefits and the full scale of our offering. We also intend to obtain publication of scientific and medical results in peer-reviewed journals and make presentations at leading industry conferences. We have limited experience with this type of activity and we may not be successful in implementing these initiatives. If we are not able to drive sufficient levels of revenue using our sales and marketing strategies to support our planned growth, our business and results of operations would be negatively affected. Additionally, if we are not able to obtain sufficient clinical information in support of our tests, third-party payors could designate our tests as experimental or investigational and decline to cover and reimburse our tests as a result of such designation.

We also intend to increase our focus on growing our international sales and customer base. Outside the United States, we use and intend to continue to use one internal sales person and may also engage distributors to assist with sales, logistics, education and customer support in the future. We believe identifying, qualifying and engaging distributors with local industry experience and knowledge will be necessary to effectively market and sell our tests outside the United States. We may not be successful in finding, attracting and retaining qualified distributors or we may not be able to enter into distribution arrangements covering desired territories on favorable terms. Sales practices utilized by distributors that are locally acceptable may not comply with sales practices or standards required under U.S. laws that apply to us, which could subject us to additional compliance risks. If our sales and marketing efforts are not successful outside the United States, we may not achieve significant market acceptance for our tests in international markets, which could materially and adversely impact our business operations.

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

Our business depends upon our ability to provide reliable and accurate test results that incorporate rapidly evolving information about the role of genes and gene variants in disease and clinically relevant outcomes

associated with those variants. Hundreds of genes can be implicated in some disorders and overlapping networks of genes and symptoms can be implicated in multiple conditions. As a result, a substantial amount of judgment is required in order to interpret the results of each test we perform and produce a report summarizing these results. Errors, such as failures to detect genomic variants with high accuracy, or mistakes, such as failures to completely and correctly identify the significance of gene variants, could subject us to product liability or professional liability claims. A product liability or professional liability claim against us could result in substantial damages and be costly and time-consuming to defend. Although we maintain liability insurance, including for errors and omissions, our insurance may not fully protect us from the financial impact of defending against these types of claims or any judgments, fines or settlement costs arising out of any such claims. Any liability claim brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage in the future. Additionally, any liability lawsuit could damage our reputation or force us to suspend sales of our tests. The occurrence of any of these events could have a material adverse effect on our business, reputation and results of operations.

Our ability to achieve profitability depends upon our ability to collect payment for the tests we deliver to hospitals and medical institutions, which we may not be able to do successfully.

We are currently focused on providing our tests to hospitals and medical institutions. These customers are typically able to pay for the cost of our tests using funds reimbursed in connection with a patient's diagnosis related group, or DRG. However, our ability to collect payment for the tests we perform is subject to a number of risks, many of which are not within our control, including risks of default or bankruptcy by the party responsible for payment and other risks associated with payment collection generally. Further, healthcare policy changes that influence the way healthcare is financed or other changes in the market that impact payment rates by institutional or non-institutional customers could affect our collection rates. For example, because reimbursement under a DRG is typically provided at a fixed amount intended to cover all services provided to the patient, the cost of our tests may be viewed to limit the profitability of the billing institution. If we are unable to convince hospitals and medical institutions of the value and benefit provided by our tests, or if the amount reimbursed under these DRG codes was decreased, these customers may slow, or stop altogether, their purchasing of our tests.

If third-party payors do not provide coverage and adequate reimbursement for our tests, our commercial success could be limited.

Coverage and reimbursement by third-party payors, including managed care organizations, private health insurers and government healthcare programs, such as Medicare and Medicaid, for the types of genetic tests we perform can be limited and uncertain. Although our existing customer base consists primarily of hospitals and medical institutions, from which we typically receive direct payment for ordered tests, we believe our potential for future success is dependent upon our ability to attract new customer groups, including individual physicians and other practitioners. These practitioners may not order our tests unless third-party payors cover and provide adequate reimbursement for a substantial portion of the price of our tests. If we are not able to obtain coverage and an acceptable level of reimbursement for our tests from third-party payors, there would typically be a greater co-insurance or co-payment requirement from the patient for whom the test is ordered or the patient may be forced to pay the entire cost of the test out-of-pocket, which could dissuade practitioners from ordering our tests and, if ordered, could result in delay in or decreased likelihood of our collection of payment, whether from patients or from third-party payors. We believe our ability to increase the number of tests we sell and our revenue will depend on our success in achieving broad coverage and reimbursement for our tests from third-party payors.

Coverage and reimbursement by a third-party payor may depend on a number of factors, including a payor's determination that a test is appropriate, medically necessary and cost-effective. Each payor makes its own decision as to whether to establish a policy or enter into a contract to cover our tests and the amount it will reimburse for a test, and seeking the determination by a payor to cover and the amount it will reimburse for our tests would likely be made on an indication-by-indication basis. In addition, the coding procedure used by all third-party payors with respect to establishing payment rates for various procedures, including our tests, is

complex, does not currently adapt well to the genetic tests we perform and may not enable coverage and adequate reimbursement rates for our tests. As a result, obtaining approvals from third-party payors to cover our tests and establishing adequate reimbursement levels is an unpredictable, challenging, time-consuming and costly process and we may never be successful.

To date, we have not yet obtained any coverage policies specific to our tests. We recently contracted with one health plan to provide diagnostic laboratory services to its members and enrolled as a supplier in the Medicare program, but we have not yet enrolled in any state Medicaid program. Additionally, we have not obtained any coverage, pricing or reimbursement approvals from any countries outside of the United States. We expect to focus on increasing coverage and reimbursement for our current tests and any future tests we may develop. We believe it may take several years to achieve coverage and adequate contracted reimbursement with a majority of third-party payors. However, we cannot predict whether, under what circumstances, or at what payment levels payors will cover and reimburse for our tests. If we fail to establish and maintain broad coverage and reimbursement for our tests, our ability to generate increased revenue and grow our test volume and customer base could be limited and our future prospects and our business could suffer.

If our sole laboratory facility becomes inoperable, if we are forced to vacate the facility or if we are unable to obtain additional laboratory space as and when needed, we would be unable to perform our tests and our business would be harmed.

We perform all of our tests at a single laboratory in Temple City, California. Our laboratory facility could be damaged or rendered inoperable by natural or man-made disasters, including earthquakes, floods, fires and power outages, which could render it difficult or impossible for us to perform our tests for some period of time. The inability to perform our tests or the backlog that could develop if our laboratory is inoperable for even a short period of time could result in the loss of customers or harm to our reputation. Although we maintain insurance for damage to our property and the disruption of our business, this insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, if at all.

Further, if we need to move to a different facility or locate additional laboratory space as our business grows, we may have difficulty locating suitable space in a timely manner, on reasonable terms or at all, and even if acceptable space was available, it would be challenging, time-consuming and expensive to obtain or transfer the licensure and accreditation required for a commercial laboratory like ours and the equipment we use to perform our tests. These challenges could be amplified if we seek to procure laboratory space outside the U.S. as we seek to expand our international operations. If we are unable to obtain or are delayed in obtaining new laboratory space as needed, we may not be able to provide existing tests or develop and launch new tests, which could result in harm to our business, reputation, financial condition and results of operations.

Ethical, legal and social concerns related to the use of genetic information could reduce demand for our tests.

Genetic testing has raised ethical, legal and social issues regarding privacy and the appropriate uses of the resulting information. Government authorities could, for social or other purposes, limit or regulate the use of genetic information or genetic testing or prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Similarly, these concerns may lead patients to refuse to use, or physicians to be reluctant to order, genetic tests even if permissible. These and other ethical, legal and social concerns may limit market acceptance and adoption of our tests or reduce the potential markets for our tests, either of which could have an adverse effect on our business, financial condition and results of operations.

We rely on a limited number of suppliers and, in some cases, a sole supplier, for some of our laboratory instruments and materials and we may not be able to find replacements or immediately transition to alternative suppliers if necessary.

We rely on a limited number of suppliers, or, in the case of Illumina, Inc., a sole supplier, for certain laboratory substances used in the chemical reactions incorporated into our processes, which we refer to as reagents, as well as for the sequencers and various other equipment and materials that we use in our laboratory operations. We do not have long-term agreements with any of our suppliers and, as a result, they could cease supplying these materials and equipment to us at any time or fail to provide us with sufficient quantities of materials that meet our specifications. Our laboratory operations would be interrupted if we encounter delays or difficulties in securing these reagents, sequencers or other equipment or materials or if we need a substitute for any of our suppliers and are not able to locate and make arrangements with an acceptable substitute. Any such interruption could significantly affect our business, financial condition, results of operations and reputation. We rely on Illumina as the sole supplier of the next generation sequencers and associated reagents we use to perform our genetic tests and as the sole provider of maintenance and repair services for these sequencers. Any disruption in Illumina's operations could impact our supply chain and laboratory operations as well as our ability to conduct our tests.

We believe there are only a few other manufacturers that are currently capable of supplying and servicing the equipment necessary for our laboratory operations, including sequencers and various associated reagents. Transitioning to a new supplier would be time-consuming and expensive, could result in interruptions in or otherwise affect the performance specifications of our laboratory operations or could require that we revalidate our tests. In addition, the use of equipment or materials provided by a replacement supplier could require us to alter our laboratory operations and procedures. In the case of obtaining an alternative supplier for Illumina, replacement sequencers and associated reagents that meet our quality control and performance requirements may not be available on reasonable terms, in a timely manner or at all. If we encounter delays or difficulties in securing, reconfiguring or revalidating the equipment and reagents we require for our tests, our business, financial condition, results of operations and reputation would be adversely affected.

We plan to rely on a third-party for certain portions of our billing and collection processing, which is a complex and time-consuming process, and any delay in transmitting and collecting claims could have an adverse effect on our future revenue.

We are in the process of engaging a third-party service provider for certain claims processing, billing and collection functions. Billing for our tests is complex, time-consuming and expensive. Depending on the billing arrangement and applicable law, we plan to bill various payors, including customers directly in the case of our hospital and medical institution customers, as well as Medicare, Medicaid, insurance companies and patients, all of which may have different billing requirements. We may face increased risk in our collection efforts, including long collection cycles, which could adversely affect our business, results of operations and financial condition.

Several factors make the billing process complex, including:

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

These billing complexities and the related uncertainty in obtaining payment for our tests could negatively affect our revenue and cash flow, our ability to achieve profitability and the consistency and comparability of our results of operations. In addition, if claims for our tests are not submitted to payors on a timely basis, or if we are required to switch to a different provider to handle our processing and collections functions, it could have an adverse effect on our revenue and our business.

We are exposed to additional business, regulatory, political, operational, financial and economic risks related to our international operations.

Our existing customer base includes international customers, many of which are based in Canada and which collectively accounted for approximately 47% and 45% of our revenue in 2015 and the first quarter of 2016, respectively. Additionally, our business strategy includes plans for significant international expansion in the near term. We may enter into new geographic markets and increase our presence in existing foreign markets by engaging distributors to conduct physician outreach activities and develop and expand payor relationships outside of the United States.

Doing business internationally involves a number of risks, including, among others:

- multiple, conflicting and evolving laws and regulations, such as privacy regulations, tax laws, employment laws, regulatory requirements and other government approvals, permits and licenses;
- logistics and regulations associated with shipping blood or other tissue samples, including export and import restrictions, infrastructure conditions and transportation delays;
- limits on our ability to penetrate international markets if we do not conduct our tests locally, including local legal and regulatory requirements that would force us to build additional laboratories or engage in joint ventures or other business partnerships in order to offer our tests in certain countries;
- failure by us or any distributors we may engage in the future to obtain regulatory approvals for the use of our tests in various countries;
- complexities and difficulties in obtaining protection for and enforcing our intellectual property;
- difficulties in staffing and managing foreign operations;
- complexities associated with managing multiple payor coverage and reimbursement regimes, government payors or patient self-pay systems;
- financial risks, such as longer payment cycles, difficulty collecting accounts receivable, the impact of local and regional financial conditions on demand and payment for our tests and exposure to foreign currency exchange rate fluctuations;
- natural disasters, political and economic instability, including wars, terrorism, and political unrest, outbreak of disease, boycotts, curtailment of trade and other business restrictions; and
- regulatory and compliance risks that relate to prohibiting bribery and maintaining accurate information and control over activities that may fall within the purview of the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act, or FCPA.

Any of these factors could significantly harm our existing relationships with international customers or derail our international expansion plans and, consequently, our revenue and results of operations.

We may not be successful in developing and marketing new tests, which could negatively impact our performance and prospects.

We believe our future success will depend upon our ability to continue to expand our test offering and develop and sell new tests. For instance, we plan to launch in 2016 new NGS tests that are focused on producing similar or improved results as microarray-based genomic tests. We expect these tests will target customers that

are already using microarray-based testing; however, these tests may not be accepted as a replacement for microarray-based tests and they may not be adopted by these customers or at all. We may not be successful in launching or marketing these or any other new tests we may develop or, if we are successful, the demand for our other tests could decrease or may not continue to increase at historical rates due to sales of the new tests.

Our pipeline of new tests is in various stages of development and will be time-consuming and costly to fully develop and introduce, as development and marketing of new tests requires us to conduct research and development and further develop and scale our laboratory processes and infrastructure to be able to analyze increasing amounts of and more diverse data. Further, we may be unable to discover or develop new tests for a variety of reasons, including failure of any proposed test to perform as expected, lack of validation or reference data for the test or failure to demonstrate the utility of the test. Further, any new test we are able to develop may not be launched in a timely manner, meet applicable regulatory standards, successfully compete with other technologies and available tests, avoid infringing the proprietary rights of others, achieve coverage and adequate reimbursement from third-party payors, be susceptible to performance at commercial levels and at reasonable costs, be successfully marketed or achieve sufficient market acceptance for us to recoup our time and capital investment in the development of the test. Any failure to successfully develop and sell new tests could negatively impact our ability to attract and retain customers and our revenue and prospects.

Actual or attempted security breaches, loss of data and other disruptions could compromise sensitive information related to our business or to patients or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, we and, in the future, a third-party billing and collections provider that we intend to engage, generate, collect and store sensitive data, including protected health information, or PHI, personally identifiable information, intellectual property and proprietary business information and other business-critical information, such as research and development data, commercial information and business and financial information. We manage and maintain the data we generate, collect and store utilizing a combination of on-site systems and managed data center systems. We also communicate sensitive patient data when we deliver reports summarizing test results to our customers, which we deliver via our online encrypted web portal, encrypted email or fax or overnight courier. We face a number of risks related to protecting this information, including loss of access, inappropriate disclosure, unauthorized modification and inability to adequately implement protective controls.

The secure processing, storage, maintenance and transmission of this critical information are vital to our operations and business strategy and we devote significant resources to protecting the confidentiality and integrity of this information. Although we have implemented security measures designed to protect sensitive information from unauthorized access, use or disclosure, our information technology and infrastructure and that of a third-party billing and collections provider that we intend to engage in the future could fail, be inadequate or vulnerable to attacks by hackers or viruses or be breached due to employee error, malfeasance or other disruptions. Any such breach or interruption could compromise our information systems and the information we store could be accessed by unauthorized parties, manipulated, publicly disclosed, lost or stolen. Any such access, manipulation, disclosure or other loss of information could result in legal claims or proceedings and could result in liability or penalties under federal and state laws that protect the privacy of personal information, discussed below under “—We are subject to broad legal requirements regarding the information we test and analyze and any failure to comply with these requirements could result in harsh penalties, damage our reputation and materially harm our business.” Additionally, unauthorized access, manipulation, loss or dissemination could significantly damage our reputation and disrupt our operations, including our ability to perform our tests, analyze and provide test results, bill customers or other payors, process claims for reimbursement, provide customer service, conduct research and development activities, collect, process, and prepare company financial information, conduct education and outreach activities and manage the administrative aspects of our business, any of which could adversely affect our business.

The loss of any member of our senior management team could adversely affect our business.

Our success depends in large part upon the skills, experience and performance of our executive management team and others in key leadership positions, especially Ming Hsieh, our founder and Chief Executive Officer, and Dr. Gao, our Chief Scientific Officer and Lab Director. The continued efforts of these persons will be critical to us as we continue to develop our technologies and test processes and focus on growing our business. If we lose one or more key executives, we could experience difficulties maintaining our operations, including delivering reports to customers after review and approval by a licensed and qualified laboratory director, competing effectively, advancing our technologies, developing new tests and implementing our business strategy. All of our executives and employees, including Mr. Hsieh and Dr. Gao, are at-will, which means that either we or the executive or employee may terminate their employment at any time. We do not carry key man insurance for any of our executives or employees. In addition, we do not have a long-term retention agreement in place with any of our executives or key employees.

We rely on highly skilled personnel in a broad array of disciplines and, if we are unable to hire, retain or motivate these individuals, we may not be able to maintain the quality of our tests or grow effectively.

Our performance, including our research and development programs and laboratory operations, largely depends upon our continued ability to identify, hire, train, motivate and retain highly skilled personnel for all areas of our organization, including biostatisticians, geneticists, software engineers, laboratory directors and specialists, sales and marketing experts and other scientific, technical and managerial personnel. Competition in our industry for qualified executives and other employees is intense and we may not be able to attract or retain the qualified personnel we need to execute our business plan due to high levels of competition for these personnel among our competitors, other life science businesses, universities and public and private research institutions. In addition, our compensation arrangements may not be successful in attracting new employees and retaining and motivating our existing employees. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience constraints that could adversely affect our ability to expand our business and support our research and development efforts and our clinical laboratory operations, which would negatively affect our prospects for future growth and success.

Our inability to obtain additional capital when needed and on acceptable terms in the future may limit our ability to execute our business plan.

We expect our capital expenditures and operating expenses to increase over the next several years as we expand our infrastructure, sales and marketing and other commercial operations and research and development activities. We may seek to raise additional capital through securities offerings, credit facilities or other debt financings, asset sales or collaborations or licensing arrangements. Additional funding may not be available to us when needed, on acceptable terms or at all. If we raise funds by issuing equity securities, our stockholders, including investors purchasing common stock in this offering, could experience substantial dilution. Additionally, any preferred equity securities we issue could provide for rights, preferences or privileges senior to those of our common stock, and our issuance of any additional equity securities, or the possibility of such an issuance, could cause the market price of our common stock to decline. The terms of debt securities issued or borrowings, if available, could impose significant restrictions on our operations, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely affect our ability to conduct our business, and would result in increased fixed payment obligations. In the event that we seek to sell assets or enter into collaborations or licensing arrangements to raise capital, we may be required to accept unfavorable terms or relinquish or license to a third-party our rights to important or valuable technologies or tests we may otherwise seek to develop ourselves. Moreover, we may incur substantial costs in pursuing future capital, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. If we are not able to secure additional funding when needed and on reasonable terms, we may be forced to delay, reduce the scope of or eliminate one or more research and development programs, selling and marketing initiatives or

other growth plans. In addition, we may be forced to work with a partner on one or more aspects of our tests or market development programs, which could lower the economic value of these tests or programs to our company. Any such outcome could significantly harm our business, performance and prospects.

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

As part of our business strategy, we may pursue acquisitions of complementary businesses or assets, investments in other companies, technology licensing arrangements, joint ventures or strategic relationships, including partnerships with pharmaceutical companies to further develop our pharmacogenomics opportunities. As an organization, we have limited experience with respect to acquisitions, investments or the formation of strategic relationships or joint ventures. If we make acquisitions in the future, we may not be able to successfully integrate the acquired businesses or technologies into our existing business, we could assume unknown or contingent liabilities and we could be forced to record significant write-offs or incur debt as a result of the acquisitions, any of which could harm our operating results. Further, integration of an acquired business or technology could require management and capital resources that otherwise would be available for ongoing development of our existing business. If we pursue partnerships with pharmaceutical companies, our ability to establish and maintain these partnerships could be challenging due to several factors, including competition with other genetic testing companies and internal and external constraints placed on pharmaceutical organizations that limit the number and type of relationships they can establish with companies like ours. Moreover, we may not be able to identify or complete any acquisition, investment, technology license, joint venture or strategic relationship in a timely manner, on a cost-effective basis or at all, and we may not realize the anticipated benefits of any such transaction sufficiently to recoup our costs.

To finance any acquisitions, investments, joint ventures or strategic relationships, we may seek to raise additional funds through securities offerings, credit facilities, asset sales or collaborations or licensing arrangements. Each of these methods of fundraising is subject to a variety of risks, including those discussed above under "—Our inability to obtain additional capital when needed and on acceptable terms in the future may limit our ability to execute our business plan." Further, additional funds may not be available when needed, on acceptable terms or at all. We may also seek to fund these transactions with issuances of our capital stock, even if the price of our common stock is low or volatile, which would involve the risks associated with capital-raising equity offerings, including dilution to then-existing stockholders and the possible decline of the market price of our common stock. Any inability to fund acquisitions, investments or strategic relationships could cause us to forfeit opportunities that we believe to be promising or valuable, which could harm our prospects.

We depend on our information technology systems and any failure of these systems could harm our business.

We depend on information technology and telecommunications systems for significant elements of our operations, such as our laboratory information management systems, including test validation, sample tracking and quality control, our bioinformatics analytical software systems, our expansive reference library of information relating to genetic variants and their role in disease, personal information storage, maintenance and transmission, our customer-facing web-based software and customer service, our report production systems and our billing and reimbursement, research and development, scientific and medical data analysis and general administrative activities. In addition, our third-party service providers depend upon technology and telecommunications systems provided by outside vendors. In connection with becoming a public company, we expect to expand and strengthen a number of enterprise software systems that affect a broad range of business processes and functions, including for example, systems handling human resources, financial controls and reporting, customer relationship management, regulatory compliance, security controls and other infrastructure operations.

Information technology and telecommunications systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, malicious human acts and natural disasters. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive events. Despite the precautionary measures we have taken to detect and prevent or solve problems that could affect our information technology and telecommunications systems, failures or significant downtime of these systems or those used by our third-party service providers could prevent us from conducting tests, preparing and providing reports to customers, billing payors, handling customer inquiries, conducting research and development activities, maintaining our financial controls and other reporting functions and managing the administrative aspects of our business. Any disruption or loss of information technology or telecommunications systems on which critical aspects of our operations depend could have an adverse effect on our business.

We rely on commercial courier delivery services to transport samples to our laboratory facility in a timely and cost-efficient manner and if these delivery services are disrupted, our business will be harmed.

Our business depends on our ability to quickly and reliably deliver test results to our customers. Samples are typically received within days from the United States and outside the United States for analysis at our Temple City, California facility. Disruptions in delivery service, whether due to labor disruptions, bad weather, natural disaster, terrorist acts or threats or for other reasons could adversely affect specimen integrity and our ability to process samples in a timely manner and to service our customers, and ultimately our reputation and our business. In addition, if we are unable to continue to obtain expedited delivery services on commercially reasonable terms, our operating results may be adversely affected.

Regulatory Risks

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

The diagnostics industry is highly regulated, and the regulatory environment in which we operate could change significantly and adversely in the future. In particular, the laws and regulations governing the marketing of diagnostic products are evolving, extremely complex and in many instances there are no significant regulatory or judicial interpretations of these laws and regulations. Pursuant to its authority under the federal Food, Drug, and Cosmetic Act, or FDC Act, the FDA has jurisdiction over medical devices, which are defined to include, among other things, in vitro diagnostic products, or IVDs, used for clinical purposes. The tests that we offer are IVDs. Among other things, pursuant to the FDC Act and its implementing regulations, the FDA regulates the research, testing, manufacturing, safety, labeling, storage, recordkeeping, premarket clearance or approval, marketing and promotion, and sales and distribution of medical devices in the United States to ensure that medical products distributed domestically are safe and effective for their intended uses. In addition, the FDA regulates the import and export of medical devices.

Although the FDA has statutory authority to assure that medical devices, including IVDs, are safe and effective for their intended uses, the FDA has historically exercised its enforcement discretion and not enforced applicable provisions of the FDC Act and regulations with respect to laboratory developed tests, or LDTs, which are a subset of IVDs that are intended for clinical use and developed, validated and offered within a single laboratory for use only in that laboratory. We believe our tests fall within the definition of an LDT. As a result, we believe our diagnostic services are not currently subject to the FDA's enforcement of its medical device regulations and the applicable FDC Act provisions.

Even though we commercialize our tests as LDTs, our tests may in the future become subject to more onerous regulation by the FDA. Pursuant to the Food and Drug Administration Safety and Innovation Act of 2012, or FDASIA, the FDA notified Congress on July 31, 2014 that the FDA intended to issue, on or after

September 30, 2014, a draft guidance entitled “Framework for Regulatory Oversight of Laboratory Developed Tests (LDTs),” or the Framework Guidance, and a separate draft guidance entitled “FDA Notification and Medical Device Reporting for Laboratory Developed Tests (LDTs),” or the Notification Guidance. On October 3, 2014, the FDA issued the anticipated Framework Guidance and Notification Guidance. The Framework Guidance states that the FDA intends to modify its policy of enforcement discretion with respect to LDTs in a risk-based manner consistent with the existing classification of medical devices. Thus, the FDA plans to begin to enforce its medical device requirements, including premarket submission requirements, to LDTs that have historically been marketed without FDA premarket review and oversight. The FDA states its intention in the Framework Guidance to publish general LDT classification guidance within 18 months of the date on which the Framework Guidance is finalized. According to the Framework Guidance, devices that are already in use at the time the FDA initiates enforcement of the premarket review requirements will be permitted to remain in use—pending the FDA’s review and consideration of the premarket submission—so long as a premarket submission is timely made. For the highest risk LDTs, the Framework Guidance provides that enforcement of the premarket submission requirements will begin 12 months after the guidance is finalized. For lower risk LDTs, enforcement will be phased in over the following four to eight years.

If and when the Framework Guidance and Notification Guidance are finalized, we could for the first time be subject to enforcement of regulatory requirements such as registration and listing requirements, medical device reporting requirements and quality control requirements. Any new FDA enforcement policies affecting LDTs may result in increased regulatory burdens on our ability to continue marketing our tests and to develop and introduce new tests in the future. Additionally, if and when the FDA begins to actively enforce its premarket submission regulations with respect to LDTs, we may be required to obtain premarket clearance for our tests under Section 510(k) of the FDC Act or approval of a premarket application, or PMA. The premarket review process may involve, among other things, successfully completing clinical trials. If we are required to conduct premarket clinical trials, whether using prospectively acquired samples or archival samples, delays in the commencement or completion of clinical testing could significantly increase our development costs, delay introduction of any future tests and interrupt sales of our current tests. Many of the factors that may cause or lead to a delay in the commencement or completion of clinical trials may also ultimately lead to delay or denial of regulatory clearance or approval. The commencement of clinical trials may be delayed due to insufficient patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical sites and the eligibility criteria for the clinical trial. The process for submitting a 510(k) premarket notification and receiving FDA clearance usually takes from three to 12 months, but it can take significantly longer and clearance is never guaranteed. The process for submitting and obtaining FDA approval of a PMA is much more costly, lengthy and uncertain. It generally takes from one to three years or even longer and approval is not guaranteed. PMA approval typically requires extensive clinical data and can be significantly longer, more expensive and more uncertain than the 510(k) clearance process. Despite the time, effort and expense expended, there can be no assurance that a particular device ultimately will be cleared or approved by the FDA through either the 510(k) clearance process or the PMA process on a timely basis, or at all.

Moreover, there can be no assurance that any cleared or approved labeling claims will be consistent with our current claims or adequate to support continued adoption of and reimbursement for our tests. If premarket review is required for some or all of our tests, the FDA could require that we stop selling our tests pending clearance or approval and conduct clinical testing prior to making submissions to FDA to obtain premarket clearance or approval. If our diagnostic tests are allowed to remain on the market but there is uncertainty about their legal status, if we are required by the FDA to label them as investigational, or if labeling claims the FDA allows us to make are limited, order levels may decline and reimbursement may be adversely affected. As a result, we could experience significantly increased development costs and a delay in generating additional revenue from our tests, or from tests which we may develop.

In addition, while we qualify all materials used in our products in accordance with CLIA regulations and guidelines, the FDA could promulgate regulations or guidance documents impacting our ability to purchase materials necessary for the performance of our products. Should any of the reagents we obtain from suppliers and

use in our products be affected by future regulatory actions, our business could be adversely affected, including by increasing the cost of testing or delaying, limiting or prohibiting the purchase of reagents necessary to perform testing with our products.

The FDA enforces its medical device requirements by various means, including inspection and market surveillance. If the FDA finds a violation, it can institute a wide variety of enforcement actions, ranging from an Untitled Letter or Warning Letter to more severe sanctions such: as fines, injunctions and civil penalties; recall or seizure of products; operating restrictions, partial suspension or total shutdown of production; and criminal prosecution.

While we believe we are currently in material compliance with applicable laws and regulations as historically enforced by the FDA, the FDA may not agree with our determination, and any determination that we have violated these laws and regulations, or a public announcement that we are being investigated for possible violations, could adversely affect our business, prospects, results of operations or financial condition.

Legislative proposals addressing the FDA's oversight of LDTs have been introduced by Congress in the past and we expect that new legislative proposals may be introduced from time to time in the future. The likelihood that Congress will pass such legislation and the extent to which such legislation may affect the FDA's ability to enforce its medical device regulations with respect to certain LDTs is difficult to predict at this time. If the FDA ultimately begins to enforce its medical device requirements with respect to LDTs, our tests may be subject to additional regulatory requirements imposed by the FDA, the nature and extent of which would depend upon applicable final guidance or regulation by the FDA or instruction by Congress. If the FDA imposes significant changes to the regulation of LDTs it could reduce our revenue or increase our costs and adversely affect our business, prospects, results of operations or financial condition. Failure to comply with any applicable FDA requirements could trigger a range of enforcement actions by the FDA, including warning letters, civil monetary penalties, injunctions, criminal prosecution, recall or seizure, operating restrictions, partial suspension or total shutdown of operations and denial of or challenges to applications for clearance or approval, as well as significant adverse publicity.

Any new FDA enforcement policies affecting LDTs or new legislation, regulations or guidance may result in increased regulatory burdens on our ability to continue marketing our products and to develop and introduce new products in the future, which could reduce our revenue or increase our costs and adversely affect our business, prospects, results of operations or financial condition.

If we fail to comply with applicable federal, state, local and foreign laboratory licensing requirements, we could lose the ability to perform our tests or experience disruptions to our business.

We are subject to CLIA, a federal law that established quality standards for all laboratory testing and is intended to ensure the accuracy, reliability and timeliness of patient results. CLIA regulates all facilities that perform laboratory testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention or treatment of disease or the impairment or assessment of health. CLIA requires that we hold a certificate specific to the laboratory examinations we perform and that we comply with various standards with respect to personnel qualifications, facility administration, proficiency testing, quality control, quality assurance and inspections. CLIA certification is required in order for us to be eligible to bill federal and state healthcare programs, as well as many private third-party payors, for our tests. We have obtained CLIA certification to conduct our tests at our laboratory in Temple City, California. To renew this certification, we are subject to survey and inspection every two years and we may be subject to additional unannounced inspections. Our CLIA certification was last renewed October 23, 2015.

We are also required to maintain a license to conduct testing in the State of California. California laws establish standards for day-to-day operation of our clinical reference laboratory in Temple City, including with respect to the training and skills required of personnel, quality control and proficiency testing requirements. We

also maintain out-of-state laboratory licenses to perform testing on specimens from Florida, Maryland and Pennsylvania. In addition to having a laboratory license in New York, our laboratory is required to obtain approval on a test-specific basis by the New York State Department of Health before specific testing is performed on samples from New York. Because our license application is still pending in New York, we are currently prohibited from performing these tests on samples from New York until our license is approved. Other states could adopt similar licensure requirements in the future, which could require us to modify, delay or discontinue our operations in such jurisdictions. We are also subject to regulation in foreign jurisdictions, which we expect will increase as we seek to expand international utilization of our tests or if jurisdictions in which we pursue operations adopt new or modified licensure requirements. Foreign licensure requirements could require review and modification of our tests in order to offer them in certain jurisdictions or could impose other limitations, such as restrictions on the transport of human blood or other tissue necessary for us to perform our tests that may limit our ability to make our tests available outside of the United States. Additionally, complying with licensure requirements in new jurisdictions may be expensive, time-consuming and subject us to significant and unanticipated delays.

Failure to comply with applicable clinical laboratory licensure requirements could result in a range of enforcement actions, including license suspension, limitation or revocation, directed plan of correction, onsite monitoring, civil monetary penalties, civil injunctive suits, criminal sanctions and exclusion from the Medicare and Medicaid programs, as well as significant adverse publicity. Any sanction imposed under CLIA, its implementing regulations or state or foreign laws or regulations governing clinical laboratory licensure, or our failure to renew our CLIA certificate or any other required local, state or foreign license or accreditation, could have a material adverse effect on our business, financial condition and results of operations. In such case, even if we were able to bring our laboratory back into compliance, we could incur significant expenses and lose revenue in and while doing so.

In addition to CLIA requirements, we elect to participate in the accreditation program of CAP. The Centers for Medicare and Medicaid Services, or CMS, has deemed CAP standards to be equally or more stringent than CLIA regulations and has approved CAP as a recognized accrediting organization. Inspection by CAP is performed in lieu of inspection by CMS for CAP-accredited laboratories. Because we are accredited by the CAP Laboratory Accreditation Program, we are deemed to also comply with CLIA. While not required to operate a CLIA-certified laboratory, many private insurers require CAP accreditation as a condition to contracting with clinical laboratories to cover their tests. In addition, some countries outside the United States require CAP accreditation as a condition to permitting clinical laboratories to test samples taken from their citizens. Failure to maintain CAP accreditation could have a material adverse effect on the sales of our tests and the results of our operations.

We are subject to broad legal requirements regarding the information we test and analyze and any failure to comply with these requirements could result in harsh penalties, damage our reputation and materially harm our business.

Our business is subject to federal and state laws that protect the privacy and security of personal health information, including the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, the federal Health Information Technology for Economic and Clinical Health Act, or HITECH, and similar state laws.

The HIPAA privacy, security, and breach notification regulations establish a uniform federal “floor,” but do not supersede state laws that are more stringent or provide individuals with greater rights with respect to the privacy or security of, and access to, their records containing PHI or insofar as such state laws apply to personal information that is broader in scope than PHI as defined under HIPAA. Massachusetts, for example, has a state law that protects the privacy and security of personal information of Massachusetts residents.

Numerous other state, federal and foreign laws, including consumer protection laws and regulations, govern the collection, dissemination, use, access to, confidentiality and security of patient health information. In

addition, Congress and some states are considering new laws and regulations that further protect the privacy and security of medical records or medical information. With the recent increase in publicity regarding data breaches resulting in improper dissemination of consumer information, many states have passed laws regulating the actions that a business must take if it experiences a data breach, such as prompt disclosure to affected customers. Generally, these laws are limited to electronic data and make some exemptions for smaller breaches. Congress has also been considering similar federal legislation relating to data breaches. The Federal Trade Commission and states' Attorneys General have also brought enforcement actions and prosecuted some data breach cases as unfair and/or deceptive acts or practices under the Federal Trade Commission Act. In addition to data breach notification laws, some states have enacted statutes and rules requiring businesses to reasonably protect certain types of personal information they hold or to otherwise comply with certain specified data security requirements for personal information. We intend to continue to comprehensively protect all personal information and to comply with all applicable laws regarding the protection of such information.

Any failure to implement appropriate security measures to protect the confidentiality and integrity of this information or any breach or other failure of these systems resulting in the unauthorized access, manipulation, disclosure or loss of this information could result in our noncompliance with these laws. Penalties for failure to comply with a requirement of HIPAA and HITECH vary significantly depending on the failure and include civil monetary penalties of up to $1.5 million per violation of the same requirement per calendar year. A single breach incident can result in violations of multiple requirements, resulting in potential penalties in excess of $1.5 million. Additionally, a person who knowingly obtains or discloses individually identifiable health information in violation of HIPAA may face a criminal penalty of up to $50,000 and up to one year of imprisonment. These criminal penalties increase if the wrongful conduct involves false pretenses or the intent to sell, transfer or use identifiable health information for commercial advantage, personal gain or malicious harm.

In addition, the interpretation, application and interplay of consumer and health-related data protection laws in the United States, Europe and elsewhere are often uncertain, contradictory and in flux. For example, in October 2015, the European Court of Justice invalidated a safe harbor agreement between the United States and European Union member states that expressly permitted the manner in which many U.S. companies handle personal information of their European customers. In February 2016, the European Commission announced an agreement with the U. S. Department of Commerce to replace the invalidated safe harbor agreement on transatlantic data flows with a new E.U.-U.S. "Privacy Shield," but the Privacy Shield will not be effective until it is approved by the E.U.'s 28 member states. Thus, legal uncertainty remains concerning E.U.-to-U.S. data transfers. In addition, foreign laws and interpretations governing data privacy and security are constantly evolving and it is possible that laws may be interpreted and applied in a manner that is inconsistent with our current practices, in which case we could be subject to government-imposed fines or orders requiring that we change our practices. In addition, privacy regulations differ widely from country to country. Complying with these various laws or any new laws or interpretations of their application could involve significant time and substantial costs or require us to change our business practices and compliance procedures in a manner adverse to our business. We may not be able to obtain or maintain compliance with the diverse privacy and security requirements in all of the jurisdictions in which we currently or plan to do business, and failure to comply with any of these requirements could result in civil or criminal penalties, harm our reputation and materially adversely affect our business.

Complying with numerous statutes and regulations pertaining to our business is expensive and time-consuming and any failure by us, our consultants or commercial partners to comply could result in substantial penalties.

Our operations are subject to extensive federal, state, local and foreign laws and regulations, all of which are subject to change. These laws and regulations currently include, among others:

- the FDA's enforcement discretion with respect to LDTs and its expressed intention to begin enforcing the medical device requirements with respect to LDTs in a risk-based manner;

- CLIA's and CAP's regulation of our laboratory activities;
- federal and state laws and standards affecting reimbursement by government payors, including certain coding requirements to obtain reimbursement and certain changes to the payment mechanism for clinical laboratory services resulting from the Protecting Access to Medicare Act of 2014, or PAMA;
- HIPAA, which establishes comprehensive federal standards with respect to the privacy and security of PHI, and requirements for the use of certain standardized electronic transactions with respect to transmission of such information;
- amendments to HIPAA under HITECH, which strengthen and expand HIPAA privacy and security compliance requirements, increase penalties for violators, expand vicarious liability, extend enforcement authority to state attorneys general and impose requirements for breach notification;
- state laws governing the maintenance of personally identifiable information of state residents, including medical information, and which impose varying breach notification requirements, some of which allow private rights of action by individuals for violations and also impose penalties for such violations;
- the federal Anti-Kickback Statute, which prohibits knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for or to induce a person to refer an individual, or to purchase, lease, order, arrange for, or recommend purchasing, leasing or ordering, any good, facility, item or service that is reimbursable, in whole or in part, under a federal healthcare program. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. A violation of the federal Anti-Kickback Statute can serve as a basis for liability under federal false claims law (as described below);
- the federal Stark Law, which prohibits a physician from making a referral for certain designated health services covered by the Medicare program, including laboratory and pathology services, if the physician or an immediate family member has a financial relationship with the entity providing the designated health services, and prohibits that entity from billing or presenting a claim for the designated health services furnished pursuant to the prohibited referral, unless an exception applies. If a referring physician does not meet the requirements of a Stark Law exception, then the physician is prohibited from making Medicare and Medicaid referrals to the laboratory and any such referrals will result in overpayments to the laboratory and subject the laboratory to the Stark Law's penalties;
- the federal false claims laws, which impose liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment to the federal government. Actions under the federal False Claims Act may be brought by the Attorney General or as a qui tam action by a private individual in the name of the government. Violations of the federal False Claims Act can result in significant monetary penalties and treble damages. The federal government has used the False Claims Act, and the accompanying threat of significant liability, in its investigation and prosecution of biotechnology companies, including clinical diagnostic laboratories, throughout the country, for example, in connection with their sales and marketing practices. The government has obtained multi-million and multi-billion dollar settlements under the False Claims Act in addition to individual criminal convictions under applicable criminal statutes. Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws;
- the federal Civil Monetary Penalties Law, which prohibits, among other things, the offering or transfer of remuneration to a Medicare or state healthcare program beneficiary if the person knows or should know it is likely to influence the beneficiary's selection of a particular provider, practitioner or supplier of services reimbursable by Medicare or a state healthcare program, unless an exception applies, and imposes penalties against any person or entity that, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or for a claim that is false or fraudulent;

- The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively referred to as the "Affordable Care Act," which established a requirement for providers and suppliers to report and return any overpayments received from government payors under the Medicare and Medicaid programs within 60 days of identification. Failure to identify and return such overpayments exposes the provider or supplier to liability under federal false claims laws;
- federal criminal statutes under HIPAA that prohibit, among other things, defrauding healthcare programs, willfully obstructing a criminal investigation of a healthcare offense and falsifying or concealing a material fact or making any materially false statements in connection with the payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- other federal and state fraud and abuse laws, such as anti-kickback laws, prohibitions on self-referral, fee-splitting restrictions, insurance fraud laws, anti-markup laws, prohibitions on the provision of tests at no or discounted cost to induce physician or patient adoption and false claims acts, some of which may extend to services reimbursable by any third-party payor, including private insurers;
- the federal Physician Sunshine Payment Act and various state laws on reporting relationships with healthcare providers and customers, which are applicable to certain manufacturers of covered products, such as kits that require FDA approval or clearance, and could be determined to apply to our LDTs;
- the prohibition on reassignment of Medicare claims, which, subject to certain exceptions, precludes the reassignment of Medicare claims to any other party;
- state laws that prohibit other specified practices, such as billing physicians for testing that they order, waiving coinsurance, copayments, deductibles and other amounts owed by patients, business corporations practicing medicine or employing or engaging physicians to practice medicine and billing a state Medicaid program at a price that is higher than what is charged to one or more other payors;
- the FCPA's prohibition of, among other things, making improper payments to foreign or non-U.S. government officials for the purpose of obtaining or retaining business or securing any other improper advantage;
- federal, state and local regulations relating to the handling and disposal of regulated medical waste, hazardous waste and biohazardous waste and workplace safety for healthcare employees; and
- similar foreign laws and regulations that apply to us in the countries in which we operate or may operate in the future.

We have adopted policies and procedures designed to comply with these laws and regulations and, in the ordinary course of our business, we conduct internal reviews of our compliance with these laws and our policies and procedures. Our compliance is also subject to review by applicable government agencies. The growth of our business and our planned expansion outside of the United States and our use of consultants and commercial partners may increase the potential of violating these laws or our internal policies and procedures. Our risk of violating these or other laws and regulations is further increased because of the lack of their complete interpretation by applicable regulatory authorities or the courts, and their provisions are thus open to a variety of interpretations. It is not always possible to identify and deter misconduct by employees, distributors, consultants and commercial partners, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from government investigations or other actions or lawsuits stemming from a failure to be in compliance with applicable laws or regulations. Additionally, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. Any action brought against us for violation of these or other laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and harm our reputation. If our operations, including the conduct of our employees, distributors, consultants and commercial partners, are found to be in violation of any of these

laws and regulations, we may be subject to any applicable penalty associated with the violation, including administrative, civil and criminal penalties, damages, fines, individual imprisonment, exclusion from participation in federal healthcare programs, refunding of payments received by us and curtailment or cessation of our operations. Any of the foregoing consequences could seriously harm our business and our financial results.

Healthcare policy changes, including recently enacted legislation reforming the U.S. healthcare system, could cause significant harm to our business, operations and financial condition.

The Affordable Care Act made a number of substantial changes to the way healthcare is financed both by governmental and private insurers. For example, the Affordable Care Act requires each medical device manufacturer to pay a sales tax equal to 2.3% of the price for which such manufacturer sells its medical devices. The medical device tax has been suspended for 2016 and 2017, but is scheduled to return beginning in 2018. It is unclear at this time when, or if, the provision of our LDTs will trigger the medical device tax if the FDA ends its policy of general enforcement discretion and regulates certain LDTs as medical devices, and it is possible that this tax will apply to some or all of our existing tests or tests we may develop in the future. Additionally, the Affordable Care Act establishes an Independent Payment Advisory Board, or IPAB, to propose reductions to payments in order to reduce the per capita rate of growth in Medicare spending if expenditures exceed certain targets. The expenditure targets for IPAB proposals have not been exceeded at this time, and it is unclear when such targets may be exceeded in the future, when any IPAB-proposed reductions to payments could take effect and how any such reductions would affect reimbursement payments for our tests. The Affordable Care Act also contains a number of other provisions, including provisions governing enrollment in federal and state healthcare programs, reimbursement matters and fraud and abuse, which we expect will impact our industry and our operations in ways that we cannot currently predict.

In April 2014, Congress passed PAMA, which included substantial changes to the way in which clinical laboratory services will be paid under Medicare. Under PAMA, certain clinical laboratories are required to report to CMS, beginning in 2016 and every three years thereafter (or annually for “advanced diagnostic laboratory tests”), private payor payment rates and volumes for their tests. Laboratories that fail to report the required payment information may be subject to substantial civil monetary penalties. We do not believe that our tests meet the current definition of advanced diagnostic laboratory tests, and therefore we believe we will be required to report private payor rates for our tests every three years. As required under PAMA, CMS will use the rates and volumes reported by laboratories to develop Medicare payment rates for laboratory tests equal to the volume-weighted median of the private payor payment rates for the tests. CMS has not yet issued a final rule implementing the reporting and rate-setting requirements under PAMA. As a result, the impact of the new payment system on rates for our tests, including any current or future clinical diagnostic laboratory tests or advanced diagnostic laboratory tests we may develop, is not clear at this time.

We cannot predict whether these or other recently enacted or future healthcare initiatives will be implemented at the federal or state level or how any such legislation or regulation may affect us. For instance, the payment reductions imposed by the Affordable Care Act and the changes to reimbursement amounts paid by Medicare for tests such as ours based on the procedure set forth in PAMA, as well as the expansion of the federal and state governments’ role in the U.S. healthcare industry generally and the social, governmental and other pressures to reduce healthcare costs while expanding individual benefits, could limit the prices we will be able to charge or the amount of available reimbursement for our tests, which would reduce our revenue and have a materially adverse effect on our business, financial condition, results of operations and cash flows.

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

Our activities require the use of regulated medical waste, hazardous waste and biohazardous waste, including chemicals, biological agents and compounds, blood and other tissue samples. We cannot eliminate the risk of accidental contamination or injury to employees or third parties from the use, storage, handling or disposal of these materials. In the event of contamination or injury, we could be held liable for any resulting

damages, and any liability could exceed our resources or any applicable insurance coverage we may have secured. Additionally, we are subject on an ongoing basis to federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. Although we typically use outside vendors to dispose of such waste that are licensed or otherwise qualified to handle and dispose of the waste, applicable laws and regulations may hold us liable for damages and fines as a result of others' actions should contamination of the environment or individual exposure to hazardous substances occur. The cost of compliance with these laws and regulations could become significant and our failure to comply could result in substantial fines or other consequences, either of which could negatively affect our operating results and significantly harm our reputation.

We could be adversely affected by violations of the FCPA and other anti-bribery laws.

Our international operations are subject to various anti-bribery laws, including the FCPA. The FCPA prohibits companies and their intermediaries from offering, making, or authorizing improper payments to non-U.S. or foreign officials for the purpose of obtaining or retaining business or securing any other improper advantage. If we engage independent distributors to sell our tests internationally, we will need to exercise a high degree of vigilance in maintaining, implementing and enforcing our policy against participation in corrupt activity, as these distributors could be deemed to be our agents and we could be held responsible for their actions. We also may be subject to similar anti-bribery laws in the jurisdictions in which we operate, such as the United Kingdom's Bribery Act of 2010, which prohibits commercial bribery and the acceptance of bribes, and makes it a crime for companies subject to its jurisdiction to fail to prevent bribery. These laws are complex and far-reaching in nature and, as a result, we may be required in the future to alter one or more of our practices to be in compliance with these laws or any changes to these laws or their interpretation. We currently engage in some business outside of the United States, and we plan to increase our international operations in the future. These operations could involve dealings with governments and state-owned entities, such as government hospitals, outside of the United States. In addition, we may engage third-party intermediaries, such as representatives, contractors, partners, and agents, to promote and sell our products and solutions abroad and to obtain necessary permits, licenses, and other regulatory approvals. We or our third-party intermediaries may have direct or indirect interactions with foreign officials, which expose us to risks under the FCPA and other anti-corruption laws. Other U.S. companies in the medical device and pharmaceutical fields have faced substantial fines and criminal penalties for violating the FCPA. We have instituted policies, procedures, and internal controls reasonably designed to promote compliance with the FCPA and other anti-corruption laws. We could be held liable for the corrupt or other illegal activities of our employees and intermediaries, even if we do not explicitly authorize or have actual knowledge of such activities, and our employees or third-party intermediaries may not comply with our policies, procedures, or applicable anti-corruption laws. Any violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction, involve significant costs and expenses, including legal fees, and could result in a material adverse effect on our business, prospects, financial condition, or results of operations. We could also incur severe penalties, including criminal and civil penalties, disgorgement, and other remedial measures, as well as reputational harm.

Our services present the potential for embezzlement, identity theft or other similar illegal behavior by our employees or subcontractors with respect to third parties.

Our operations involve the use and disclosure of personal and business information that could be used to impersonate third parties or otherwise gain access to their data or funds. If any of our employees or subcontractors takes, converts or misuses such funds, documents or data, we could be liable for damages, and our business reputation could be damaged or destroyed.

Intellectual Property Risks

We currently own no patents related to our technology platform and rely upon trade secret protection, non-disclosure agreements and invention assignment agreements to protect our proprietary information, which may not be effective to protect our proprietary technologies and other information.

We currently rely upon trade secret protection, non-disclosure agreements and invention assignment agreements with our employees, consultants and third-parties to protect our confidential and proprietary information. Although our competitors have utilized and are expected to continue to utilize similar methods and have aggregated and are expected to continue to aggregate similar libraries of genetic testing information, our success will depend upon our ability to develop proprietary methods and libraries and to defend any advantages afforded to us by such methods and libraries relative to our competitors. If we do not protect our intellectual property adequately, competitors may be able to use our methods and libraries and thereby erode any competitive advantages they provide us.

We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies are effectively maintained as trade secrets. We expect to rely primarily upon trade secret and proprietary know-how protection for our confidential and proprietary information and we have taken security measures to protect this information. These measures, however, may not provide adequate protection for our trade secrets, know-how or other confidential information. Among other things, we seek to protect our trade secrets and other confidential information by entering into confidentiality agreements with employees, consultants and other third parties. These confidentiality agreements may not provide meaningful protection for our trade secrets and confidential information and may not provide adequate remedies in the event of unauthorized use or disclosure of such information. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming and the outcome could be unpredictable. In addition, trade secrets or other confidential information could otherwise become known or be independently developed by others in a manner that could prevent legal recourse by us. If any of our trade secrets or other confidential or proprietary information were to be disclosed or misappropriated or if any such information was independently developed by a competitor, our competitive position could be harmed.

Litigation or other proceedings or third-party claims of intellectual property infringement or misappropriation could require us to spend significant time and money and could prevent us from selling our tests.

Our commercial success will depend in part upon our ability to avoid infringement of patents and other proprietary rights owned by third parties, including the intellectual property rights of competitors. There are numerous U.S. and foreign patents and pending patent applications and other intellectual property rights that cover technologies relevant to genetic testing and that are owned by third parties. We may be unaware of patents or other intellectual property rights that a third-party might assert are infringed by our business and there may be patent applications that, if issued, could be asserted against us. As a result, our existing or future operations may be found or alleged to infringe existing or future patents or other intellectual property rights of others. As we continue to sell our existing tests, launch new tests and enter new markets, competitors may claim that our tests infringe or misappropriate their intellectual property rights as part of business strategies designed to impede our successful entry into new markets.

If a patent infringement or misappropriation of intellectual property suit were brought against us, we could be forced to discontinue or delay our development or sales of any tests or other activities that are the subject of the suit while it is pending. Additionally, defense of these claims, regardless of merit, could cause us to incur substantial expenses, be a substantial diversion of our management and other employee resources and significantly harm our reputation. In the event of a successful claim of infringement against us, we may be forced to pay substantial damages, including treble damages and attorneys' fees if we are found to have willfully infringed patents, obtain one or more licenses, which may not be available when needed, on commercially reasonable terms or at all, pay

royalties, which may be substantial, or redesign any infringing tests or other activities, which may be impossible or require substantial time and monetary expenditure. Further, third parties making claims against us for infringement or misappropriation of their patents or other intellectual property rights could seek and obtain injunctive or other equitable relief, which, if granted, could prohibit us from performing our tests. Any of these outcomes could delay our introduction of new tests, significantly increase our costs or prevent us from conducting certain of our essential activities, which could materially adversely affect our ability to operate and grow our business.

Developments in patent law could have a negative impact on our business.

From time to time, the U.S. Supreme Court, other federal courts, the U.S. Congress or the U.S. Patent and Trademark Office, or USPTO, may change the standards of patentability and any such changes could have a negative impact on our business.

Three cases involving diagnostic method claims and "gene patents" have recently been decided by the Supreme Court. In March 2012, the Supreme Court issued a decision in *Mayo Collaborative v. Prometheus Laboratories*, or Prometheus, a case involving patent claims directed to optimizing the amount of drug administered to a specific patient, holding that the applicable patents' claims failed to incorporate sufficient inventive content above and beyond mere underlying natural correlations to allow the claimed processes to qualify as patent-eligible processes that apply natural laws. In June 2013, the Supreme Court decided *Association for Molecular Pathology v. Myriad Genetics*, or Myriad, a case challenging the validity of patent claims relating to the breast cancer susceptibility genes BRCA1 and BRCA2, holding that isolated genomic DNA that exists in nature, such as the DNA constituting the BRCA1 and BRCA2 genes, is not patentable subject matter, but that cDNA, which is an artificial construct created from RNA transcripts of genes, may be patent eligible. In June 2014, the Supreme Court decided *Alice Corporation Pty. Ltd. v. CLS Bank International*, or Alice, which affirmed the Prometheus and Myriad decisions and provided additional interpretation. Our efforts to seek patent protection for our technology and tests may not be negatively impacted by the Prometheus, Myriad and Alice decisions, rulings in other cases or guidance or procedures issued by the USPTO.

We cannot fully predict the impact of the Prometheus, Myriad and Alice decisions on the ability of genetic testing, biopharmaceutical or other companies to obtain or enforce patents relating to DNA, genes or genomic-related discoveries in the future, as the contours of when claims reciting laws of nature, natural phenomena or abstract ideas may meet patent eligibility requirements are not clear and may take years to develop via interpretation at the USPTO and in the courts. There are many previously issued patents claiming nucleic acids and diagnostic methods based on natural correlations that issued before these recent Supreme Court decisions and, although many of these patents may be invalid under the standards set forth in these decisions, these patents are presumed valid and enforceable until they are successfully challenged and third parties holding these patents could allege that we infringe, or request that we obtain a license under, these patents. Whether based on patents issued prior to or after these Supreme Court decisions, we could be forced to defend against claims of patent infringement or obtain license rights, if available, under these patents. In particular, although the Supreme Court has held in Myriad that isolated genomic DNA is not patent-eligible subject matter, third parties could allege that our activities infringe other classes of gene-related patent claims. There are numerous risks associated with any patent infringement claim against us, which are discussed above under "—Litigation or other proceedings or third-party claims of intellectual property infringement or misappropriation could require us to spend significant time and money and could prevent us from selling our tests."

In addition, the Leahy-Smith America Invents Act, or America Invents Act, which was signed into law in 2011, includes a number of significant changes to U.S. patent law. These changes include a transition from a "first-to-invent" system to a "first-to-file" system, changes to the way issued patents are challenged and changes to the way patent applications are disputed during the examination process. These changes may favor larger and more established companies that have greater resources to devote to patent application filing and prosecution. The USPTO has developed new regulations and procedures to govern the full implementation of the America Invents Act, but the impact of the America Invents Act on the cost of prosecuting our patent applications, our ability to obtain patents based on our discoveries and our ability to enforce or defend any patents that may issue remains unclear.

These and other substantive changes to U.S. patent law could affect our susceptibility to patent infringement claims and our ability to obtain patents and, if obtained, to enforce or defend them, any of which could have a material adverse effect on our business.

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

The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States and many companies have encountered significant challenges in establishing and enforcing their proprietary rights outside of the United States. These challenges can be caused by the absence of rules and methods for the establishment and enforcement of intellectual property rights in certain jurisdictions. In addition, the legal systems of some countries, particularly developing countries, do not favor the enforcement of certain intellectual property protection, especially relating to healthcare. These aspects of many foreign legal systems could make it difficult for us to stop the misappropriation of our other intellectual property rights. Moreover, changes in the law and legal decisions by courts in foreign countries may affect our ability to obtain adequate protection for our technology and the enforcement of intellectual property rights. As a result, our efforts to protect and enforce our intellectual property rights in foreign countries may ultimately prove to be inadequate, in which case our ability to grow our business and our revenue and prospects could be materially harmed.

Third parties may assert that our employees or consultants have wrongfully used or disclosed confidential information or misappropriated trade secrets.

We employ individuals who were previously employed at universities, biometric solution or genetic testing, diagnostic or other healthcare companies, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees or consultants have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of a former employer or other third-party. Further, we may be subject to ownership disputes in the future arising from, for example, conflicting obligations of consultants or others who are involved in developing our technology and other intellectual property. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, we could be subject to monetary damages and the loss of valuable intellectual property rights or personnel. Even if we are successful in defending against any such claims, litigation could result in substantial costs, distract management and other employees and damage our reputation.

Public Company Risks

We will incur increased costs and demands as a result of compliance with laws and regulations applicable to public companies.

As a public company, we will experience significant additional demands that we did not experience as a private company. For example, the Sarbanes-Oxley Act and related and other rules implemented by the Securities and Exchange Commission, or SEC, and impose a number of requirements on public companies, including with respect to corporate governance practices. For instance, as a result of becoming a public company, a majority of our directors are required to be independent and we are required to establish audit and compensation committees comprised solely of independent directors, adopt a variety of corporate governance policies, adopt policies regarding internal controls and disclosure controls and procedures and prepare reports on internal controls over financial reporting. For all periods during which financial statements are presented in this prospectus and until completion of the Reorganization, we have and will continue to operate without a board of directors under the direction of the Manager of Fulgent LLC, Ming Hsieh. Further, the SEC and other regulators have continued to adopt new rules and regulations and make additional changes to existing regulations that require our compliance, including pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, which was enacted in July 2010. There are significant corporate governance and executive compensation-related disclosure provisions in the Dodd-Frank Act that require the SEC to adopt additional rules and regulations in these areas.

Moreover, the rules and regulations applicable to public companies will substantially increase our legal, accounting and financial compliance costs. For instance, we will need to hire additional personnel for, and devote more resources to, our financial reporting function. Additionally, if we continue to grow as anticipated, we will need to implement new and more sophisticated financial and accounting systems and adopt additional procedures for financial reporting in order to meet our obligations as a public company. Any transition of accounting systems can be expensive and can result in delays in our ability to process and report transactions in a timely manner. Our management and other personnel will need to devote a substantial amount of attention to maintaining our compliance with these obligations, which could be time-consuming and expensive. If these requirements divert the attention of our management and personnel from other aspects of our business concerns or if they require substantial costs that we cannot afford, they could have a material adverse effect on our business, financial condition and results of operations. We also expect that, as a public company, it will be more expensive for us to attract and compensate qualified directors and officers and obtain adequate director and officer liability insurance.

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

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting and, beginning with our annual report for the year ended December 31, 2017, provide a management report on our internal control over financial reporting. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We have only started to implement the systems and processes necessary to perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act. We will need to maintain and enhance these systems, processes and controls as we grow and we may need to hire additional personnel and devote more resources to our financial reporting function in order to do so.

During the process of evaluating our internal controls, if we identify one or more material weaknesses, our management will be unable to conclude that our internal control over financial reporting is effective. Moreover, when we are no longer an emerging growth company, our independent registered public accounting firm will be required to issue an attestation report on the effectiveness of our internal control over financial reporting. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed.

If we are unable to conclude that our internal control over financial reporting is effective or, when we are no longer an emerging growth company, our auditors were to express an adverse opinion on the effectiveness of our internal control over financial reporting because one or more material weaknesses had been identified or if internal control deficiencies result in the restatement of our financial results, investors could lose confidence in the accuracy and completeness of our financial disclosures and the price of our common stock to decline.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Upon completion of this offering, we will become subject to the periodic reporting requirements of the Exchange Act. Upon completion of this offering we will have implemented disclosure controls and procedures designed to provide reasonable assurance that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. However, any disclosure controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that

judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. As a result, because of these inherent limitations in our control system, misstatements or omissions due to error or fraud may occur and may not be detected, which could result in failures to file required reports in a timely manner and filing reports containing incorrect information. Any of these outcomes could result in SEC enforcement actions, monetary fines or other penalties, damage to our reputation and harm to our financial condition.

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

We are an emerging growth company, as defined under the JOBS Act. We will remain an emerging growth company until December 31, 2021, unless our gross revenue exceeds $1.0 billion in any fiscal year before that date, we issue more than $1.0 billion of non-convertible debt in any three-year period before that date or the market value of our common stock held by non-affiliates exceeds $700 million as of the last business day of our second fiscal quarter of any fiscal year before that date. As an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to certain other public companies, including exemption from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced financial statement and other financial disclosures, reduced disclosure obligations regarding executive compensation and exemption from the requirement of holding a nonbinding advisory vote on executive compensation and obtaining stockholder approval of any golden parachute payments not previously approved. Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company,” which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and having reduced disclosure obligations regarding executive compensation. We have relied on many of these exemptions in this prospectus and investors may find our common stock less attractive if we choose to continue to rely on any of these exemptions, in which case there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the Securities Act of 1933, as amended, or Securities Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption and, as a result, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Common Stock and Offering Risks

An active, liquid trading market for our common stock may never develop, which could make it difficult for you to sell your shares of our common stock.

Prior to this offering, no public market for shares of our common stock existed. An active trading market for our shares may never develop following completion of this offering or, if developed, may not be sustained. The lack of an active trading market could impair your ability to sell your shares at the time you wish to sell them or at a price you consider reasonable. Further, an inactive trading market may impair our ability to raise capital in the future by selling shares of our common stock and may impair our ability to enter into strategic relationships or acquire companies or technologies using shares of our common stock as consideration.

Upon completion of this offering, we expect that our common stock will be listed on . If we fail to satisfy the continued listing standards of , however, we could be de-listed, which would negatively impact the price of our common stock.

Our stock price may be volatile and you could lose all or part of your investment.

The initial public offering price for the shares of our common stock sold in this offering is determined through negotiations with the underwriters, and the negotiated price may not be indicative of the market price of our common stock that develops after completion of this offering. As a result, investors in this offering may not be able to sell the shares of our common stock purchased in this offering at or above the price paid for these shares. The trading price of our common stock following this offering may be volatile and subject to wide fluctuations in response to various factors, including, among others:

- actual or anticipated fluctuations in our operating results;
- competition from existing tests or new tests that may emerge;
- announcements by us or our competitors of significant acquisitions, investments, strategic partnerships, joint ventures, collaborations or capital commitments;
- failure to meet or exceed financial estimates and projections of the investment community or that we provide to the public;
- issuance of new or updated research or reports by securities analysts or changed recommendations for our common stock;
- the timing and amount of our investments in the growth of our business;
- disputes or other developments with respect to our or others' intellectual property rights;
- actual or anticipated changes in regulatory oversight of our business;
- changes in laws or regulations applicable to our tests;
- additions or departures of key management or other personnel;
- changes in coverage and reimbursement by current or potential payors;
- inability to obtain additional funding;
- product liability claims or other litigation;
- sales of our common stock by us or our stockholders in the future;
- general economic, industry and market conditions, including factors unrelated to our operating performance or the operating performance of our competitors; and
- the other risk factors discussed in this prospectus.

In addition, the stock market in general, and the market for stock of companies in the life sciences and technology industries in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of specific companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our common stock shortly following this offering. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against the company. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

We will have broad discretion in the use of the net proceeds from this offering, and we may not use them effectively.

Although we currently intend to use the net proceeds from this offering in the manner described under "Use of Proceeds" in this prospectus, our management will have broad discretion in the application of these net

proceeds. You will not have the opportunity, as part of your investment decision, to assess whether we are using the net proceeds appropriately and you will be relying on the judgment of our management regarding the use of these net proceeds. Our management may not apply the net proceeds in ways that increase the value of your investment. In addition, pending their use, we may invest the net proceeds in a manner that does not produce income or that loses value. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause the price of our common stock to decline.

Our principal stockholders and management own a significant percentage of our capital stock and are able to exert significant control over matters subject to stockholder approval.

As of May 31, 2016, our executive officers, directors, holders of 5% or more of our outstanding voting equity and their respective affiliates beneficially owned approximately 96.7% of our outstanding voting equity and, upon completion of this offering, will hold approximately % of our outstanding voting equity (assuming no purchases of shares in this offering by any of these stockholders, including through the directed share program). Our founder and Chief Executive Officer, Ming Hsieh, beneficially owned approximately 52.6% of our outstanding voting equity as of May 31, 2016, which, upon completion of this offering, will be approximately % of our outstanding voting equity (assuming no purchases of shares in this offering by Mr. Hsieh, including through the directed share program). As a result, these stockholders will have the ability to control matters submitted to our stockholders for approval even if they do not purchase any additional shares in this offering, including elections of directors, amendments to our organizational documents or approval of any merger, sale of assets or other major corporate transaction. This concentration of ownership may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders, as the interests of these stockholders may not coincide with your interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of all stockholders. Further, this concentration of ownership could adversely affect the prevailing market price for our common stock.

If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the book value of your shares.

The initial public offering price in this offering is substantially higher than the pro forma net tangible book value per share of our common stock. As a result, investors purchasing common stock in this offering will pay a price per share that substantially exceeds the book value of our tangible assets after subtracting our liabilities and will incur immediate dilution of $ per share, based on an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus. Further, assuming our issuance and sale of shares of common stock in this offering at the assumed initial public offering price, investors purchasing common stock in this offering will contribute approximately % of the total amount invested by stockholders since our inception, but will own only approximately % of the shares of common stock outstanding after giving effect to this offering. Any exercise of outstanding options would result in further dilution. As of March 31, 2016, there were outstanding options to purchase up to 3,645,000 common units of Fulgent LLC, which will become options to purchase up to shares of our common stock upon completion of the Reorganization. As a result of the dilution to investors purchasing shares in this offering, investors may receive significantly less than the purchase price paid in this offering, if anything, in the event of our liquidation or a sale of our company. See “Dilution” for additional information.

Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could cause the price of our common stock to fall.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that such sales are pending or could occur, could reduce the market price of our common stock. Upon completion of this offering, we will have outstanding shares of common stock based on the number of shares outstanding as of March 31, 2016, after giving effect to the

Reorganization. Of these shares, the shares of our common stock sold in this offering, plus any shares sold pursuant to the underwriters' option to purchase additional shares, will be immediately freely tradable without restriction in the public market, except for any shares of our common stock that may be held or acquired by our "affiliates," as that term is defined in the Securities Act, which will be restricted securities under the Securities Act, or by our directors and executive officers through the directed share program. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available. See "Shares Eligible for Future Sale" in this prospectus for additional information.

Moreover, Xi Long, which, after giving effect to the Reorganization, will hold an aggregate of shares of our common stock, will have the right, subject to certain conditions, to include its shares in registration statements we may file for ourselves or other stockholders following completion of this offering, and require us to file registration statements covering its shares following May 16, 2019. See "Description of Capital Stock—Registration Rights" in this prospectus for additional information. We also intend to register all shares of common stock that we may issue under our equity incentive plans, which totals shares subject to outstanding awards and additional shares reserved for issuance as of the completion of this offering. Once we register these shares, they will be freely tradable in the public market upon issuance, subject to volume and manner of sale limitations applicable to affiliates and other legal and contractual limitations.

Future issuances of our common stock or rights to purchase our common stock, including pursuant to our equity incentive plans, could result in additional dilution to the percentage ownership of our stockholders and could cause the price of our common stock to fall.

To raise capital in the future, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities, our then-existing stockholders could be materially diluted by such issuances and new investors could gain rights, preferences and privileges senior to the holders of our common stock, including the shares of our common stock sold in this offering.

We do not intend to pay dividends on our common stock, so any returns will be limited to the value of our common stock.

We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Further, if we were to enter into a credit facility or issue debt securities or preferred equity securities in the future, we may be contractually restricted from paying dividends. If we do not pay dividends, our common stock may be less valuable because stockholders must rely on sales of their common stock after price appreciation, which may never occur, to realize any future gains on their investment.

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

If a trading market for our common stock develops, that trading market will be influenced to some extent by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no or few securities or industry analysts commence coverage of us, the trading price for our common stock would be negatively affected. If we obtain securities or industry analyst coverage and any of the analysts who covers us issues an adverse or misleading opinion regarding us, our business model, our industry or our stock performance or if our operating results fail to meet analyst expectations, the price of our common stock could significantly decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which could cause the price and trading volume of our common stock to decline.

Provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company or changes in our management and depress the market price of our common stock.

Our certificate of incorporation and bylaws contain provisions that could depress the market price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions, among other things:

- authorize our board of directors to issue, without further action by our stockholders, up to 1,000,000 shares of undesignated or "blank check" preferred stock;
- prohibit stockholder action by written consent, thus requiring all stockholder actions to be taken at a duly noticed and held meeting of our stockholders;
- specify that special meetings of our stockholders can be called only by our board of directors, our Chairman of the board of directors or our President, thereby eliminating the ability of our stockholders to call special meetings;
- permit only the board of directors to establish the number of directors and fill vacancies on the board of directors, except as may be required by law;
- permit the board of directors to amend our bylaws, subject to the power of the stockholders to repeal such amendment;
- do not permit cumulative voting on the election of directors; and
- establish advance notice requirements for stockholders to propose nominees for election as directors or matters to be acted upon at annual meetings of stockholders.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, or DGCL, which may discourage, delay or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations and other transactions between us and holders of 15% or more of our common stock.

Holders of our common stock could be adversely affected if we issue preferred stock.

Pursuant to our certificate of incorporation, our board of directors is authorized to issue up to 1,000,000 shares of preferred stock without any action on the part of our stockholders. Our board of directors will also have the power, without stockholder approval, to set the terms of any series of preferred stock that may be issued, including voting rights, dividend rights, preferences over our common stock with respect to dividends or in the event of a dissolution, liquidation or winding up and other terms. In the event that we issue preferred stock in the future that has preferences over our common stock with respect to payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock that is convertible into our common stock at greater than a one-to-one ratio, the voting and other rights of the holders of our common stock or the market price of our common stock could be adversely affected.

Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;

- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders;
- any action asserting a claim arising pursuant to any provision of the DGCL; or
- any action asserting a claim against us governed by the internal affairs doctrine.

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to this provision of our certificate of incorporation. This choice-of-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the discussions under “Prospectus Summary,” “Risk Factors,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” contains forward-looking statements. The words “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “expect” and similar expressions that convey uncertainty of future events or outcomes identify forward-looking statements.

The forward-looking statements in this prospectus include statements about, among other things:

- our ability to expand the number of genes covered by our tests and introduce other improvements to our tests;
- advancements in technology by us and our competitors;
- developments and projections relating to us, our competitors and our industry;
- our strategic plans for our business;
- our operating performance, including our ability to achieve equal or higher levels of revenue as we have in the past and achieve or grow profitability;
- our ability to maintain the low internal costs of our business model;
- the rate and degree of market acceptance and adoption of our tests and genetic testing generally;
- our ability to grow our customer base and increase demand for our tests from existing and new customers;
- our ability to maintain relationships with international customers and expand internationally;
- our ability to effectively manage any growth we may experience, including expanding our infrastructure and hiring additional skilled personnel in order to support our anticipated growth;
- our ability to obtain and maintain coverage and adequate reimbursement for our tests;
- our ability to comply with U.S. and foreign regulations applicable to our business and developments with respect to these regulations;
- our sales and marketing plans, including our sales and marketing strategies and our expansion of our sales and marketing team;
- the state of the U.S. and foreign healthcare markets, including the role of governments in the healthcare industry generally and pressures or incentives to reduce healthcare costs while expanding individual benefits;
- our ability to attract, retain and motivate key scientific and management personnel;
- our expectations regarding our ability to obtain and maintain protection of our trade secrets and other intellectual property rights and not infringe the rights of others;
- our expectations regarding our future capital requirements and our ability to appropriately forecast and plan our expenses; and
- our anticipated uses of the net proceeds from this offering.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under “Risk Factors” and elsewhere in this prospectus. Moreover, we operate in a competitive and rapidly evolving industry and new risks emerge from time to time. It is not possible for our management to predict all of the risks we may face, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, could cause actual results to differ materially from those contained in or implied by any forward-looking statements we make. In light of these risks, uncertainties and assumptions,

the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those described in or implied by the forward-looking statements. Although we have based the forward-looking statements we make in this prospectus on expectations we believe to be reasonable, we cannot guarantee future results, levels of activity, performance or achievements. As a result, you should not rely upon forward-looking statements as predictions of future events. You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and achievements may be materially different than what we expect.

Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

MARKET AND INDUSTRY DATA

This prospectus contains market information and industry forecasts that are based on data from various independent sources, on assumptions we have made based on this data and on our knowledge of the markets for our tests. This information involves a number of assumptions and limitations and you are cautioned not to give it undue weight. Although we have not independently verified any of this information, we believe it is reliable and the conclusions contained in the information are reasonable. However, such market position, market opportunity and market size information is inherently imprecise. In addition, projections, assumptions and estimates of the future performance of our industry and our performance within this industry are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under “Risk Factors” and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by these independent sources and by us.

PHARMA SPLIT-OFF AND REORGANIZATION

Pharma Split-Off

Prior to April 4, 2016, Fulgent LLC conducted the following two lines of business: the business described in this prospectus, which Fulgent LLC conducted directly and which is the only business we are presently pursuing; and the Pharma Business, which was conducted through Fulgent LLC's former subsidiary, Fulgent Pharma LLC, or Fulgent Pharma. Prior to the Pharma Split-Off, all of Fulgent LLC's authorized, issued and outstanding equity interests were separated into two series based on these two lines of business, such that holders of Fulgent LLC's Class D-1 preferred units and Class D voting and non-voting common units had economic rights based on the assets, income, earnings and profits and any liabilities, expenses, costs and charges of the business described in this prospectus, and holders of Fulgent LLC's Class P preferred units and Class P voting and non-voting common units had economic rights based on the assets, income, earnings and profits and any liabilities, expenses, costs and charges of the Pharma Business. On April 4, 2016, Fulgent LLC completed the Pharma Split-Off to separate the Pharma Business from the business described in this prospectus. To effect the Pharma Split-Off, Fulgent LLC redeemed each member's Class P units, distributed to each such member substantially identical units of Fulgent Pharma and caused Fulgent Pharma to assume all then-outstanding options to purchase Class P common units.

Since completion of the Pharma Split-Off, (i) Fulgent LLC has not pursued any aspect of the Pharma Business and its entire operations have been focused on the business described in this prospectus, (ii) Fulgent Pharma is no longer Fulgent LLC's subsidiary, Fulgent LLC does not own any securities of Fulgent Pharma and, except as described in this prospectus, neither Fulgent LLC nor Fulgent Inc. is associated with Fulgent Pharma, and (iii) Fulgent LLC has no Class P units authorized, issued or outstanding and all of Fulgent LLC's authorized, issued and outstanding equity interests consist of Class D common units, two classes of preferred units convertible into Class D common units and options to purchase Class D common units. Unless the context otherwise requires, the terms "units" and "common units" as used in this prospectus refers to Fulgent LLC's Class D common units.

The operating results of the Pharma Business have been reported as discontinued operations in the consolidated financial data for all periods presented in this prospectus.

Reorganization

Fulgent Inc. was formed on May 13, 2016 as a Delaware corporation solely for the purpose of effecting this offering. Prior to completion of this offering, Fulgent LLC will become our wholly owned subsidiary in the Reorganization. In order to effect the Reorganization, we will enter into an agreement and plan of merger with Fulgent LLC and , our wholly owned subsidiary to be formed solely for the purpose of the Reorganization, pursuant to which, prior to completion of this offering, will merge with and into Fulgent LLC, with Fulgent LLC surviving the merger as our wholly owned subsidiary.

Prior to completion of the Reorganization:

- Fulgent LLC's authorized, issued and outstanding equity interests are referred to as "shares" in its operating agreement, but are referred to as "units" in this prospectus, and its outstanding units consist of voting and non-voting common units and two classes (Class D-1 and Class D-2) of convertible preferred units;
- Fulgent LLC's outstanding equity holders are referred to as "members;"
- in accordance with Fulgent LLC's operating agreement, its business and affairs are managed fully and completely by the Manager of Fulgent LLC, Ming Hsieh; and
- Fulgent Inc. will not have conducted any activities other than activities incidental to its formation and the preparation of this prospectus.

Upon completion of the Reorganization:

- each outstanding unit of Fulgent LLC will be cancelled in exchange for shares of our common stock, such that (i) all outstanding voting and non-voting common units of Fulgent LLC will be cancelled in exchange for an aggregate of shares of our common stock, (ii) all outstanding Class D-1 preferred units of Fulgent LLC will be cancelled in exchange for an aggregate of shares of our common stock and (iii) all outstanding Class D-2 preferred units will be cancelled in exchange for an aggregate of shares of our common stock;
- all outstanding options to purchase common units of Fulgent LLC will become options to purchase up to an aggregate of shares of our common stock, and all such options will immediately become exercisable to the extent vested, which will cause us to record an equity-based compensation expense equal to $ during the period in which the Reorganization occurs;
- all outstanding common units of Fulgent LLC that constitute profits interests will become shares of our common stock;
- we will exist as a holding company with no material assets other than 100% of the equity interests in Fulgent LLC;
- we will consolidate the financial results of Fulgent LLC and the historical financial statements of Fulgent LLC will be our financial statements;
- we will assume the obligations of Fulgent LLC under the investor's rights agreement between Fulgent LLC and Xi Long, or the Investor's Rights Agreement, the terms of which are described below under "Certain Relationships and Related Party Transactions—Investor's Rights Agreement" and "Description of Capital Stock—Registration Rights;"
- our board of directors, composed of the individuals and with the other features described under "Management" below, will manage our business and affairs; and
- all of our business operations will continue to be conducted through Fulgent LLC, which will be managed by us as the Manager of Fulgent LLC.

The completion of the Reorganization is a condition to closing this offering.

USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of shares of common stock in this offering will be approximately $ million, or $ million if the underwriters exercise in full their option to purchase additional shares, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million in the number of shares of common stock offered by us would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming the initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to establish a public market for our common stock, facilitate our future access to the public capital markets, increase our visibility in the marketplace and obtain additional capital to support our operations. We currently intend to use the net proceeds we receive from this offering for working capital and general corporate purposes.

Our management will have broad discretion in the application of the net proceeds we receive from this offering and, as of the date of this prospectus, we cannot predict with certainty all of the particular uses for these net proceeds. The amounts and timing of our actual expenditures will depend on numerous factors, including the amount of cash generated by our operations, competitive and technological developments, demand for our tests, the number of tests we deliver and the number of tests we collect, our ability to develop our sales and marketing function, the timing and amount of other investments in our business, including sequencing or other equipment or systems, and unforeseen cash needs.

We also may use a portion of the net proceeds for the acquisition of, investment in or partnership with, new complementary businesses, technologies or assets. Although we presently have no specific agreements, commitments or understandings with respect to any acquisition, investment or partnership, we evaluate such opportunities and engage in related discussions with other companies from time to time.

Pending their use as described above, we intend to invest the net proceeds from this offering in short term, investment-grade interest-bearing securities such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. Our ability to pay dividends may also be restricted by the terms of any future credit facility we may establish or any future debt or preferred equity securities we may issue, although we presently have no specific plans, agreements or commitments with respect to establishing any such credit facility or issuing any such securities.

CAPITALIZATION

The following table sets forth the cash and capitalization as of March 31, 2016 of:

- Fulgent LLC, on an actual basis;
- us, on a pro forma basis after giving effect to the Reorganization; and
- us, on a pro forma as adjusted basis after giving effect to the pro forma adjustments and our issuance and sale in this offering of shares of common stock at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included in this prospectus.

	As of March 31, 2016		
	Actual (Fulgent LLC)	Pro Forma (Fulgent Inc.)	Pro Forma As Adjusted (Fulgent Inc.)(1)
	(in thousands, except par value data)		
Cash	$ 1,023	$ 1,023	$
Members' equity			
Class D preferred units—56,000 units authorized, issued and outstanding, actual; no units authorized, issued or outstanding, pro forma and pro forma as adjusted	35,280	—	
Class P preferred units—51,000 units authorized, issued and outstanding, actual; no units authorized, issued or outstanding, pro forma and pro forma as adjusted	10,710	—	
Class D common units—44,000 units authorized and 36,500 issued and outstanding, actual; no units authorized, issued or outstanding, pro forma and pro forma as adjusted	12,261	—	
Class P common units—49,000 units authorized, 45,000 issued and outstanding, actual; no units authorized, issued or outstanding, pro forma and pro forma as adjusted	1,680	—	
Stockholders' equity:			
Preferred stock, $0.0001 par value per share, no shares authorized, issued or outstanding, actual; 1,000 shares authorized, no shares issued or outstanding, pro forma and pro forma as adjusted	—	—	
Common stock, $0.0001 par value per share, no shares authorized, issued or outstanding, actual; 200,000 shares authorized, shares issued or outstanding, pro forma; 200,000 shares authorized, shares issued or outstanding, pro forma as adjusted	—		
Additional paid in capital	—	59,931	
Accumulated deficit	(53,703)	(53,703)	
Total members'/stockholders' equity	6,228	6,228	
Total capitalization	$ 6,228	$ 6,228	$

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

The number of shares of our common stock to be outstanding immediately after this offering is based on shares of our common stock issued and outstanding as of March 31, 2016, after giving effect to the exchange of all outstanding units of Fulgent LLC for shares of our common stock in the Reorganization prior to completion of this offering, and excludes the following:

- shares of our common stock that will be issued in the Reorganization in exchange for 5,131,579 Class D-2 preferred units of Fulgent LLC that were sold by us after March 31, 2016;
- shares of our common stock issuable upon exercise of options with a weighted-average exercise price of $ per share, which, prior to completion of the Reorganization, were exercisable for 3,645,000 common units of Fulgent LLC with a weighted-average exercise price of $0.05 per unit and were outstanding as of March 31, 2016;
- shares of our common stock issuable upon exercise of options with a weighted-average exercise price of $ per share, which, prior to completion of the Reorganization, were exercisable for common units of Fulgent LLC with a weighted-average exercise price of $ per unit and were issued after March 31, 2016; and
- shares of our common stock that will be reserved for future issuance under the 2016 Plan, which will be adopted prior to completion of this offering.

DILUTION

If you purchase our common stock in this offering, your interest will be diluted to the extent of the difference between the amount you pay per share of our common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value per share is determined by dividing our total tangible assets (total assets less intangible assets) less total liabilities by the number of shares of common stock outstanding.

The actual net tangible book value of our continuing operations as of March 31, 2016 was approximately $5.7 million, or $0.06 per Class D common unit (assuming conversion on a one-to-one ratio of all Class D preferred units into Class D common units).

On a pro forma basis, after giving effect to the Reorganization, our pro forma net tangible book value as of March 31, 2016 would have been approximately $ million, or $ per share.

On a pro forma as adjusted basis, after giving effect to the pro forma adjustments and our issuance and sale in this offering of shares of our common stock at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2016 would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to investors purchasing shares in this offering, as follows:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of March 31, 2016	$	
Increase in pro forma net tangible book value per share attributable to new investors		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to investors in this offering		$

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share by approximately $ per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million shares in the number of shares of common stock offered by us would increase (decrease) our pro forma as adjusted net tangible book value per share by approximately $ per share, assuming the initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional shares, our pro forma as adjusted net tangible book value per share as of March 31, 2016, after giving effect to the Reorganization and our issuance and sale in this offering of shares of common stock at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would be $ per share, the increase in pro forma as adjusted net tangible book value per share to our existing stockholders would be $ per share and the dilution to investors in this offering would be $ per share.

The following table summarizes, on a pro forma as adjusted basis as of March 31, 2016, after giving effect to the Reorganization and our issuance and sale in this offering of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, the difference between existing stockholders and new investors with respect

to the number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

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

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

To the extent that any outstanding options are exercised, investors in this offering will experience further dilution.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares. If the underwriters exercise in full their option to purchase additional shares, our existing stockholders would own % and our new investors would own % of the total number of shares of our common stock outstanding upon the closing of this offering. Additionally, the above discussion and tables assume that none of our existing stockholders will purchase shares of our common stock in this offering.

The above discussion and tables are based on shares of our common stock issued and outstanding as of , 2016, after giving effect to the exchange of all outstanding units of Fulgent LLC for shares of our common stock in the Reorganization prior to completion of this offering, and excludes the following:

- shares of our common stock that will be issued in the Reorganization in exchange for 5,131,579 Class D-2 preferred units of Fulgent LLC that were sold by us after March 31, 2016;
- shares of our common stock issuable upon exercise of options with a weighted-average exercise price of $ per share, which, prior to completion of the Reorganization, were exercisable for 3,645,000 common units of Fulgent LLC with a weighted-average exercise price of $0.05 per unit and were outstanding as of March 31, 2016;
- shares of our common stock issuable upon exercise of options with a weighted-average exercise price of $ per share, which, prior to completion of the Reorganization, were exercisable for common units of Fulgent LLC with a weighted-average exercise price of $ per unit and were issued after March 31, 2016; and
- shares of our common stock that will be reserved for future issuance under the 2016 Plan, which will be adopted prior to completion of this offering.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The tables below reflect selected consolidated financial and other data of Fulgent LLC for the periods presented. Following the Reorganization, Fulgent LLC will be considered our predecessor for accounting purposes and its financial statements will be our historical financial statements. The selected consolidated statements of operations data for the years ended December 31, 2014 and 2015 and the selected consolidated balance sheet data as of December 31, 2014 and 2015 are derived from Fulgent LLC's audited financial statements included in this prospectus. The selected consolidated statements of operations data for the three months ended March 31, 2015 and 2016 and the selected consolidated balance sheet data as of March 31, 2016 are derived from Fulgent LLC's unaudited condensed financial statements included in this prospectus. We have prepared the unaudited condensed financial data on the same basis as the audited financial statements and we have included, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial information set forth in these financial statements.

The following selected consolidated financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included in this prospectus. Historical results are not necessarily indicative of the results that may be expected in any future period, and interim results are not necessarily indicative of the results that may be expected in the full year or any other period. The selected consolidated financial data in this section are not intended to replace the financial statements from which they are derived and are qualified in their entirety by the financial statements and related notes included in this prospectus.

Historical financial information of Fulgent Inc. is included elsewhere in this prospectus, but selected historical financial data of Fulgent Inc. have not been presented below, as Fulgent Inc. is a newly incorporated entity, has had no business transactions or activities to date and had no assets or liabilities during the periods presented below.

	Year Ended December 31,		Three Months Ended 31,	
	2014	2015	2015	2016
	(in thousands, except per unit and per share data)			
Consolidated Statements of Operations Data:				
Revenue	$ 1,278	$ 9,576	$1,588	$ 3,440
Cost of revenue(1)	936	5,069	653	1,304
Gross profit	342	4,507	935	2,136
Operating expenses:				
Research and development(1)	521	4,431	217	561
Selling and marketing(1)	581	2,670	234	301
General and administrative(1)	230	2,418	79	1,889
Total operating expenses	1,332	9,519	530	2,751
Operating income (loss)	(990)	(5,012)	405	(615)
Interest and other income	—	27	20	13
Income (loss) before income taxes	(990)	(4,985)	425	(602)
Provision for income taxes	—	—	—	—
Income (loss) from continuing operations	(990)	(4,985)	425	(602)
Income (loss) from discontinued operations(2)	(3,293)	(3,329)	(554)	59
Net loss	(4,283)	(8,314)	(129)	(543)
Basic and diluted loss per common unit:(3)				
Continuing operations—Class D common units—profits interests		$ (0.21)		$ (0.02)
Continuing operations:(3)				
Weighted-average Class D common units—profits interests— outstanding—basic and diluted		34,000		34,000
Pro forma loss attributable to common stockholders (unaudited):(4)				
Pro forma loss per share attributable to common stockholders (unaudited):(4)				
Basic and diluted				
Shares used in computing pro forma loss per share attributable to common stockholders (unaudited):(4)				
Basic and diluted				

(1) Includes equity-based compensation expense as follows:

	Year Ended December 31,		Three Months Ended March 31,	
	2014	2015	2015	2016
	(in thousands)			
Cost of revenue	$—	$1,673	$ —	$ —
Research and development	—	3,241	—	—
Selling and marketing	—	1,569	—	—
General and administrative	—	1,673	—	1,625
Total equity-based compensation expense	$—	$8,156	$ —	$ 1,625

(2) On April 4, 2016, we completed the Pharma Split-Off. The financial results of the Pharma Business through the separation date of April 4, 2016 are included in Fulgent LLC's results as discontinued operations for all periods presented. See "—Corporate Information" and "Pharma Split-Off and Reorganization" for additional information.

(3) See Notes 2 and 10 to Fulgent LLC's audited consolidated financial statements for the year ended December 31, 2015 and Note 3 to Fulgent LLC's unaudited condensed consolidated financial statements for the three months ended March 31, 2016, each included in this prospectus, for an explanation of the method used to calculate basic and diluted loss per unit from continuing operations and the weighted-average number of units used in the computation of the per unit amounts.

(4) See Note 2 to Fulgent LLC's audited consolidated financial statements for the year ended December 31, 2015 and Note 2 to Fulgent LLC's unaudited condensed consolidated financial statements for the three months ended March 31, 2016, each included in this prospectus, for an explanation of the method used to calculate basic and diluted pro forma loss per share attributable to common stockholders and the number of shares used in the computation of the per share amounts.

	Year Ended December 31,		Three Months Ended March 31,	
	2014	2015	2015	2016
Other Operating Data:				
Billable tests(1)	966	6,852	1,141	2,428

(1) Billable tests represent the number of tests performed in a period for which we bill our customers. We consider the number of billable tests we deliver to be an important indicator of the growth of our business.

	December 31,		March 31,
	2014	2015	2016
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash	$ 172	$ 489	$ 1,023
Assets of discontinued operations(1)	432	442	556
Total assets	2,120	5,832	7,359
Liabilities of discontinued operations(1)	134	173	48
Total liabilities	436	686	1,131
Accumulated deficit	(10,316)	(53,160)	(53,703)
Total members' equity	1,684	5,146	6,228

(1) On April 4, 2016, we completed the Pharma Split-Off. The financial results of the Pharma Business through the separation date of April 4, 2016 are included in Fulgent LLC's results as discontinued operations for all periods presented. See "—Corporate Information" and "Pharma Split-Off and Reorganization" for additional information.

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

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Historical Consolidated Financial and Other Data" and the financial statements and related notes included in this prospectus. The statements in this discussion and analysis regarding expectations of our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, among others, the risks and uncertainties described in "Risk Factors" and "Special Note Regarding Forward-Looking Statements." Our actual results could differ materially from the results described in or implied by the forward-looking statements contained in this discussion and analysis.

Prior to closing this offering, we will complete the Reorganization, as defined and described below, pursuant to which Fulgent Therapeutics LLC will become a wholly owned subsidiary of Fulgent Diagnostics, Inc., a holding company and the issuer of common stock in this offering. Unless the context otherwise requires, (i) the term "Fulgent LLC" refers to Fulgent Therapeutics LLC, (ii) the term "Fulgent Inc." refers to Fulgent Diagnostics, Inc. and (iii) the terms "Fulgent," the "company," "we," "us" and "our" refer, for periods prior to completion of the Reorganization, to Fulgent LLC and, for periods after completion of the Reorganization, to Fulgent Inc. and its consolidated subsidiary after giving effect to the Reorganization. This discussion and analysis is based upon the historical financial statements of Fulgent LLC included in this prospectus, as Fulgent Inc. is a newly incorporated entity, has had no business transactions or activities to date and had no assets or liabilities during any of the periods presented.

Overview

We are a rapidly growing technology company with an initial focus on offering comprehensive genetic testing to provide physicians with clinically actionable diagnostic information they can use to improve the overall quality of patient care. We have developed a proprietary technology platform that integrates sophisticated data comparison and suppression algorithms, adaptive learning software, advanced genetic diagnostics tools and integrated laboratory processes. This platform allows us to offer a broad and flexible test menu while maintaining accessible pricing, high accuracy and competitive turnaround times. We believe our current test menu offers more genes for testing than our competitors in today's market, which enables expansive options for test customization and production of clinically actionable results. We have generated growing demand for our tests with relatively little marketing efforts to date, which we believe demonstrates the advantages of our offering compared to other available testing alternatives.

We launched our first commercial genetic tests in 2013 and by the first quarter of 2014, our tests covered more than 1,000 genes in 100 pre-established disease-specific panels. Since then we have expanded our test menu to offer more than 18,000 single-gene tests and more than 180 panels that collectively test for more than 7,500 genetic conditions, including various cancers, cardiovascular diseases and neurological disorders. We offer tests at competitive prices, averaging approximately $1,400 per billable test delivered in the first quarter of 2016, and with competitive turnaround times. Our volume has grown rapidly since commercial launch, with over 10,000 billable tests delivered to over 500 total customers as of March 31, 2016. We delivered 6,852 billable tests in 2015 compared to 966 billable tests delivered in 2014, and we delivered 2,428 billable tests in the first quarter of 2016 compared to 1,141 billable tests delivered in the first quarter of 2015. We have experienced 21% compound quarterly growth in the number of billable tests delivered from the first quarter of 2015 through the first quarter of 2016.

Factors Affecting Our Performance

Number of Billable Tests Delivered

Our performance is closely correlated with the number of tests for which we bill our customers, which we refer to as billable tests. We believe the number of billable tests delivered in any period is an important indicator of the performance of our business.

Mix of Customers

Our existing customer base consists primarily of hospitals and medical institutions, which are frequent and high-volume users of genetic tests. We are focused on more deeply penetrating our relationships with existing customers to increase the volume of tests they order. In addition, we are seeking to grow our customer base by acquiring new hospital and medical institution customers and expanding into additional customer groups, such as individual physicians and other practitioners, as well as research institutions. We believe our ability to achieve increased sales to existing customers and to obtain new customers is a significant indicator of the growth of our business.

Ability to Maintain Our Broad and Flexible Test Menu

We believe the number of genes that we incorporate into our test menu provides a meaningful competitive advantage. The breadth of genes in our portfolio allows us to provide more comprehensive genetic information and improves our variant detection rate, which can increase the clinical actionability of the data we produce. The breadth of genes in our portfolio also allows us to provide a flexible and customizable test menu for our customers. We believe that our ability to continue to offer more genes than our competitors could be a key contributor to the rate of growth of our business.

Ability to Maintain Low Costs

We have developed various proprietary technologies that improve our laboratory efficiency and reduce the costs we incur to perform our tests. Our technology platform enables us to perform each test and deliver its results at a lower cost to us than many of our competitors, totaling approximately $537 per billable test delivered in the first quarter of 2016. This low cost per billable test allows us to maintain affordable pricing for our customers, averaging approximately $1,400 per billable test delivered in the first quarter of 2016, which we believe encourages repeat ordering from existing customers and attracts new customers while allowing us to drive profitability. We believe this low cost is a key contributor to our ability to grow our business and drive profitability.

Expand into New Markets

We intend to continue to expand our test menu to include more options and cover more genes. For example, we intend to expand our offering of oncology, cardiology and pediatrics test panels, which represent large genetic testing markets in which we believe our comprehensive and flexible tests will be competitive. We also believe there is a large potential for growth of genetic testing in many international markets due to the presence of high unmet diagnostic and predictive testing needs, rapidly rising healthcare expenditures and patient awareness of next generation sequencing technologies. We plan to engage distributors or establish other types of arrangements, such as joint ventures, in an effort to expand our presence and test volume in new geographic markets. We believe expanding our test menu and our geographic presence will appeal to a broader base of potential customers and increase our revenue potential.

Success Obtaining Reimbursement

In today’s market, third-party payors generally restrict the reimbursement of genetic testing to a limited subset of genetic tests and only for those patients that meet specific criteria. This lack of widespread favorable reimbursement policies has presented a challenge for genetic testing companies in building sustainable business models. As part of our strategy for growth, we intend to pursue coverage and reimbursement from third-party payors at a level adequate for us to achieve profitability with this payor group. We believe our low cost per billable test will enhance our ability to compete effectively in, and our flexibility in approaching, the third-party payor market. We believe our ability to obtain and maintain adequate reimbursement from third-party payors for our testing services will be a key factor in the rate of growth of our business over the long term.

Equity-Based Compensation Awards

Fulgent LLC made substantial awards of fully vested equity to employees and non-employees in October 2015 and January 2016. The equity-based compensation expense associated with these awards was recorded in full in the period in which the awards were granted. As a result, there was a substantial increase in cost of revenue in the quarter ended December 31, 2015 and in operating expenses in the quarters ended December 31, 2015 and March 31, 2016. We do not intend to make additional awards of fully vested equity and, as a result, we do not expect that we will experience similar levels of equity-based compensation expense in future periods. During 2015 and 2016, Fulgent LLC issued options that are not exercisable until the earlier of a liquidity event or an incorporation of Fulgent LLC, each as defined in Fulgent LLC's equity incentive plan under which the awards were granted. An incorporation will be deemed to have occurred upon completion of the Reorganization, at which time the options will become exercisable to the extent vested. No expense has been recorded for such options as of March 31, 2016, however; beginning with the period in which we complete the Reorganization, we will begin to record equity-based compensation expense as option awards become exercisable and vest.

Discontinued Operations

Prior to April 4, 2016, Fulgent LLC conducted the following two lines of business: the business described in this prospectus, which Fulgent LLC conducted directly and which is the only business we are presently pursuing; and our former pharmaceutical business, or the Pharma Business, which was conducted through Fulgent LLC's former subsidiary, Fulgent Pharma LLC, or Fulgent Pharma. Prior to the Pharma Split-Off, all of Fulgent LLC's authorized, issued and outstanding equity interests were separated into two series based on these two lines of business, such that holders of Fulgent LLC's Class D-1 preferred units and Class D voting and non-voting common units had economic rights based on the assets, income, earnings and profits and any liabilities, expenses, costs and charges of the business described in this prospectus, and holders of Fulgent LLC's Class P preferred units and Class P voting and non-voting common units had economic rights based on the assets, income, earnings and profits and any liabilities, expenses, costs and charges of the Pharma Business. On April 4, 2016, Fulgent LLC completed the Pharma Split-Off to separate the Pharma Business from the business described in this prospectus. To effect the Pharma Split-Off, Fulgent LLC redeemed each member's Class P units, distributed to each such member substantially identical units of Fulgent Pharma and caused Fulgent Pharma to assume all then-outstanding options to purchase Class P common units.

Since completion of the Pharma Split-Off, (i) Fulgent LLC has not pursued any aspect of the Pharma Business and its entire operations have been focused on the business described in this prospectus, (ii) Fulgent Pharma is no longer Fulgent LLC's subsidiary, Fulgent LLC does not own any securities of Fulgent Pharma and, except as described in this prospectus, neither Fulgent LLC nor Fulgent Inc. is associated with Fulgent Pharma, and (iii) Fulgent LLC has no Class P units authorized, issued or outstanding and all of Fulgent LLC's authorized, issued and outstanding equity interests consist of Class D common units, two classes of preferred units convertible into Class D common units and options to purchase Class D common units. Unless the context otherwise requires, the term "common units" as used in this prospectus refers to Fulgent LLC's Class D common units.

The operating results of the Pharma Business have been reported as discontinued operations in the consolidated financial data for all periods presented in this prospectus. In the three months ended March 31, 2015 and 2016, we recorded an income (loss) from discontinued operations of $(554,000) and $59,000, respectively, and in the years ended December 31, 2014 and 2015, we recorded a loss from these discontinued operations of $(3.3) million and $(3.3) million, respectively.

Reorganization

Fulgent Inc. was formed on May 13, 2016 as a Delaware corporation solely for the purpose of effecting this offering. Prior to completion of this offering, Fulgent LLC will become our wholly owned subsidiary in a transaction that we refer to throughout this discussion and analysis as the "Reorganization." In order to effect the

Reorganization, we will enter into an agreement and plan of merger with Fulgent LLC and , our wholly owned subsidiary to be formed solely for the purpose of the Reorganization, pursuant to which, prior to completion of this offering, will merge with and into Fulgent LLC, with Fulgent LLC surviving the merger as our wholly owned subsidiary.

Prior to completion of the Reorganization, among other things:

- Fulgent LLC's authorized, issued and outstanding equity interests are denominated in shares, which for purposes of this discussion and analysis are referred to as "units," and its outstanding units consist of voting and non-voting common units and two classes (Class D-1 and Class D-2) of convertible preferred units;
- Fulgent LLC's outstanding equity holders are referred to as "members;" and
- Fulgent Inc. will not have conducted any activities other than activities incidental to its formation and the preparation of this prospectus.

Upon completion of the Reorganization, among other things:

- each outstanding unit of Fulgent LLC will be cancelled in exchange for shares of our common stock, such that (i) all outstanding voting and non-voting common units of Fulgent LLC will be cancelled in exchange for an aggregate of shares of our common stock, (ii) all outstanding Class D-1 preferred units of Fulgent LLC will be cancelled in exchange for an aggregate of shares of our common stock and (iii) all outstanding Class D-2 preferred units will be cancelled in exchange for an aggregate of shares of our common stock;
- all outstanding options to purchase common units of Fulgent LLC will become options to purchase up to an aggregate of shares of our common stock, and all such options will immediately become exercisable to the extent vested, which will cause us to record an equity-based compensation expense equal to $ during the period in which the Reorganization occurs;
- all outstanding common units of Fulgent LLC that constitute profits interests will become shares of our common stock;
- we will exist as a holding company with no material assets other than 100% of the equity interests of Fulgent LLC; and
- we will consolidate the financial results of Fulgent LLC and the historical financial statements of Fulgent LLC will be our historical financial statements.

Financial Overview

Revenue

We generate revenue from sales of our genetic tests. We recognize revenue upon delivery of a report to the prescribing physician based on the established billing rate less contractual and other adjustments to arrive at the amount that we expect to collect. We generally bill directly to a hospital or physician customer, a patient, a third-party payor or a combination of the patient and third-party payor.

Cost of Revenue

Cost of revenue reflects the aggregate costs incurred in delivering test results and consists of: personnel costs, including salaries, employee benefit costs, bonuses and equity-based compensation expenses; costs of laboratory supplies; depreciation of laboratory equipment; amortization of leasehold improvements and allocated overhead, including rent and utilities. Costs associated with performing tests are recorded as tests are processed. We expect cost of revenue to generally increase as we increase the number of tests we deliver.

Operating Expenses

Our operating expenses are classified into the following three categories: research and development, selling and marketing, and general and administrative. For each category, the largest component is personnel costs, which include salaries, employee benefit costs, bonuses and equity-based compensation expense.

Research and Development Expenses

Research and development expenses represent costs incurred to develop our technology and future tests. These costs consist of personnel costs, laboratory supplies, consulting costs and allocated overhead, including rent and utilities. We expense all research and development costs in the periods in which they are incurred. We expect our research and development expenses will increase in absolute dollars in future periods as we continue to invest in research and development.

Selling and Marketing Expenses

Selling and marketing expenses consist of personnel costs, client service expenses, direct marketing expenses, educational and promotional expenses, market research and analysis, and allocated overhead, including rent and utilities. We expense all selling and marketing costs as incurred. We expect our selling and marketing costs to continue to increase in absolute dollars, primarily driven by our efforts to expand our sales and marketing team, increase our presence within and outside the United States and costs resulting from our strategy to expand our brand awareness and customer base through targeted marketing initiatives.

General and Administrative Expenses

General and administrative expenses include executive, finance and accounting, legal and human resources functions. These expenses consist of personnel costs, audit and legal expenses, consulting costs and allocated overhead, including rent and utilities. We expense all general and administrative expenses as incurred. We expect our general and administrative expenses will increase as we scale our operations. We also expect to incur additional general and administrative expenses as a result of our initial public offering and operating as a public company, including expenses related to compliance with the rules and regulations of the Securities and Exchange Commission and the trading market on which our common stock will be listed, additional insurance expenses, investor relations activities and other administration and professional services.

Results of Operations

Comparison of the Three Months Ended March 31, 2015 and 2016

The following table summarizes the results of our continuing operations for each of the periods indicated:

	Three Months Ended March 31,		Dollar change	% change
	2015	2016		
	(in thousands, except percent change and other operating data)			
Statement of Operations Data:				
Revenue	$ 1,588	$ 3,440	$ 1,852	117%
Cost of revenue	653	1,304	651	100%
Gross profit	935	2,136	1,201	128%
Operating expenses:				
Research and development	217	561	344	159%
Selling and marketing	234	301	67	29%
General and administrative	79	1,889	1,810	2,291%
Total operating expenses	530	2,751	2,221	419%
Operating income (loss)	405	(615)	(1,020)	(252)%
Interest and other income	20	13	(7)	(35)%
Income (loss) before income taxes	425	(602)	(1,027)	(242)%
Provision for income taxes	—	—	—	—
Income (loss) from continuing operations	$ 425	$ (602)	$(1,027)	(242)%
Other Operating Data:				
Billable tests	1,141	2,428	—	113%

Revenue

Revenue increased $1.9 million, or 117%, from the three months ended March 31, 2015 to the three months ended March 31, 2016, primarily due to the increased number of billable tests delivered. The number of billable tests delivered increased from 1,141 in the three months ended March 31, 2015 to 2,428 in the same period in 2016. The average price of the billable tests we delivered remained relatively consistent between periods. Revenue from international customers accounted for 50% and 45% of total revenue in the three months ended March 31, 2015 and 2016, respectively.

Cost of Revenue

Cost of revenue increased $651,000, or 100%, from the three months ended March 31, 2015 to the three months ended March 31, 2016. The increase was primarily attributable to increases of $192,000 in reagents and supplies expenses and $239,000 in personnel costs related to increased headcount. Our gross profit increased $1.2 million between periods, primarily due to increased revenue, and our gross margin increased from 59% to 62% between periods, primarily due to lower costs per test resulting from economies of scale.

Research and Development

Research and development expenses increased $344,000, or 159%, from the three months ended March 31, 2015 to the three months ended March 31, 2016, primarily due to a $240,000 increase in personnel costs related to increased headcount.

Selling and Marketing

Selling and marketing expenses increased $67,000, or 29%, from the three months ended March 31, 2015 to the three months ended March 31, 2016, primarily due to a $40,000 increase in marketing costs from our targeted marketing initiatives.

General and Administrative

General and administrative expenses increased $1.8 million, or 2,291%, from the three months ended March 31, 2015 to the three months ended March 31, 2016, primarily due to a $1.6 million increase in equity-based compensation expense, which relates to the grant of a fully vested equity award during the period, and a $114,000 increase in other personnel costs related to increased headcount.

Comparison of the Years Ended December 31, 2014 and 2015

The following table summarizes the results of our continuing operations for each of the periods indicated:

	Year Ended December 31,		Dollar change	% change
	2014	2015		
	(in thousands, except percent change and other operating data)			
Statement of Operations Data:				
Revenue	$1,278	$ 9,576	$ 8,298	649%
Cost of revenue	936	5,069	4,133	442%
Gross profit	342	4,507	4,165	1,218%
Operating expenses:				
Research and development	521	4,431	3,910	750%
Selling and marketing	581	2,670	2,089	360%
General and administrative	230	2,418	2,188	951%
Total operating expenses	1,332	9,519	8,187	615%
Operating loss	(990)	(5,012)	(4,022)	406%
Interest and other income	—	27	27	—
Loss before income taxes	(990)	(4,985)	(3,995)	404%
Provision for income taxes	—	—	—	—
Loss from continuing operations	$ (990)	$(4,985)	$(3,995)	404%
Other Operating Data:				
Billable tests	966	6,852	—	609%

Revenue

Revenue increased $8.3 million, or 649%, in 2015 compared to 2014, primarily due to the increased number of billable tests delivered. The number of billable tests delivered increased from 966 in 2014 to 6,852 in 2015. The average price of the billable tests we delivered increased slightly in 2015 compared to 2014. Revenue from international customers accounted for 50% and 47% of total revenue in the years ended December 31, 2014 and 2015, respectively.

Cost of Revenue

Cost of revenue increased $4.1 million, or 442%, from 2014 to 2015. The increase was primarily due to increases of $1.7 million in equity-based compensation, which relates to grants of fully vested equity awards during the period, $1.2 million in reagents and supplies expenses, $687,000 in personnel costs related to

increased headcount and $233,000 in depreciation of laboratory equipment. Our gross profit increased $4.2 million between periods, primarily due to increased revenue, and our gross margin increased from 27% to 47% between periods primarily due to lower costs per test resulting from economies of scale.

Research and Development

Research and development expenses increased $3.9 million, or 750%, from 2014 to 2015, primarily due to a $3.2 million increase in equity-based compensation expense, which relates to grants of fully vested equity awards during the period, and a $546,000 increase in other personnel costs related to increased headcount.

Selling and Marketing

Selling and marketing expenses increased $2.1 million, or 360%, from 2014 to 2015, primarily due to a $1.6 million increase in equity-based compensation expense, which relates to grants of fully vested equity awards during the period, and a $402,000 increase in other personnel costs related to increased headcount.

General and Administrative

General and administrative expenses increased $2.2 million, or 951%, from 2014 to 2015, primarily due to a $1.7 million increase in equity-based compensation expense, which relates to grants of fully vested equity awards during the period, a $200,000 increase in outside professional service fees and a $131,000 increase in other personnel costs related to increased headcount.

Quarterly Results of Operations and Other Operating Data

The following table sets forth Fulgent LLC's unaudited quarterly statements of operations data for each of the five most recent quarters in the period ended March 31, 2016. We have prepared the quarterly data on a basis consistent with the audited consolidated financial statements included elsewhere in this prospectus. In the opinion of management, the quarterly information reflects all necessary adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of this data. This information should be read in conjunction with Fulgent LLC's consolidated financial statements and related notes included elsewhere in this prospectus. The results of historical periods are not necessarily indicative of results of operations for a full year or for any future period.

	Three Months Ended				
	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016
	(in thousands, except other operating data)				
Statement of Operations Data:					
Revenue	$1,588	$2,182	$2,905	$ 2,901	$3,440
Cost of revenue	653	772	918	2,726	1,304
Gross profit	935	1,410	1,987	175	2,136
Operating expenses:					
Research and development	217	252	312	3,650	561
Selling and marketing	234	243	280	1,913	301
General and administrative	79	168	215	1,956	1,889
Total operating expenses	530	663	807	7,519	2,751
Operating income (loss)	405	747	1,180	(7,344)	(615)
Interest and other income	20	—	—	7	13
Income (loss) before income taxes	425	747	1,180	(7,337)	(602)
Provision for income taxes	—	—	—	—	—
Income (loss) from continuing operations	$ 425	$ 747	$1,180	$(7,337)	$ (602)
Other Operating Data:					
Billable tests	1,141	1,621	2,052	2,038	2,428

Our quarterly operating results were materially affected by the inclusion of $8.2 million and $1.6 million of equity-based compensation expense in the quarters ended December 31, 2015 and March 31, 2016, respectively. Cost of revenue increases were directly related to the increase in the number of billable tests delivered during each of the quarters through March 31, 2016, as well as the effect of equity-based compensation expenses in the quarter ended December 31, 2015. Operating expenses, other than equity-based compensation expense, generally increased consistently with the growth of the business. Our expenditures in research and development, other than equity-based compensation expenses, were higher in the quarter ended March 31, 2016 because of the increased personnel costs related to the increase in headcount and the costs related to further development of our lab and testing expenses. Our general and administrative expenses, other than equity-based compensation expenses, increased as a result of increased outside professional service fees and headcount.

Liquidity and Capital Resources

Liquidity and Sources of Cash

Since inception, our operations have been financed primarily by our founder and Manager, Ming Hsieh. As of December 31, 2015 and March 31, 2016, we had $0.5 million and $1.0 million of cash, respectively.

In May 2016, we issued and sold 5,131,579 Class D-2 preferred units to Xi Long USA, Inc., or Xi Long, at a purchase price per unit of $2.9598 and for gross proceeds to us of approximately $15.2 million. Additionally, Xi Long purchased an aggregate of 10,263,158 units from certain of our members at a purchase price per unit of $1.1669, which we subsequently exchanged for 10,263,158 of our Class D-2 preferred units.

Our primary uses of cash are to fund our operations as we continue to grow and invest in our business. Cash used to fund operating expenses is impacted by the timing of when we pay expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

Our cash as of March 31, 2016 was $1.0 million. We believe that our existing cash as of March 31, 2016, along with the proceeds from the Xi Long financing and estimated net proceeds from this offering, will be sufficient to meet our anticipated cash requirements for at least the next 12 months. However, we may seek to raise additional capital through securities offerings, credit facilities or other debt financings, asset sales or collaborations or licensing arrangements. Additional funding may not be available to us when needed, on acceptable terms or at all. If we raise funds by issuing equity securities, our stockholders, including investors purchasing common stock in this offering, could experience substantial dilution. Additionally, any preferred equity securities we issue could provide for rights, preferences or privileges senior to those of our common stock and our issuance of additional equity securities, or the possibility of such an issuance, could cause the market price of our common stock to decline. The terms of debt securities issued or borrowings, if available, could impose significant restrictions on our operations, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely affect our ability to conduct our business, and would result in increased fixed payment obligations. In the event that we seek to sell assets or enter into collaborations or licensing arrangements to raise capital, we may be required to accept unfavorable terms or relinquish or license to a third-party our rights to important or valuable technologies or tests we may otherwise seek to develop ourselves. Moreover, we may incur substantial costs in pursuing future capital, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. If we are not able to secure additional funding when needed and on reasonable terms, we may be forced to delay, reduce the scope of or eliminate one or more research and development programs, selling and marketing initiatives or other growth plans. In addition, we may be forced to work with a partner on one or more aspects of our tests or market development programs, which could lower the economic value of these tests or programs to our company. Any such outcome could significantly harm our business, performance and prospects.

Cash Flows

Continuing Operations

The following table summarizes our cash flows from continuing operations for each of the periods indicated:

	Year Ended December 31,		Three Months Ended March 31,	
	2014	2015	2015	2016
	(in thousands)			
Cash provided by (used in) operating activities	$(1,084)	$ 2,026	$ 259	$ 892
Cash provided by (used in) investing activities	(731)	(2,030)	(370)	(177)

Operating Activities

Cash provided by operating activities in the three months ended March 31, 2016 was $892,000. The difference between net loss and cash provided by operations for the period was primarily due to the effect of $1.6 million of non-cash equity-based compensation charges associated with a fully vested equity award granted in January 2016. The cash provided by operations was affected by a $0.5 million increase in accounts payable offset by a $0.7 million increase in accounts receivable. Both increases were due to increased revenue, which required increased purchases. Cash provided by operating activities in the three months ended March 31, 2015 was $259,000. The difference between net loss and cash provided by operations for the period was primarily due to an increase in accounts receivable, which resulted from increased revenue.

Cash provided by operating activities in 2015 was $2.0 million. The difference between net loss and cash provided by operations for the period was primarily due to the effect of $8.2 million of non-cash equity-based compensation charges associated with fully vested equity awards granted in October 2015. The cash provided by operations was negatively affected by an increase in accounts receivable related to an increase in revenue. Cash used in operating activities in 2014 was $1.1 million, which primarily resulted from a net loss of $1.0 million and an increase in accounts receivable related to an increase in revenue.

Investing Activities

Cash used in investing activities in the three months ended March 31, 2016 was $177,000, which was primarily related to purchases of fixed assets consisting of computer hardware. Cash used in investing activities in the three months ended March 31, 2015 was $370,000, which was primarily related to purchases of fixed assets consisting of computer hardware and medical laboratory equipment.

Cash used in investing activities in 2015 was $2.0 million, which was primarily related to purchases of DNA sequencing equipment and reagent kits. Cash used in investing activities in 2014 was $731,000, which was primarily related to purchases of laboratory equipment and leasehold improvements.

Discontinued Operations

The following table summarizes our cash flows from discontinued operations for each of the periods indicated:

	Year Ended December 31,		Three Months Ended March 31,	
	2014	2015	2015	2016
	(in thousands)			
Cash provided by (used in) operating activities	$(3,313)	$(2,995)	$ (210)	$ (17)
Cash provided by (used in) investing activities	(49)	(175)	—	—

Financing Activities

Cash provided by financing activities in the three months ended March 31, 2016 was $0, compared to cash provided by financing activities in the three months ended March 31, 2015 of $500,000. Cash provided by financing activities in 2015 and 2014 was $3.5 million and $4.0 million, respectively. All of these amounts represent capital contributions received from Mr. Hsieh.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2015:

		Payments Due by Period			
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
		(in thousands)			
Operating lease obligations	$212	$ 92	$120	$ 0	—
Total	$212	$ 92	$120	$ 0	—

Our contractual obligations have not materially changed during the three months ended March 31, 2016.

Critical Accounting Policies and Use of Estimates

This management's discussion and analysis of our financial condition and results of operations are based on Fulgent LLC's financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make judgments and estimates that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the financial statements. We base our estimates on historical experience, known trends and events and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. On an ongoing basis, we evaluate our judgments and estimates in light of changes in circumstances, facts and experience. The effects of material revisions in estimates, if any, will be reflected in the financial statements prospectively from the date of change in the estimates.

While our significant accounting policies are described in more detail in the notes to the financial statements included in this prospectus, we believe the accounting policies discussed below used in the preparation of Fulgent LLC's financial statements require the most significant judgments and estimates.

Revenue Recognition

We generate revenue from sales of our genetic tests. We currently receive payments from: hospitals and medical institutions with which we have direct-bill relationships; individual patients; research institutions; and commercial third party payors.

We recognize revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred; (iii) the fee is fixed or determinable; and (iv) collectability is reasonably assured. Criterion (i) is satisfied when we have an arrangement or contract in place. Criterion (ii) is satisfied when we deliver a report to the ordering physician or test results to the research institution. Determination of criteria (iii) and (iv) are based on management's judgments regarding whether the fee is fixed or determinable, and whether the collectability of the fee is reasonably assured. We recognize revenue on a cash basis when we cannot conclude that either criterion (iii) or (iv) has been met.

Our test results are delivered electronically, and as such there are no shipping and handling fees incurred by us or billed to customers. Our sales are exempt from state sales taxation due to the nature of the results delivered. As a result, we do not charge customers state sales tax.

Equity-Based Compensation

We have included equity-based compensation as part of our cost of revenue and our operating expenses in our statements of operations as follows:

	Year Ended December 31, 2015	Three Months Ended March 31, 2016
	(in thousands)	
Cost of revenue	$ 1,673	$ —
Research and development	3,241	—
Selling and marketing	1,569	—
General and administrative	1,673	1,625
Total equity-based compensation expense	$ 8,156	$ 1,625

We also recorded equity-based compensation expense of $120,000 and $0 related to the Pharma Business for the year ended December 31, 2015 and three months ended March 31, 2016, respectively, which amounts are recorded in discontinued operations for the respective periods.

We account for equity-based compensation arrangements with our employees, consultants, and nonemployee directors using a fair value method, which requires us to recognize compensation expense for costs related to all equity-based payments. To date, our equity-based awards have included fully vested equity awards, including common units with profit interests thresholds (which we refer to in this discussion and analysis as “profits interests”), and grants of options subject to time-based vesting and exercisability restrictions related to a liquidity event or incorporation of our company, each as defined in the Company’s equity incentive plan under which the awards were granted. An incorporation will be deemed to have occurred upon completion of the Reorganization, at which time the options will become exercisable to the extent vested. The fair value method requires us to estimate the fair value of equity-based awards to employees and non-employees on the date of grant, and we have utilized the Black-Scholes option-pricing model. The fair value is then recognized as equity-based compensation expense over the requisite service period, which is typically the vesting period, of the award. For fully vested equity awards, the entire fair value is recognized as compensation expense in the period the award is made. Equity-based awards granted to non-employees are subject to periodic revaluation over their vesting term.

The Black-Scholes option-pricing model requires the input of subjective assumptions, including fair value of common units, expected unit price volatility, the expected term of options, assumed dividend rate, risk-free interest rate and forfeiture rate.

- *Expected Term*. The expected term represents the period that our equity-based awards are expected to be outstanding. We determined the expected term assumption based on the vesting terms, exercise terms and contractual terms of the options, and in the case of equity-based awards subject to a profits interest threshold, based on the estimated time to liquidity.
- *Risk-Free Interest Rate*. We determine the risk-free interest rate by using the equivalent to the expected term based on the U.S. Treasury yield curve in effect as of the date of grant.
- *Dividend Yield*. The assumed dividend yield is based on our expectation that we will not pay dividends in the foreseeable future, which is consistent with our history of not paying dividends.
- *Expected Volatility*. As a private company, we do not have sufficient history to estimate the volatility of the price of our common units or the expected term of our options. We calculate expected volatility based on historical volatility data of a representative group of companies that are publicly traded. We selected

representative companies with comparable characteristics to us, including risk profiles, position within the industry, and with historical equity price information sufficient to meet the expected term of the equity-based awards. We compute the historical volatility of this selected group using the daily closing prices for the selected companies' equity during the equivalent period of the calculated expected term of our equity-based awards. We will continue to use the representative group volatility information until the historical volatility of our common units is relevant to measure expected volatility for future option grants.

- *Forfeiture Rate*. We have early adopted Accounting Standards Update, or ASU, No. 2016-09, *Stock Compensation (Topic 718); Improvements to Employee Share-Based Payment Accounting*, and have elected to account for forfeitures as they occur.

We did not grant any equity-based awards prior to October 2015. For the year ended December 31, 2015 and the three months ended March 31, 2016, we estimated the fair value of options and profits interests at their respective grant dates using the following assumptions:

Options:

	Year Ended December 31, 2015	Three Months Ended March 31, 2016
Expected term (in years)	6.1	6.1
Risk-free interest rates	1.6%	1.4%
Dividend yield	0	0
Expected volatility	86.0%	95.5%

Profits Interests:

	Year Ended December 31, 2015 Employee
Expected term (in years)	2
Risk-free interest rates	0.6%
Dividend yield	0
Expected volatility	68.1%

There is a high degree of subjectivity involved when using option-pricing models to estimate equity-based compensation. There is not currently a market-based mechanism or other practical application to verify the reliability and accuracy of the estimates stemming from these valuation models, nor is there a means to compare and adjust the estimates to actual values. Although the fair value of equity-based awards is determined using an option-pricing model, this value may not be indicative of the fair value that would be observed in a market transaction between a willing buyer and willing seller. If factors change and we employ different assumptions when valuing our options, the compensation expense that we record in the future may differ significantly from what we have historically reported.

Determination of the Fair Value of Common Units on Grant Dates

We are a privately held company with no active public market for our common units. Therefore, in setting the exercise price for option awards and the participation threshold for profits interests, and for determining the financial reporting of such awards, our Manager considered valuations prepared by an independent third party.

The independent third party performed the valuations in a manner consistent with the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held Company Equity Securities Issued as

Compensation, also known as the Practice Aid. In conducting the valuations, we considered all objective and subjective factors that we believed to be relevant in each valuation conducted, including management's best estimate of our business condition, prospects and operating performance at each valuation date. Within the valuations, a range of factors, assumptions and methodologies were used. The significant factors included:

- the fact that we are a privately held company with illiquid securities;
- our stage of commercialization;
- the likelihood of achieving a liquidity event for our equity, such as an initial public offering, given prevailing market conditions;
- our historical operating results;
- valuations of comparable public companies;
- our discounted future cash flows, based on our projected operating results; and
- our capital structure, including the rights and preferences of our various classes of equity.

There are significant judgments and estimates inherent in these valuations. These judgments and estimates include assumptions regarding our future operating performance, stage of commercial growth, average selling price, continued penetration into hospital and medical institution customers, reimbursement from commercial third-party payors, the timing of a potential initial public offering or other liquidity event, and the determination of the appropriate valuation method at each valuation date. If we had made different assumptions, our equity-based compensation expense, income (loss) applicable to common unitholders, and income (loss) per unit applicable to common unitholders could have been materially different.

The valuations utilized the market approach, the income approach, or a combination of both. The market approach and the income approach are both acceptable valuation methods in accordance with the Practice Aid. There are three general methodologies under market approach:

- *Guideline Company Method*. This method involves the identification and analysis of publicly traded companies that are comparable to the subject company. Pricing multiples of the publicly traded companies are applied to representative financial metrics of the subject company.
- *Similar Transaction Method*. This method includes the identification of transactions in which the targets are comparable to the subject company. This method can also include identification of transactions completed by the most likely buyers in the subject company's industry. Transaction multiples from the identified transactions are applied to the representative financial metrics of the subject company.
- *Precedent Transaction Method*. By considering the sale price of equity in a recent financing, the equity value can be "backsolved" using an option pricing model that gives consideration to our capitalization structure and rights of the preferred and common equity holders.

Under the income approach, enterprise value can be estimated using the discounted cash flow, or DCF, method, which assumes:

- a business is worth today what it can generate in future cash to its owners;
- cash received today is worth more than an equal amount of cash received in the future; and
- future cash flows can be reasonably estimated.

The DCF analysis is comprised of the sum of the present value of two components: discrete period projected cash flows and a residual or terminal value.

Additionally, each valuation reflects a marketability discount, resulting from the illiquidity of our common units.

As provided in the Practice Aid, there are several approaches for allocating enterprise value of a privately held company among the securities held in a complex capital structure. The possible methodologies include the probability-weighted expected return method, or PWERM, the option-pricing method, or OPM, the current-value method, or a hybrid of the PWERM and the OPM, which is referred to as the hybrid method. Under the PWERM, equity is valued based upon the probability-weighted present value of expected future returns, considering various future outcomes available to us, as well as the rights of each class of equity. The OPM treats common equity and preferred equity as call options on the enterprise's value. The exercise prices associated with these call option vary according to the liquidation preference of the preferred equity, the preferred equity conversion price, the exercise prices of common equity options, and other features of a company's equity capital structure. The current-value method, which is generally only used for early stage companies, is based on first determining enterprise value using a market, income or asset-based approach, and then allocating that value to the preferred equity based on its liquidation preference or conversion value, whichever would be greater.

The valuation related to awards of Class D units granted in the year ended December 31, 2015 incorporated the income approach (Gordon Growth Analysis) and the market approach (Guideline Public Company Method) in determining value, and we applied 50% weight to each approach. For the valuation related to awards of Class D units granted in the quarter ended March 31, 2016, we incorporated the PWERM and utilized the market approach (Precedent Transactions Method) incorporating the Xi Long financing, applying a 20% discount for lack of marketability.

The valuation related to awards of Class P units granted in the year ended December 31, 2015, incorporated the market approach (Precedent Transactions Method), utilizing OPM to backsolve.

Recent Accounting Pronouncements

See Note 2 to Fulgent LLC's audited financial statements for the year ended December 31, 2015, included in this prospectus, for a description of recent accounting pronouncements.

The JOBS Act

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act. The JOBS Act provides that an emerging growth company may take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

The JOBS Act also provides that we may take advantage of reduced reporting requirements that are otherwise applicable to public companies, including, among others, the following:

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

We may take advantage of these reduced reporting requirements as an emerging growth company until the last day of our fiscal year following the fifth anniversary of the closing of this offering. However, if certain events occur prior to the end of such five-year period, including if we become a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or Exchange Act, our annual gross revenue exceeds $1.0 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to the end of such five-year period.

We have elected to take advantage of certain of these reduced reporting requirements in the registration statement of which this prospectus is a part and we may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our stockholders may be different than the information disclosed by other public companies that are not emerging growth companies.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the Securities and Exchange Commission, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks in the ordinary course of our business. We had cash of $0.5 million and $1.0 million as of December 31, 2015 and March 31, 2016, respectively, which consist of bank deposits. Such interest-bearing instruments carry a degree of risk; however, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial results.

Revenue from sales outside of the United States represented 45% and 47% of our revenue in 2015 and the three months ended March 31, 2016, respectively. As we continue to expand internationally, our results of operations and cash flows may increasingly become subject to fluctuations due to changes in foreign currency exchange rates. In periods when the U.S. dollar declines in value as compared to foreign currencies in which we incur expenses, our foreign-currency based expenses will increase when translated into U.S. dollars. In addition, future fluctuations in the value of the U.S. dollar may affect the price at which we sell our tests outside the United States. To date, our foreign currency risk has been minimal and we have not historically hedged our foreign currency risk; however, we may consider doing so in the future.

BUSINESS

Overview

We are a rapidly growing technology company with an initial focus on offering comprehensive genetic testing to provide physicians with clinically actionable diagnostic information they can use to improve the overall quality of patient care. We have developed a proprietary technology platform that integrates sophisticated data comparison and suppression algorithms, adaptive learning software, advanced genetic diagnostics tools and integrated laboratory processes. This platform allows us to offer a broad and flexible test menu while maintaining accessible pricing, high accuracy and competitive turnaround times. Combining next generation sequencing with our technology platform, we can perform full-gene sequencing with deletion/duplication analysis in single-gene tests, pre-established multi-gene panels and customized panels that can be tailored to meet specific customer needs. We believe our current test menu offers more genes for testing than our competitors in today's market, which enables expansive options for test customization and production of clinically actionable results. We launched our first commercial genetic tests in 2013 and by the first quarter of 2014, our tests covered more than 1,000 genes in 100 pre-established disease-specific panels. Since then we have expanded our test menu to offer more than 18,000 single-gene tests and more than 180 panels that collectively test for more than 7,500 genetic conditions, including various cancers, cardiovascular diseases and neurological disorders.

Genetic testing has experienced significant growth in recent years. As this trend continues, we believe genetic testing will become a more accepted part of standard medical care and the knowledge of a person's unique genetic makeup will begin to play a more important role in the practice of medicine. Genetic testing offers the possibility of early identification of a disease or a genetic predisposition to a disease. As a result, we believe widespread genetic testing could enable significant health improvements and healthcare cost reductions. Furthermore, we believe genetic testing and existing and future diagnostics tools will facilitate production of more comprehensive information that physicians can use to enhance disease prognosis and prediction, as well as pharmacogenomic purposes. According to GrandView Research, the global genetic testing market, including services, supplies and equipment, was valued at approximately $6.2 billion in 2014 and is expected to reach over $10.0 billion by 2022, and the market for genetic testing in the U.S. totaled approximately $2.2 billion in 2014 and is expected to reach over $3.4 billion by 2022.

While adoption of genetic testing has increased in recent years, we believe widespread utilization has been limited because many tests are prohibitively expensive, are produced through inefficient processes and often do not result in clinically actionable data. Through our technology, we have developed genetic tests designed to address these limitations and provide a robust platform for future growth. Key features of our technology platform are: proprietary gene probes we develop and manufacture that are engineered to interact with our software; data comparison algorithms that allow for the efficient comparison of DNA sequences to publicly available databases and our proprietary reference library of genetic information; data suppression algorithms that reduce irrelevant noise in the genetic data we collect; internally developed and adaptive learning software supporting our reporting systems; and integrated laboratory information management systems that allow us to efficiently manage workflow, monitor quality and ensure the fidelity of information generation and analytics for reporting. This technology platform allows us to deliver comprehensive, adaptable, clinically actionable and affordable genetic analysis while maintaining a low cost per billable test, enabling us to efficiently meet customer needs with the latest genes, panels and custom offerings. We believe our technology platform provides a sustainable competitive advantage in genetic testing today and as we implement new diagnostic tools in the future.

We believe we are well-positioned to succeed in today's market because our technology platform has enabled us to develop a test menu that we believe produces more actionable results than available alternatives. A retrospective study conducted by the USC Norris Comprehensive Cancer Center of 475 individuals with a personal or family history of cancer who had undergone a clinically indicated multi-gene panel test from one of six commercial laboratories found that multi-gene panel testing increases the yield of mutations detected and adds to the capability of providing individualized cancer risk assessment. In the study, of the 17 Fulgent tests

evaluated in the study, approximately 35% identified a genetic mutation compared to an average of approximately 17% of the other commercial laboratories' tests. We believe our tests' comprehensive data output and improved detection rate, both made possible by our expansive genetic coverage, provide physicians with information they can readily incorporate into treatment decisions for their patients, which we refer to as clinical actionability. In addition, our technology platform enables us to perform customized genetic tests using our expansive library of genes, and we believe this flexibility increases efficiency and the utility of the genetic data we produce. We have generated growing demand for our tests with relatively little marketing efforts to date, which we believe demonstrates the advantages of our offering compared to other available testing alternatives.

Our existing customer base consists primarily of hospitals and medical institutions, which are frequent and high-volume users of genetic tests and which typically pay us directly for our tests. We believe our relationships with these customers provide an avenue for further growth as we seek to deepen these relationships and drive increased ordering. We believe the key to further penetrating our existing customer base and expanding into new customer markets is to continue to focus on delivering a superior test menu while maintaining affordable prices. In order to offer our customers affordable price points, we continue to enhance our technology platform to develop tests that we can perform at a low internal cost.

Our headquarters are located in Temple City, California, where we have our corporate offices and a CLIA-certified, CAP-accredited and CA DPH-licensed laboratory where we receive tissue specimens and perform genetic tests. We offer tests at competitive prices, averaging approximately $1,400 per billable test delivered in the first quarter of 2016, and with competitive turnaround times. Our volume has grown rapidly since commercial launch, with over 10,000 billable tests delivered to over 500 customers as of March 31, 2016. We delivered 6,852 billable tests in 2015 compared to 966 billable tests delivered in 2014, and we delivered 2,428 billable tests in the first quarter of 2016 compared to 1,141 billable tests delivered in the first quarter of 2015. We have experienced 21% compound quarterly growth in the number of billable tests delivered from the first quarter of 2015 through the first quarter of 2016. Further, approximately 86% of our test billings which were generated and due in 2015 were paid during that period. We recorded revenue and net loss of $9.6 million and $8.3 million in 2015, respectively, and revenue and net loss of $3.4 million and $0.5 million in the first quarter of 2016, respectively.

We have assembled a highly qualified team of approximately 50 employees as of March 31, 2016. Our team includes personnel with expertise in a number of fields important to our business, including bioinformatics, genetics, software engineering, laboratory management and sales and marketing. We have relied upon this team to develop our proprietary technology platform and differentiated business model, which we believe have driven our commercial success to date and provide us with significant opportunity for future growth.

Genetic Testing Industry

Overview

Genetic testing identifies mutations in genes or chromosomal abnormalities to confirm or rule out a suspected genetic condition or to evaluate a person's likelihood of developing a genetic condition. For example, a person displaying symptoms of one or more conditions could use genetic testing to determine or confirm a diagnosis, which can be especially useful for conditions that are difficult to diagnose. Further, a person with a family history of a particular condition, such as breast cancer, could use genetic testing to predict the likelihood of developing the condition. For instance, a mutation in the BRCA1 gene indicates an estimated 84% cumulative risk of developing breast cancer by age 70. The results of genetic testing can also be used to improve the selection and implementation of drug programs targeting specific diseases.

The availability and accessibility of genetic testing has grown significantly in recent years, due in large part to improvements in testing technologies that have driven costs down. The National Institutes of Health gene testing registry includes over 400 genetic testing companies and, as of June 6, 2016, genetests.org estimates that over 4,600 disorders can be identified via genetic testing. Due to the continued expansion of testing availability

and accessibility, a growing and aging population and the increasing overall incidence of disease, among other factors, the global market for genetic testing is expected to grow significantly. According to GrandView Research, the global genetic testing market, including services, supplies and equipment was valued at approximately $6.2 billion in 2014 and is expected to reach over $10.0 billion by 2022, and the market for genetic testing in the U.S. totaled approximately $2.2 billion in 2014 and is expected to reach over $3.4 billion by 2022.

The process for conducting a genetic test begins with the extraction of genomic DNA from a tissue specimen collected and provided by an ordering physician. The extracted DNA is then sequenced using various equipment and other tools depending on the nature of the test. For instance, tests relying upon next generation sequencing technology use NGS sequencers and associated reagents to sequence DNA. Additionally, gene probes are an important tool used in the sequencing process. A gene probe is a single strand of DNA that has a base sequence complementary to the base sequence of a targeted gene. During the sequencing process, gene probes are introduced and will bind to the complementary base sequence, identifying the presence and location of the gene. After the DNA is sequenced using all appropriate equipment and tools, the fully sequenced genes are analyzed in a process known as curation, in which every DNA sequence is aligned with a known reference sequence and differences between the DNA sequence and the reference sequence are identified. These differences, which represent potential genomic alterations, are then compared to publicly available sources and proprietary genetic libraries to identify pathogenic alterations associated with disease or disease risk. The data produced by this sequencing and analysis is then synthesized into a report that is delivered to the ordering physician.

The genetic testing market is characterized by several testing methods based on different techniques, including microarray-based genomic tests and NGS tests. Microarray-based genomic tests are used to measure the expression levels of large numbers of genes simultaneously. Although microarray technologies are older than NGS technologies, the market for these tests continues to be significant, totaling approximately $960 million, or 15.4% of the overall market, in 2014, according to GrandView Research. NGS technology, a relatively new genetic testing technique, has dramatically improved genetic testing by enabling millions of DNA fragments to be sequenced in parallel. As the cost of NGS testing continues to decline and the performance of NGS testing continues to improve, the availability and demand for genetic tests is expected to continue to accelerate. Of the global genetic testing market, GrandView Research estimates that NGS testing constituted 8.1% in 2014 and is projected to constitute 24.5% by 2022, making it the fastest growing type of genetic testing currently available. Furthermore, with the innovations in genomic medicine in recent years and the expected further advances in this area in the near term, pharmacogenomics, the practice of selecting and implementing drug treatment programs based on genetic information, is expected to continue to grow.

Industry Challenges

While adoption of genetic testing has increased in recent years, we believe widespread utilization has been restrained in large part because of certain barriers to adoption that exist in today's market, including:

- **Genetic testing may be prohibitively expensive.** The price of a genetic test can range from $300 to more than $9,000, depending on the nature and complexity of the test, and the overall price increases if more than one test is necessary or if multiple family members must be tested to obtain a meaningful result. While the price of genetic testing has decreased over time, prices remain significant enough that many payors and physicians limit the scope of genetic tests to only those conditions for which the test has direct clinical application, rather than performing a more thorough genetic evaluation of a patient's health.
- **Only a limited number of genetic tests are currently reimbursable.** In today's market, third-party payors generally restrict the reimbursement of genetic testing to a limited subset of genetic tests and only for those patients that meet specific criteria. This lack of widespread favorable reimbursement policies has contributed to slower adoption of genetic testing by a broad market and has presented a challenge for genetic testing companies in building sustainable business models.

- **Certain genetic conditions cannot be diagnosed due to the limited scope of genetic analysis.** It is estimated that there are 10,000 human diseases that are caused by single-gene mutations within the human genome, which consists of approximately 25,000 genes. Genetic testing laboratories that offer tests covering a limited set of genes may not be capable of diagnosing or identifying a predisposition to a disease that is caused by mutations in genes that are not included in the set that is analyzed.
- **Genetic testing can be an inefficient process.** The genetic testing process can be inefficient due to sequential retesting that can involve multiple companies and continue for extended periods. UnitedHealth Group estimates that there are 1,000 to 1,300 genetic tests currently available; however, many of these tests are not sufficiently comprehensive in their gene coverage to identify the genetic mutations. Additionally, many laboratories offer only a small subset of the available tests and a physician may be forced to submit specimens to multiple laboratories in order to obtain all of the desired genetic information for a patient. Moreover, many genetic tests are specific to a single disease, which has created a sequential retesting process—often called a diagnostic odyssey—in cases where initial tests return negative results or where patients require testing for more than one condition. These challenges are further exacerbated by long and unpredictable turnaround times associated with each test, which limit clinical applicability of genetic testing for patients in need of time-sensitive treatment.
- **The interpretation of genetic test results can be cumbersome and time-consuming.** The scientific curation of individual genetic disorders, genes and variants is relatively new and rapidly evolving. Although genetic tests are available to assist in the diagnosis or treatment planning of thousands of disorders, the implications of gene mutations are subject to substantial uncertainty due to a number of factors. Genetic curation has historically been done manually through the review of information from the broader scientific community to understand the implications of variants that have been identified in a genetic test. This process is often performed through a time-consuming search of biomedical literature that does not have standard nomenclature or expression, is subject to individual interpretation of data from genetic analyses and literature and often includes outdated, incomplete or otherwise flawed information. As a result, functional predictions based on simple categorization of gene variations can be limited and interpretation of genetic test results can be cumbersome and time-consuming, especially when the scope of the test is narrowed to a few selected genes.

We believe a significant market exists for a genetic testing option that provides broad genetic coverage and the flexibility to customize tests for individual patient needs, while maintaining accuracy and affordability.

Our Technology Platform

We have approached the competitive and operational challenges of our industry by building a multi-faceted technology platform. Through this technology-driven approach, we have developed a system of proprietary tools and processes that we believe enable us to overcome many of the challenges facing our industry today. The key features of our technology platform include:

- **Proprietary gene probes.** All genetic testing providers use gene probes in the sequencing process to extract and target specific genomic regions, and many companies obtain these probes from third-party suppliers. We have developed technologies to design and formulate proprietary gene probes that, when combined with our proprietary genetic reference library and publicly available genetic databases, support our ability to sequence DNA regions that we believe laboratories using commercial probes cannot and improve the detection rate of our test data. In turn, we believe this enables us to produce clinically actionable results physicians can use to improve care for their patients. Our proprietary gene probes are specifically engineered to generate genetic data that is optimized for our software, which enables us to rapidly incorporate new genes into our test menu, develop new panels of disease-specific tests and customize tests for our customers. Moreover, once we develop a probe for a new gene, we can efficiently reproduce, validate and assure the quality of that probe under CLIA and CAP guidelines, which allows us to continuously and rapidly expand our library of genetic content while increasing the breadth of our test

menu. Additionally, we believe our probes more effectively enrich the targeted genes to improve the quality of the sequenced data we produce.

- **Advanced database algorithms.** We have developed proprietary database comparison and data suppression algorithms to improve and simplify the curation process by highlighting identified pathogenic mutations. Our advanced database comparison algorithms measure DNA sequences from patient specimens against genetic data available from the broader scientific community and our own proprietary reference library of genetic information, which enables us to rapidly and effectively detect pathogenic mutations. Our advanced data suppression algorithms reduce irrelevant noise in the genetic data we analyze to improve the efficiency and speed of the data analysis while reducing the need for manual curation.
- **Adaptive learning software.** We have developed software that automatically incorporates the data from each completed test into our expansive genetic reference library, enabling it to continuously evolve and support the improvement of our gene probes. This software leverages the capabilities of our gene probes to improve the speed and effectiveness of curation and reporting. Our adaptive learning software also communicates with our integrated laboratory systems, which leads to increasing efficiency and effectiveness.
- **Proprietary laboratory information management systems.** We have developed proprietary laboratory information management systems that are highly integrated with our laboratory processes and adaptive learning software. These systems provide the backbone by which we efficiently manage workflow, monitor quality and ensure the fidelity of information generation and analytics for reporting to our customers. The result is a highly connected platform that allows us to process tests and information in an efficient manner. Our talented team of software engineers continuously iterates with our laboratory and customer-facing personnel to improve the efficiencies of these systems.

Our Solution

The benefits provided by our technology platform include the following:

- **Low cost per billable test.** We have developed various proprietary technologies that improve our laboratory efficiency and reduce the costs we incur to perform our tests. Our technology platform enables us to perform each test and deliver its results at a lower internal cost than many of our competitors, averaging approximately $537 per billable test delivered in the first quarter of 2016. This low cost per billable test allows us to maintain affordable pricing for our customers, averaging approximately $1,400 per billable test delivered in the first quarter of 2016, which we believe encourages repeat ordering from existing customers and attracts new customers. We believe our low cost per billable test will also facilitate the process for establishing reimbursement from third-party payors at a level adequate for us to achieve profitability with this payor group.
- **Broad and flexible test menu.** We offer single-gene tests on over 18,000 genes, which, to our knowledge, is thousands more than any of our competitors' portfolios. We believe the breadth of genes in our portfolio allows us to provide more comprehensive genetic information and improves our variant detection rate, which can increase the clinical actionability of the data we produce. The breadth of genes in our portfolio also allows us to provide a flexible and customizable test menu for our customers that can reduce sequential retesting. We offer single-gene tests on all genes in our portfolio, as well as deletion/duplication analysis and site specific tests. If customers desire a broader test, we offer more than 180 pre-established panels that focus on various genetic conditions. These panels can be adjusted up or down to include more or fewer genes, or customers can design their own panels to their exact specifications. We also offer clinical and full gene exome testing options. We offer our tests at different price points and turnaround times depending on the size and complexity of the test, which increases optionality for our customers. We believe the flexibility of our offering improves the efficiency and utility of the data output by our tests and decreases overall customer costs. We also offer our customers access to our highly qualified genetic counselors and laboratory experts to assist in interpreting the data we provide, which further increases the utility of our test results for ordering physicians.

- **Expansive and growing genetic library.** Using our proprietary gene probes and testing processes, we are able to capture large amounts of genetic information per test—oftentimes more than is ordered for the test—without an incremental increase in our costs. Through this data collection process, we have developed a proprietary reference library of expansive genetic information. This reference library is automatically curated by our adaptive learning software and supplemented with manual curation by our team of highly trained professionals, which supplements and improves upon the information available in public genetic databases. This software allows us to leverage publicly available information from the broader scientific community with our internally developed reference library to develop what we believe is a more reliable catalog of genetic information and to accelerate, standardize and improve our reporting process.

The benefit of including multiple genes on a single panel was recently discussed in a study published by the USC Norris Comprehensive Cancer Center in *Cancer Genetics*. The study retrospectively evaluated 475 individuals with a personal or family history of cancer who had undergone a clinically indicated multi-gene panel test of six to 110 genes from one of the following six commercial laboratories: Myriad Genetics (n=354), Ambry Genetics (n=100), Fulgent (n=17), University of Washington Genetics Laboratory (n=2), City of Hope Molecular Diagnostics (n=1) and Baylor Genetics Laboratory (n=1). The study concluded that multi-gene panel testing increases the yield of mutations detected and adds to the capability of providing individualized cancer risk assessment. More specifically, the study reported that deleterious mutations were identified in 15.6% of patients tested on a variety of multi-gene panels, which included 8.6% of patients who would not have a mutation detected if a targeted gene-by-gene-approach had been used. The study also commented that it observed evidence that as the number of genes on a panel increased, there was a higher proportion of panels identifying a mutation. The Fulgent panels evaluated in the study contained over 100 genes compared to less than 30 genes in the next highest panel. Additionally, approximately 35% of our panels identified a genetic mutation, and in comparison, the test with the next highest percentage of detected mutations identified mutations in approximately 17% of its tests.

Our Strategy

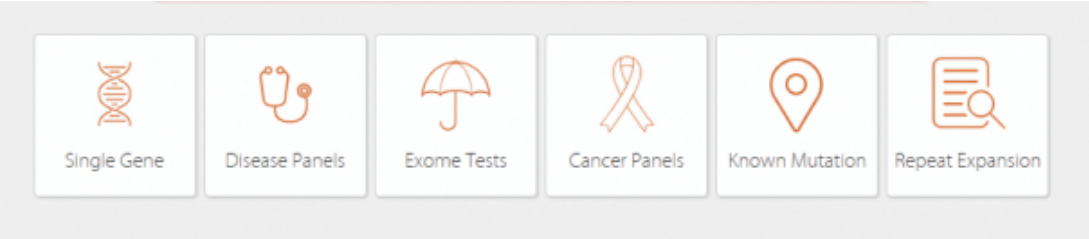
We aim to be a leading provider of genetic information and other diagnostic tools to physicians for disease prediction and prognosis, as well as pharmacogenomic purposes. Our strategy for long-term growth is to focus on the following key drivers of our business:

- **Grow our customer base.** Our existing customer base consists primarily of hospitals and medical institutions, which are frequent and high-volume users of genetic tests. We believe we must expand our customer base laterally and vertically to achieve our desired growth. We are seeking to grow our customer base laterally by acquiring new hospital and medical institution customers and by expanding into additional customer groups, such as individual physicians and other practitioners, as well as research institutions. To achieve this lateral customer growth, we plan to increase our direct sales force and to invest in our sales and marketing efforts, including efforts to obtain coverage and adequate reimbursement for our tests. Our vertical customer growth strategy focuses on more deeply penetrating our relationships with existing and new customers to increase the volume of tests they order. We plan to achieve this vertical customer growth by continuing to broaden our test menu and by educating the medical community about the benefits of our genetic tests and genetic testing in general.
- **Broaden our test menu.** We intend to continue to expand our test menu to include more options and cover more genes. For example, we recently launched our first *Focus* and *Comprehensive* panels, which are designed to offer customers an efficient ordering process for comprehensive and customizable tests at an attractive price. Our first *Focus* and *Comprehensive* panels are focused on oncology, and we intend to launch additional panels targeting other areas, including cardiology and pediatrics, all of which represent large genetic testing markets in which we believe our comprehensive and flexible tests will be competitive. Further, we plan to launch a new test that uses NGS technology to produce results similar to microarray-based genomic tests, which we anticipate will expand our potential customer market to include users of these tests. We believe offering a broad and flexible test menu will appeal to potential customers and increase our revenue potential.

- **Globalize our business.** Approximately 47% and 45% of our revenue came from non-U.S. customers in 2015 and the first quarter of 2016, respectively, and we aim to increase this volume in the near term. We believe there is a large potential for growth of genetic testing in many international markets due to the presence of high unmet diagnostic and predictive testing needs, rapidly rising healthcare expenditures and patient awareness of NGS technologies. We plan to engage distributors or establish other types of arrangements, such as joint ventures, in an effort to expand our presence and test volume in new geographic markets, including Europe and Asia.
- **Maintain our low-cost operations.** Our low costs for each test we perform allows us to provide customers with actionable genetic information at an accessible price. In order to maintain the low costs we incur to perform our tests and, in turn, the affordability of our tests for our customers, we plan to continue to improve our internal processes, increase their scalability and implement additional automation procedures to further increase efficiencies. As our business grows, we believe our investment in these processes and procedures will allow us to achieve further cost advantages in our specimen collection, genetic testing, report preparation and customer service functions.
- **Develop relationships with payors by focusing on established genetic testing markets.** In order to effectively market our tests to non-hospital customers, we intend to pursue coverage and adequate levels of reimbursement from third-party payors. As part of our strategy for obtaining adequate reimbursement for our tests, we intend to increase our focus on established genetic testing markets, including primarily oncology, cardiology and pediatrics. We believe this approach will enable us to develop relationships with third-party payors in connection with tests for which coverage and reimbursement are well-established, which we anticipate will allow us to demonstrate the benefits of our platform and improve the reimbursement profile for many of the other genetic conditions covered by our broad test offering. Further, we believe our low cost per billable test will enhance our ability to compete effectively in, and our flexibility in approaching, the third-party payor market.
- **Pursue additional opportunities in pharmacogenomics and drug discovery.** We plan to pursue relationships with pharmaceutical companies to deepen our opportunities in pharmacogenomics and drug discovery. We expect that we will attract pharmaceutical partners with our comprehensive reference library of genetic information, which allows us to aggregate the role genetic variations play in diseases and drug responses. We believe pharmaceutical companies could use our reference library to enhance clinical trial design, identify novel gene targets, support precision medicine strategies and improve existing or develop new targeted drug therapies. In addition, we intend to pursue relationships with research institutions, which use genetic tests to find unknown genetic disease relationships, learn how genes work, advance current knowledge about genetic conditions and other research purposes. Like hospitals, research institutions can be frequent and high-volume users of genetic tests, and we believe these users represent a potentially large customer market for our tests.
- **Leverage our technology platform into other diagnostic modalities.** We believe genetic testing and other existing and future diagnostic tools will facilitate production of more comprehensive information to physicians, enabling enhanced disease prognosis and prediction, as well as pharmacogenomic purposes. We have constructed our technology platform to be highly adaptive and scalable, which could allow us to apply it to other types of diagnostic tools in the future. We could use these tools to analyze other components of biology in addition to DNA, which may include RNA, proteins and metabolic systems. By utilizing a complement of diagnostic tools with our highly adaptive technology platform, we believe we will be able to develop new tests in the future that further enhance our offering. We may also seek to expand our business through opportunistic acquisitions, investments, collaborations or other strategic relationships in order to enhance our tests, enter new geographical or other markets or leverage our existing capabilities, among other things.

Our Genetic Tests

Our offering consists of the following types of full-gene sequencing and deletion/duplication analysis:



Our customers have a high degree of choice when selecting a test from our menu. A customer may select a single-gene test of any of the more than 18,000 genes in our portfolio. A customer may also select one of our more than 180 disease panels, which are designed to test for particular genes and mutations within these genes that relate to a wide range of conditions and diseases. For example, our *Focus* and *Comprehensive* oncology panels test 28 genes and 124 genes, respectively, that relate to various cancers. We also offer whole exome and clinical exome panel tests, which test all genes and up to 4,616 genes located in the exome, respectively, and produce results that we combine with the individual's unique clinical presentation and family history to enhance the clinical relevance of the results. Our whole exome and clinical exome tests also include the option for Trio testing, which involves sequencing the genes of a patient's parents and is thought to enhance the utility of the test results. We also provide customers known mutation testing, which can be used to target familial specific or other desired mutations, as well as repeat expansion testing, which tests for a particular type of mutation known as "copy choice" DNA replication. Importantly, all of our pre-established panels are completely customizable, offering customers the ability to add up to 20 additional genes to, or remove any number of genes from, any of these panels when ordering, at no additional cost.

Our Customers

Since inception, we have sold our tests to over 500 total customers. We typically consider each single billing and paying unit to be an individual customer, even through the unit may represent multiple physicians and healthcare providers ordering tests. We have primarily sold our tests to hospitals, including children's hospitals, and medical institutions. We have approached the genetic testing market with a focus on these customers in part because they are frequent and high-volume users of genetic tests. We believe this customer base provides a meaningful opportunity for further growth by vertically deepening these relationships to drive increased ordering. Additionally, collection of billings from these institutional customers is more attainable than other types of customers in today's reimbursement environment. Approximately 86% of our test billings which were generated and due in 2015 were paid during that period. In addition, we believe hospitals and medical institutions are early adopters of NGS technology and could influence broader clinical acceptance of genetic testing as a predictive, diagnostic and pharmacogenetics tool due to their influential position in the medical community. As a result, we have pursued and attained as customers many hospitals and medical institutions that we believe are recognized leaders in the medical field, including the following representative list of some of our top 50 hospital and medical institution and children's hospital customers by number of billable tests in the first quarter of 2016:

Hospitals and Medical Institutions	Children's Hospitals
Dartmouth-Hitchcock Medical Center	Alberta Children's Hospital
Harbor-UCLA Medical Center	Arkansas Children's Hospital
Kaiser Permanente	Children's Hospital Colorado
Loma Linda University Medical Center	Children's Hospital Oakland
LSU Health Sciences Center Shreveport	Children's Hospital of Orange County
Mayo Clinic	Children's Hospital of Philadelphia
McGill University Health Centre	Children's Mercy Hospital
Royal University Hospital	Cincinnati Children's Hospital Medical
UC Davis Medical Center	John Hopkins All Children's Hospital, Inc.
Vanderbilt University Medical Center	Rady Children's Hospital—San Diego

We intend to expand our reach laterally to include new customer groups, such as individual physicians and other practitioners, as well as research institutions, as we increase our focus on our sales and marketing activities, including our efforts to obtain adequate reimbursement for our tests. Additionally, the majority of our business to date has been from U.S. customers, with approximately 50%, 53% and 55% of our total revenue generated from sales to U.S. customers in 2014, 2015 and the first quarter of 2016, respectively. We intend to grow our non-U.S. customer base in the near-term by engaging international distributors or establishing other types of arrangements, such as joint ventures, to cover new geographic markets.

Generally, our customers can be divided into three categories based on the party from which we receive payment: hospitals and medical institutions, patients and third-party payors. Hospitals and medical institutions are responsible for paying for the vast majority of the tests we have delivered since our inception. We bill these organizations for our tests and they are responsible for paying us directly and either billing their patients separately or obtaining reimbursement from third-party payors in connection with a patient's diagnosis related group. A small percentage of our customers are patients, whose physicians order our tests and the patients elect to pay for the tests themselves with out-of-pocket payments. Third-party payors, which consist of private health insurers and CMS, have been responsible for paying for a small number of the tests we have delivered to date; however, as we seek to expand our customer base to include more individual practitioners, we expect this category of payors will be responsible for many of the tests we deliver to these customers. To date, we have not yet obtained any coverage policies specific to our tests. We recently contracted with one health plan to provide diagnostic laboratory services to its members and enrolled as a supplier in the Medicare program.

Third-party payors require us to identify the test for which we are seeking reimbursement using a Current Procedural Terminology, or CPT, code set maintained by the American Medical Association, or AMA. Where

we offer a multi-gene panel and there is no CPT code for the full panel but the panel includes a gene for which the AMA has an established CPT code, we identify the test provided under that CPT code when billing a third-party payor for that test. In cases where there is not a specific CPT code, our test may be billed under a miscellaneous code for an unlisted molecular pathology procedure. Because this miscellaneous code does not describe a specific service, the insurance claim must be examined to determine what service was provided, whether the service was appropriate and medically necessary, and whether payment should be rendered, which may require a letter of medical necessity from the ordering physician. Given the changing CPT coding environment and our development of relationships with third-party payors, our practices regarding billing these payors may change in the future.

Sales and Marketing

We currently operate with a lean sales team consisting of sales and marketing experts who are highly trained and educated about the complexities of our tests. Because our sales and marketing personnel serve as a primary interface between our company and many of our customers, we believe the power of this team is directly correlated to its breadth and depth of understanding of our technologies, our offering and the advantages of each. As a result, we expect to invest time and capital in aggressively growing our sales force and delivering rigorous training to these personnel. Our sales and marketing team consisted of four individuals as of March 31, 2016 and we plan to double this number by the end of 2016. We have experienced our sales to date largely through organic growth of our customer base and in spite of our small marketing presence, which we believe demonstrates the value of our tests and the power of word-of-mouth communication among current and potential future customers as a marketing tool.

Our sales and marketing strategy is designed to expand our brand awareness, laterally grow our customer base and vertically penetrate our relationships with existing customers by educating the medical community, including existing and potential future customers, about the benefits and the full scale of our offering. These marketing activities include working with medical professional societies to promote awareness of the benefits of our tests and genetic testing in general, presenting at medical conferences and scientific meetings and pursuing publication in medical and scientific journals. In addition, we conduct email advertising campaigns to existing and potential future customers when we want to send a specific message about our company and our brand, including, for instance, when we launch new tests or new test options, such as our *Focus* and *Comprehensive* oncology panel tests launched in the first quarter of 2016, and when we add new genes to our test menu.

Our sales and marketing strategy is also focused on offering differentiated and highly available customer service resources, which we believe is an important factor in maintaining and deepening our customer relationships. Genetic tests are highly complex by nature and we recognize that our customers may want to discuss with us available testing options, specimen collection requirements, expected turnaround times, the cost of the test and the clinical reports we produce. As a result, we offer comprehensive customer service designed to enable efficient ordering and increase the accessibility of our clinical reports. We strive to answer phone calls directed to our customer service team with a person, not an auto-attendant, and to provide physicians with the answers they need on their first contact with us. Additionally, all of the reports we produce are accessible by our customers online via an encrypted web portal, allowing our customers flexibility in viewing their reports and seamless access to our customer service resources.

Our Suppliers

We rely on a limited number of suppliers, and, in some cases, sole suppliers, for certain laboratory reagents, sequencers and other equipment and materials that we use in our laboratory operations. We rely on Illumina, Inc. as the sole supplier of our next generation sequencers and associated reagents and as the sole provider of maintenance and repair services for these sequencers. Our laboratory operations would be interrupted if we encounter delays or difficulties in securing these reagents, sequencers or other equipment or materials or if we need a substitute for any of our suppliers and are not able to locate and make arrangements with an acceptable substitute.

Competition

Our competitors include dozens of companies focused on molecular genetic testing services, including specialty and reference laboratories that offer traditional single-gene and multi-gene tests. Principal competitors include companies such as Ambry Genetics, Inc.; Counsyl; Foundation Medicine , Inc.; GeneDx, a subsidiary of OPKO Health, Inc.; Invitae Corporation; Myriad Genetics, Inc.; and Pathway Genomics Corporation, as well as other commercial and academic laboratories. In addition, other established and emerging healthcare, information technology and service companies may develop and sell competitive tests, which may include informatics, analysis, integrated genetic tools and services for health and wellness.

Additionally, participants in closely related markets, such as prenatal testing and clinical trial or companion diagnostic testing, could converge on offerings that are competitive with the type of tests we perform. Instances where potential competitors are aligned with key suppliers or are themselves suppliers could provide such potential competitors with significant advantages. Further, hospitals, research institutions and eventually individual physicians and other practitioners may also seek to perform at their own facilities the type of genetic testing we would otherwise perform for them. In this regard, continued development of, and associated decreases in the cost of, equipment, reagents and other materials and databases and genetic data interpretation services may enable broader direct participation in genetic testing and analysis and drive down use of third-party testing companies such as ours. Moreover, the biotechnology and genetic testing fields continue to undergo significant consolidation, permitting larger clinical laboratory service providers to increase cost efficiencies and service levels, resulting in more intense competition.

We believe the principal competitive factors in our market are:

- breadth and depth of genetic content;
- flexibility of test customization;
- quality of results;
- accessibility of results;
- price of tests;
- turnaround time;
- customer service;
- coverage and reimbursement arrangements with third-party payors;
- convenience of testing; and
- brand recognition.

We believe we compare favorably with our competitors on the basis of these factors. However, many of our existing and potential future competitors have longer operating histories, larger customer bases, greater brand recognition and market penetration, substantially greater financial, technological and research and development resources and selling and marketing capabilities and considerably more experience dealing with third-party payors. As a result, they may be able to respond more quickly to changes in customer requirements or preferences, devote greater resources to the development, promotion and sale of their tests, devote more resources to and obtain more favorable results from third-party payors regarding coverage and reimbursement for their offerings, adopt more aggressive pricing policies for their tests, secure supplies from vendors on more favorable terms or devote substantially more resources to infrastructure and systems development. In addition, competitors may be acquired by, receive investments from or enter into other commercial relationships with larger, well-established and well-financed companies as use of NGS for clinical diagnosis and preventative care increases. Further, companies or governments that effectively control access to genetic testing through umbrella contracts or regional preferences could promote our competitors or prevent us from performing certain tests in certain territories. We may not be able to compete effectively against these organizations.

Research and Development

We have assembled a highly qualified team with expertise in bioinformatics, genetics, software engineering, laboratory management and sales and marketing, including 25 individuals with a PhD or other advanced degree. We rely upon this team to conduct all of our research and development activities, including efforts to develop and curate our expansive library of genetic information and further develop our technology platform. Our research and development expenses were $0.5 million, $4.4 million and $0.6 million in 2014, 2015 and the first quarter of 2016, respectively.

Intellectual Property

We rely on a combination of unregistered intellectual property rights, including trade secrets, common law trademarks and customary contractual protections, to protect our core technology and intellectual property.

Trade Secrets

We rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain and develop the competitive position afforded by many of our laboratory, analytic and business practices. For example, significant elements of our genetic tests and our testing process, including aspects of specimen preparation, bioinformatics algorithms and related processes and software, are based on unpatented trade secrets and know-how. We try to protect trade secrets and know-how by taking reasonable steps to keep them confidential, including entering into nondisclosure and confidentiality agreements with parties who have access to them, such as our employees and certain third parties, and entering into invention assignment agreements with our employees and consultants that obligate them to assign to us any inventions developed in the course of their work for us.

Trademarks

We rely on unregistered common law trademark rights under applicable U.S. and foreign law to distinguish and/or protect our tests and our brand, including our company name and logo.

Regulation

CLIA

As a clinical laboratory, we are required to hold certain federal licenses, certifications and permits to conduct our business. In 1988, Congress passed CLIA, which establishes quality standards for all laboratory testing designed to ensure the accuracy, reliability and timeliness of patient test results. Our Temple City, California laboratory is CLIA-certified and accredited by CAP, a CLIA-approved accrediting organization.

Under CLIA, a laboratory is any facility that performs laboratory testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention or treatment of disease or the impairment or assessment of health. CLIA requires that we hold a certificate applicable to the type of laboratory examinations we perform and that we comply with various standards with respect to personnel qualifications, facility administration, proficiency testing, quality control and assurance and inspections. Laboratories must register and list their tests with CMS, the agency that oversees CLIA, and CLIA compliance and certification is a prerequisite to be eligible to bill government payors and many private payors for our tests. CLIA is user-fee funded, such that all costs of administering the program must be covered by the regulated facilities, including certification and survey costs.

We are subject to survey and inspection every two years to assess compliance with CLIA's program standards, and we may be subject to additional unannounced inspections. If our clinical reference laboratory is

found to be out of compliance with CLIA requirements at any of these inspections, we may be subject to sanctions such as suspension, limitation or revocation of our CLIA certificate, a directed plan of correction, on-site monitoring, civil monetary penalties, civil injunctive suits, criminal penalties, exclusion from the Medicare and Medicaid programs and significant adverse publicity.

In addition to CLIA requirements, we elect to participate in the accreditation program of CAP. CMS has deemed CAP standards to be equally or more stringent than CLIA regulations and has approved CAP as a recognized accrediting organization. Inspection by CAP is performed in lieu of inspection by CMS for CAP-accredited laboratories. Because we are accredited by the CAP Laboratory Accreditation Program, we are deemed to also comply with CLIA.

State and Foreign Laboratory Licensure

Under CLIA, states may adopt laboratory regulations that are more stringent than those under federal law, and a number of states have implemented their own more stringent laboratory regulatory requirements. State laws may require that laboratory personnel meet certain qualifications, specify certain quality control procedures or facility requirements or prescribe record maintenance requirements.

We are required to maintain a license to conduct testing in the State of California. California laws establish standards for day-to-day operations of our laboratory in Temple City, including with respect to the training and skills required of personnel, quality control and proficiency testing requirements. If our clinical reference laboratory is out of compliance with California standards, the CA DPH may suspend, restrict or revoke our license to operate our clinical reference laboratory, assess substantial civil money penalties or impose specific corrective action plans. Any such actions could materially affect our business. We maintain a current license in good standing with CA DPH.

Additionally, several states require the licensure of out-of-state laboratories that accept specimens from those states and/or receive specimens from laboratories in those states. Our laboratory holds the required out-of-state laboratory licenses to perform testing on specimens from Florida, Maryland and Pennsylvania. In addition to having a laboratory license in New York, our laboratory is required to obtain approval on a test-specific basis by the New York State Department of Health before specific testing is performed on specimens from New York. Because our licensure application is currently pending in New York, we are currently prohibited from performing tests on specimens from New York until our license is approved.

Other states may adopt similar licensure requirements in the future, which could require us to modify, delay or discontinue our operations in such jurisdictions. If we identify any other state with such requirements or if we are contacted by any other state advising us of such requirements, we intend to follow instructions from the state regulators as to how to comply with such requirements.

We are also subject to regulation in foreign jurisdictions, which we expect will increase as we seek to expand international utilization of our tests or if jurisdictions in which we pursue operations adopt new or modified licensure requirements. Foreign licensure requirements could require review and modification of our tests in order to offer them in certain jurisdictions or could impose other limitations, such as restrictions on the transport of human blood or other tissue necessary for us to perform our tests that may limit our ability to make our tests available outside of the U.S. on a broad scale.

FDA

Pursuant to its authority under the FDC Act, the FDA has jurisdiction over medical devices, which are defined to include, among other things, IVDs used for clinical purposes. The tests that we offer are IVDs. The laws and regulations governing the marketing of IVDs are evolving, extremely complex, and in many instances there are no significant regulatory or judicial interpretations of these laws and regulations. The FDA regulates,

among other things, the research, testing, manufacturing, safety, labeling, storage, recordkeeping, premarket clearance or approval, marketing and promotion and sales and distribution of medical devices in the United States to ensure that medical products distributed domestically are safe and effective for their intended uses. In addition, the FDA regulates the import and export of medical devices.

The FDC Act classifies medical devices into one of three categories based on the risks associated with the device and the level of control necessary to provide reasonable assurance of safety and effectiveness. Devices deemed to pose the lowest risk are categorized as either Class I or II, which requires the manufacturer to submit to the FDA a 510(k) premarket notification submission requesting clearance of the device for commercial distribution in the United States. Some low risk devices are exempted from this requirement. When a 510(k) is required, the manufacturer must submit to the FDA a premarket notification submission demonstrating that the device is "substantially equivalent" to either: a device that was legally marketed prior to May 28, 1976, or to another commercially available, similar device that was subsequently cleared through the 510(k) process. Devices deemed by the FDA to pose the greatest risk, such as life sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously 510(k) cleared device are categorized as Class III. These devices require submission and approval of a PMA.

After the FDA permits a device to enter commercial distribution, numerous regulatory requirements apply. These include: the Quality System Regulation, which requires manufacturers to follow elaborate design, testing, control, documentation and other quality assurance procedures during the manufacturing process; labeling regulations; the FDA's general prohibition against promoting products for unapproved or "off-label" uses; and the Medical Device Reporting regulation, which requires that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur. The FDA has broad post-market and regulatory and enforcement powers. Failure to comply with the applicable U.S. medical device regulatory requirements could result in, among other things, warning letters, fines, injunctions, consent decrees, civil penalties, repairs, replacements, refunds, recalls or seizures of products, total or partial suspension of production, the FDA's refusal to grant future premarket clearances or approvals, withdrawals or suspensions of current product applications, and criminal prosecution.

Although the FDA has statutory authority to assure that medical devices, including IVDs, are safe and effective for their intended uses, the FDA has historically exercised its enforcement discretion and not enforced applicable provisions of the FDC Act and regulations with respect to LDTs, which are a subset of IVDs that are intended for clinical use and developed, validated and offered within a single laboratory for use only in that laboratory. We believe our tests fall within the definition of an LDT. As a result, we believe our diagnostic services are not currently subject to the FDA's enforcement of its medical device regulations and the applicable FDC Act provisions.

Even though we commercialize our tests as LDTs, our tests may in the future become subject to more onerous regulation by the FDA. Pursuant to the FDASIA, the FDA notified Congress on July 31, 2014 that the FDA intended to issue, on or after September 30, 2014, the Framework Guidance and the Notification Guidance. On October 3, 2014, the FDA issued the anticipated Framework Guidance and Notification Guidance. The Framework Guidance states that the FDA intends to modify its policy of enforcement discretion with respect to LDTs in a risk-based manner consistent with the existing classification of medical devices. Thus, the FDA plans to begin to enforce its medical device requirements, including premarket submission requirements, for LDTs that have historically been marketed without FDA premarket review and oversight. The FDA states its intention in the Framework Guidance to publish general LDT classification guidance within 18 months of the date on which the Framework Guidance is finalized. According to the Framework Guidance, devices that are already in use at the time the FDA initiates enforcement of the premarket review requirements will be permitted to remain in use—pending the FDA's review and consideration of the premarket submission—so long as a premarket submission is timely made. For the highest risk LDTs, the Framework Guidance provides that enforcement of the premarket submission requirements will begin 12 months after the guidance is finalized. For lower risk LDTs, enforcement will be phased in over the following four to eight years.

If and when the Framework Guidance and Notification Guidance are finalized, we could for the first time be subject to enforcement of regulatory requirements such as registration and listing requirements, medical device reporting requirements and quality control requirements. Additionally, if and when the FDA begins to actively enforce its premarket submission regulations with respect to LDTs, we may be required to obtain premarket clearance for our tests under Section 510(k) of the FDC Act or approval of a PMA. The process for submitting a 510(k) premarket notification and receiving FDA clearance usually takes from three to 12 months, but it can take significantly longer and clearance is never guaranteed. The process for submitting and obtaining FDA approval of a PMA is much more costly, lengthy and uncertain. It generally takes from one to three years or even longer and approval is not guaranteed. PMA approval typically requires extensive clinical data and can be significantly longer, more expensive and more uncertain than the 510(k) clearance process. If premarket review is required for some or all of our tests, the FDA could require that we stop selling our products pending clearance or approval and conduct clinical testing prior to making submissions to FDA to obtain premarket clearance or approval. The FDA could also require that we label our tests as investigational or limit the labeling claims we are permitted to make.

The FDA enforces its medical device requirements by various means, including inspection and market surveillance. If the FDA finds a violation, it can institute a wide variety of enforcement actions, ranging from an Untitled Letter or Warning Letter to more severe sanctions, such as: fines, injunctions and civil penalties; recall or seizure of products; operating restrictions, partial suspension or total shutdown of production; and criminal prosecution.

Legislative proposals addressing the FDA's oversight of LDTs have been introduced by Congress in the past and we expect that new legislative proposals may be introduced from time to time in the future. The likelihood that Congress will pass such legislation and the extent to which such legislation may affect the FDA's plans to enforce its medical device requirements with respect to certain LDTs is difficult to predict at this time. If the FDA ultimately lifts its policy of enforcement discretion over LDTs and begins to enforce its medical device requirements with respect to LDTs, our tests may be subject to additional regulatory requirements imposed by the FDA, the nature and extent of which would depend upon applicable final guidance or regulation by the FDA or instruction by Congress. Failure to comply with any applicable FDA requirements could trigger a range of enforcement actions by the FDA, including warning letters, civil monetary penalties, injunctions, criminal prosecution, recall or seizure, operating restrictions, partial suspension or total shutdown of operations and denial of or challenges to applications for clearance or approval, as well as significant adverse publicity.

Reimbursement

CPT Codes

Third-party payors, including private insurers and CMS, require genetic testing companies to identify each test for which reimbursement is sought using a CPT code set maintained by the AMA. These CPT codes in their current form are not readily applied to many of the genetic tests we conduct. For example, for many of our multi-gene panels, there may not be an appropriate CPT code for any genes in a panel, in which case our test would be billed under a miscellaneous code for an unlisted molecular pathology procedure. Because these miscellaneous codes do not describe a specific service, the insurance claim would need to be examined to determine the service that was provided, whether the service was appropriate and medically necessary and whether payment should be rendered. This process can require a letter of medical necessity from the ordering physician and it can result in a delay in processing the claim, a lower reimbursement amount or denial of the claim.

In September 2014, the AMA published new CPT codes for genomic sequencing procedures that are effective for dates of service on or after January 1, 2015. These include genomic sequencing procedure codes for certain multi-gene panel tests. In a final determination under the Medicare Clinical Laboratory Fee Schedule, or CLFS, published in November 2014, CMS set the 2015 payment rate for these codes using the gap-fill process. Under the gap-fill process, local Medicare Administrative Contractors, or MACs, establish rates for the codes that each MAC believes meet the criteria for Medicare coverage and considering laboratory charges and

discounts to charges, resources, amounts paid by other payors for the tests and amounts paid by the MAC for similar tests. In 2015, gap-filled payment rates were established for some, but not all, of the published codes for genomic sequencing procedures. For the codes for which local gap-filled rates were established in 2015, a national limitation amount for Medicare was established for 2016. For the codes for which local gap-filled rates were not established in 2015, associated procedures are priced by the local MACs in 2016 if an individual MAC determines that such codes should be covered. Where available, the national limitation amount serves as a cap on the Medicare and Medicaid payment rates for a test procedure, which may not be adequate for all of the procedures covered by the applicable codes, including our tests to the extent we are required to report them under these codes.

PAMA

In April 2014, Congress passed PAMA, which included substantial changes to the way in which clinical laboratory services will be paid under Medicare. Under PAMA, laboratories that receive the majority of their Medicare revenue from payments made under the CLFS or the Physician Fee Schedule are required to report to CMS, beginning in 2016 and every three years thereafter (or annually for "advanced diagnostic laboratory tests"), private payor payment rates and volumes for their tests. Laboratories that fail to report the required payment information may be subject to substantial civil monetary penalties. We do not believe that our tests meet the current definition of advanced diagnostic laboratory tests, and therefore we believe we will be required to report private payor rates for our tests every three years. As required under PAMA, CMS will use the rates and volumes reported by laboratories to develop Medicare payment rates for laboratory tests equal to the volume-weighted median of the private payor payment rates for the tests. CMS has not yet issued a final rule implementing the reporting and rate-setting requirements under PAMA.

As set forth under PAMA, for tests furnished on or after January 1, 2017, Medicare payments for clinical diagnostic laboratory tests will be paid based upon these reported private payor rates. For clinical diagnostic laboratory tests that are assigned a new or substantially revised CPT code, initial payment rates will be assigned by the gap-fill methodology, as under prior law. Initial payment rates for new advanced diagnostic laboratory tests will be based on the actual list charge for the laboratory test.

The payment rates calculated under PAMA are set to be effective starting January 1, 2017. Any reductions to payment rates resulting from the new methodology are limited to 10% per test per year in each of the years 2017 through 2019 and to 15% per test per year in each of the years 2020 through 2022. Because CMS has yet to issue a final rule, it is unclear whether the implementation of these requirements may be delayed.

PAMA codifies Medicare coverage rules for laboratory tests by requiring any local coverage determination to be made following the local coverage determination process. PAMA also authorizes CMS to consolidate coverage policies for clinical laboratory tests among one to four laboratory-specific MACs. These same contractors may also be designated to process claims if CMS determines that such a model is appropriate. It is unclear whether CMS will proceed with contractor consolidation under this authorization.

PAMA also authorizes the adoption of new, temporary billing codes and/or unique test identifiers for FDA-cleared or approved tests as well as advanced diagnostic laboratory tests. The AMA's CPT Editorial Panel has approved a proposal to create a new section of billing codes to facilitate implementation of this section of PAMA. At this time, it is unclear whether or when the new section of billing codes will be implemented, nor is it clear if or how these codes would apply to our tests.

Privacy and Security Laws

HIPAA and HITECH

Under the administrative simplification provisions of HIPAA, as amended by HITECH, the U.S. Department of Health and Human Services, or HHS, has issued regulations that establish uniform standards

governing the conduct of certain electronic healthcare transactions and requirements for protecting the privacy and security of PHI used or disclosed by most healthcare providers and other covered entities and their respective business associates, including subcontractors of business associates. The following four principal regulations with which we are required to comply have been issued in final form under HIPAA and HITECH: privacy regulations, security regulations, the breach notification rule and standards for electronic transactions, which establish standards for common healthcare transactions.

The privacy regulations of HIPAA and HITECH cover the use and disclosure of PHI by covered entities and business associates, which include subcontractors that create, receive, maintain or transmit PHI on behalf of a business associate. A subcontractor means any person to whom a business associate delegates a function, activity or service, other than in the capacity of the business associate's workforce. As a general rule, a covered entity or business associate may not use or disclose PHI except as permitted under the privacy regulations of HIPAA and HITECH. The privacy regulations also set forth certain rights of an individual with respect to his or her PHI maintained by a covered entity or business associate, including the right to access or amend certain records containing his or her PHI or to request restrictions on the use or disclosure of his or her PHI.

Covered entities and business associates must also comply with the security regulations of HIPAA and HITECH, which establish requirements for safeguarding the confidentiality, integrity and availability of electronic PHI. In addition, HITECH established, among other things, certain breach notification requirements with which covered entities and business associates must comply. In particular, a covered entity must notify any individual whose unsecured PHI is breached according to the specifications set forth in the breach notification rule. A covered entity must also notify the Secretary of HHS and, under certain circumstances, the media.

There are significant civil and criminal fines and other penalties that may be imposed for violating HIPAA. A covered entity or business associate is also liable for civil monetary penalties for a violation that is based on an act or omission of any of its agents, including a downstream business associate, as determined according to the federal common law of agency. Penalties for failure to comply with a requirement of HIPAA and HITECH vary significantly depending on the failure and include civil monetary penalties of up to $1.5 million per violation of the same requirement per calendar year. A single breach incident can result in violations of multiple requirements, resulting in potential penalties in excess of $1.5 million. Additionally, a person who knowingly obtains or discloses individually identifiable health information in violation of HIPAA may face a criminal penalty of up to $50,000 and up to one year of imprisonment. These criminal penalties increase if the wrongful conduct involves false pretenses or the intent to sell, transfer or use identifiable health information for commercial advantage, personal gain or malicious harm. Further, to the extent that we submit electronic healthcare claims and payment transactions that do not comply with the electronic data transmission standards established under HIPAA and HITECH, payments to us may be delayed or denied.

The HIPAA privacy, security, and breach notification regulations establish a uniform federal "floor," but do not supersede state laws that are more stringent or provide individuals with greater rights with respect to the privacy or security of, and access to, their records containing PHI or insofar as such state laws apply to personal information that is broader in scope than PHI as defined under HIPAA. Massachusetts, for example, has a state law that protects the privacy and security of personal information of Massachusetts residents.

Numerous other federal, state and foreign laws, including consumer protection laws and regulations, govern the collection, dissemination, use, access to, confidentiality and security of patient health information. In addition, Congress and some states are considering new laws and regulations that further protect the privacy and security of medical records or medical information. With the recent increase in publicity regarding data breaches resulting in improper dissemination of consumer information, many states have passed laws regulating the actions that a business must take if it experiences a data breach, such as prompt disclosure to affected customers. Generally, these laws are limited to electronic data and make some exemptions for smaller breaches. Congress has also been considering similar federal legislation relating to data breaches. The Federal Trade Commission and states' Attorneys General have also brought enforcement actions and prosecuted some data breach cases as

unfair and/or deceptive acts or practices under the Federal Trade Commission Act. In addition to data breach notification laws, some states have enacted statutes and rules requiring businesses to reasonably protect certain types of personal information they hold or to otherwise comply with certain specified data security requirements for personal information. We intend to continue to comprehensively protect all personal information and to comply with all applicable laws regarding the protection of such information.

Foreign Laws

We are also subject to foreign privacy laws in the jurisdictions in which we sell our tests. The interpretation, application and interplay of consumer and health-related data protection laws in the United States, Europe and elsewhere are often uncertain, contradictory and in flux. For example, in October 2015, the European Court of Justice invalidated a safe harbor agreement between the United States and European Union member states that expressly permitted the manner in which U.S. companies handle personal information of their European customers. In February 2016, the European Commission announced an agreement with the U. S. Department of Commerce to replace the invalidated safe harbor agreement on transatlantic data flows with a new E.U.-U.S. "Privacy Shield," but the Privacy Shield will not be effective until it is approved by the E.U.'s 28 member states. Thus, legal uncertainty remains concerning E.U.-to-U.S. data transfers. In addition, foreign laws and interpretations governing data privacy and security are constantly evolving and it is possible that laws may be interpreted and applied in a manner that is inconsistent with our current practices, in which case we could be subject to government-imposed fines or orders requiring that we change our practices. In addition, privacy regulations differ widely from country to country.

Fraud and Abuse Laws

In the U.S., we must comply with various fraud and abuse laws and we are potentially subject to regulation by various federal, state and local authorities, including CMS, other divisions of HHS (such as the Office of Inspector General), the U.S. Department of Justice, individual U.S. Attorney offices within the Department of Justice and state and local governments. We also may be subject to foreign fraud and abuse laws.

Anti-Kickback and Fraud Statutes

In the U.S., the federal Anti-Kickback Statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in order to induce or in return for the referral of an individual for the furnishing of or arranging for the furnishing of, purchasing, leasing, ordering or arranging for or recommending purchasing, leasing or ordering of any good, facility, service or item for which payment may be made in whole or in part by a federal healthcare program. Courts have stated that a financial arrangement may violate the Anti-Kickback Statute if any one purpose of the arrangement is to encourage patient referrals or other federal healthcare program business, regardless of whether there are other legitimate purposes for the arrangement. The definition of "remuneration" has been broadly interpreted to include anything of value, including gifts, discounts, credit arrangements, payments of cash, consulting fees, waivers of co-payments, ownership interests and providing anything at less than its fair market value. The Anti-Kickback Statute is broad and may technically prohibit many innocuous or beneficial arrangements within the healthcare industry, although it does contain several exceptions. DHS has issued a series of regulatory "safe harbors," which set forth certain provisions that, if met, will assure healthcare providers and other parties that they will not be prosecuted under the Anti-Kickback Statute. Although full compliance with the statutory exceptions or regulatory safe harbors ensures against prosecution under the federal Anti-Kickback Statute, the failure of a transaction or arrangement to fit within a specific statutory exception or regulatory safe harbor does not necessarily mean that the transaction or arrangement is illegal or that prosecution under the Anti-Kickback Statute will be pursued. Furthermore, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Penalties for violations of the Anti-Kickback Statute are severe and include imprisonment, criminal fines, civil monetary penalties and exclusion from participation in federal healthcare programs. In addition, a violation of the federal

Anti-Kickback Statute can serve as a basis of liability under the federal False Claims Act (described below). Many states also have anti-kickback statutes, some of which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

There are also U.S. federal laws related to healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits, among other things, knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government payor programs such as the Medicare and Medicaid programs. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. A violation of this statute is also a felony and may result in fines, imprisonment or exclusion from government payor programs.

False Claims Act

Another development affecting the healthcare industry is the increased enforcement of the federal False Claims Act and, in particular, actions brought pursuant to the False Claims Act's "whistleblower" or "qui tam" provisions. The False Claims Act imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment by a federal government payor program. The qui tam provisions of the False Claims Act allow a private individual to bring actions on behalf of the federal government alleging that the defendant has defrauded the federal government by submitting a false claim to the federal government and permit such individuals to share in any amounts paid by the entity to the government in fines or settlement. In addition, the Affordable Care Act establishes a requirement for providers and suppliers to report and return any overpayments received from government payors under the Medicare and Medicaid programs within 60 days of identification. Failure to identify and return such overpayments exposes the provider or supplier to False Claims Act liability. When an entity is determined to have violated the False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties ranging from $5,500 to $11,000 for each false claim.

In addition, various states have enacted false claim laws analogous to the federal False Claims Act, although many of these state laws apply where a claim is submitted to any third-party payor and not merely a government payor program.

Civil Monetary Penalties Law

The federal Civil Monetary Penalties Law imposes penalties against any person or entity that, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or for a claim that is false or fraudulent. This law also prohibits the offering or transfer of remuneration to a Medicare or state healthcare program beneficiary if the person knows or should know it is likely to influence the beneficiary's selection of a particular provider, practitioner, or supplier of items or services reimbursable by Medicare or a state healthcare program, unless an exception applies.

Physician Referral Prohibitions

The U.S. federal law directed at "self-referrals," commonly known as the "Stark Law," prohibits a physician from making referrals for certain designated health services, including laboratory services, that are covered by the Medicare program, to an entity with which the physician or an immediate family member has a direct or indirect financial relationship, unless an exception applies. The prohibition also extends to payment for any services referred in violation of the Stark Law. A physician or entity that engages in a scheme to circumvent the

Stark Law's referral prohibition may be fined up to $100,000 for each such arrangement or scheme. In addition, any person who presents or causes to be presented a claim to the Medicare program in violation of the Stark Law is subject to civil monetary penalties of up to $15,000 per service, an assessment of up to three times the amount claimed and possible exclusion from participation in federal healthcare programs. The Stark Law is a strict liability statute, meaning that a physician's financial relationship with a laboratory must meet an exception under the Stark Law or the referrals are prohibited. Thus, unlike the Anti-Kickback Statute's safe harbors, if a laboratory's financial relationship with a referring physician does not meet the requirements of a Stark Law exception, then the physician is prohibited from making Medicare and Medicaid referrals to the laboratory and any such referrals will result in overpayments to the laboratory and subject the laboratory to the Stark Law's penalties.

Many states have comparable laws that are not limited to Medicare referrals. The Stark Law also prohibits state receipt of federal Medicaid matching funds for services furnished pursuant to a prohibited referral, but this provision of the Stark Law has not been implemented by regulations. In addition, some courts have held that the submission of claims to Medicaid that would be prohibited as self-referrals under the Stark Law for Medicare could implicate the False Claims Act.

Physician Sunshine Laws

The Affordable Care Act, among other things, imposed new reporting requirements on manufacturers of certain devices, drugs and biologics for certain payments and transfers of value by them and in some cases their distributors to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Because we manufacture our own LDTs solely for use by or within our own laboratory, we believe we are exempt from these reporting requirements. We may become subject to such reporting requirements, however, if the FDA requires us to obtain premarket clearance or approval for our tests.

Anti-Bribery Laws

FCPA

We are subject to FCPA, which prohibits companies and their intermediaries from making payments in violation of law to non-U.S. government officials for the purpose of obtaining or retaining business or securing any other improper advantage. The sale of our tests internationally demands a high degree of vigilance in maintaining, implementing and enforcing a policy against participation in corrupt activity. Other U.S. companies in the medical device and pharmaceutical fields have faced substantial monetary fines and criminal penalties under the FCPA for allowing their agents to deviate from appropriate practices in doing business with non-U.S. government officials.

Foreign Laws

We are also subject to similar anti-bribery laws in the foreign jurisdictions in which we operate. In Europe, various countries have adopted anti-bribery laws providing for severe consequences, in the form of criminal penalties and/or significant fines for individuals and/or companies committing a bribery offence. For instance, in the United Kingdom, under the Bribery Act 2010, which became effective in July 2011, a bribery occurs when a person offers, gives or promises to give a financial or other advantage to induce or reward another individual to improperly perform certain functions or activities, including any function of a public nature. Bribery of foreign public officials also falls within the scope of the Bribery Act 2010. Under the new regime, an individual found in violation of the Bribery Act 2010 faces imprisonment of up to 10 years and could be subject to an unlimited fine, as could commercial organizations for failure to prevent bribery.

Healthcare Policy Laws

In March 2010, the Affordable Care Act was enacted in the United States. The Affordable Care Act made a number of substantial changes to the way healthcare is financed both by governmental and private insurers. For example, the Affordable Care Act requires each medical device manufacturer to pay a sales tax equal to 2.3% of the price for which such manufacturer sells its medical devices. The medical device tax has been suspended for 2016 and 2017, but is scheduled to return beginning in 2018. It is unclear at this time when, or if, the provision of our LDTs will trigger the medical device tax if the FDA ends its policy of general enforcement discretion and regulates certain LDTs as medical devices, and it is possible that this tax will apply to some or all of our existing tests or tests we may develop in the future. Additionally, the Affordable Care Act establishes an IPAB to propose reductions to payments in order to reduce the per capita rate of growth in Medicare spending if expenditures exceed certain targets. The expenditure targets for IPAB proposals have not been exceeded at this time, and it is unclear when such targets may be exceeded in the future, when any IPAB-proposed reductions to payments could take effect and how any such reductions would affect reimbursement payments for our tests. The Affordable Care Act also contains a number of other provisions, including provisions governing enrollment in federal and state healthcare programs, reimbursement matters and fraud and abuse, which we expect will impact our industry and our operations in ways that we cannot currently predict.

Corporate Practice of Medicine

Numerous states have enacted laws prohibiting business corporations, such as us, from practicing medicine and employing or engaging physicians to practice medicine, generally referred to as the prohibition against the corporate practice of medicine. These laws are designed to prevent interference in the medical decision-making process by anyone who is not a licensed physician. For example, California's Medical Board has indicated that determining the appropriate diagnostic tests for a particular condition and taking responsibility for the ultimate overall care of a patient, including providing treatment options available to the patient, would constitute the unlicensed practice of medicine if performed by an unlicensed person. Violation of these corporate practice of medicine laws may result in civil or criminal fines, as well as sanctions imposed against the business corporation and/or the professional through licensure proceedings. Typically such laws are only applicable to entities with a physical presence in the applicable state.

Environmental and Other Regulatory Requirements

Our laboratory is subject to federal, state and local laws and regulations relating to the use, storage, handling and disposal of regulated medical waste, hazardous waste and biohazardous waste, including chemicals, biological agents and compounds, blood and other tissue specimens. Typically, we use outside vendors to dispose of such waste that are licensed or otherwise qualified to handle and dispose of the waste. However, many of these laws and regulations provide for strict liability, holding a party potentially liable without regard to fault or negligence. As a result, we could be held liable for damages and fines as a result of our, or others', business operations should contamination of the environment or individual exposure to hazardous substances occur. Our costs for complying with these laws and regulations cannot be predicted at this time and will depend upon, among other things, the amount and nature of waste we produce (which will depend in part on the number of tests we perform) and the terms we negotiate with our waste disposal vendors.

Our operations are also subject to extensive requirements established by the U.S. Occupational Safety and Health Administration relating to workplace safety for healthcare employees, including requirements to develop and implement programs to protect workers from exposure to blood-borne pathogens by preventing or minimizing any exposure through needle stick or similar penetrating injuries.

Reporting Segment and Geographical Information

We operate in one reportable business segment. See Note 7 to Fulgent LLC's audited financial statements for the year ended December 31, 2015 and Note 6 to Fulgent LLC's unaudited condensed financial statements for

the three months ended March 31, 2016, each included in this prospectus, for information about revenue attributable to customers located in and long-lived assets located in the U.S. and other regions. We are subject to risks attendant to our foreign operations, which are discussed under “Risk Factors” above.

Employees

We believe growing and retaining a strong team is crucial to our success. As of March 31, 2016, we had 50 employees engaged in software engineering, research and development, laboratory operation and management, sales and marketing and corporate and administrative activities. None of our employees are represented by a labor union or covered by collective bargaining agreements and we believe our relationship with our employees is good.

Facilities

Our corporate headquarters and laboratory operations are located in Temple City, California, where we lease and occupy approximately 11,000 square feet of office and laboratory space under leases that will expire in March and April 2018. We use these facilities for all of our laboratory testing and management activities and certain research and development, administrative and other functions. We also lease approximately 650 square feet of office space near Atlanta, Georgia under a lease that will expire in August 2017, where we conduct certain research and development, customer service, report generation and other administrative functions, although no laboratory activities occur at this facility. We believe our facilities are adequate to meet our current needs and additional space would be available on commercially reasonable terms if required.

Legal Matters

From time to time, we may be involved in legal proceedings arising in the ordinary course of our business. We are not presently a party, and our properties are not currently subject, to any legal proceedings that, in the opinion of management, would have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity and reputational harm, among other factors.

MANAGEMENT

Executive Officers and Directors

The table and descriptions below set forth certain information with respect to our executive officers, directors and director nominees. Except as otherwise indicated, each of the executive officers set forth below currently serves in the position indicated next to his name for Fulgent LLC and, following the Reorganization and prior to completion of this offering, will be appointed to the same position at Fulgent Inc. Each of the director nominees set forth below will be appointed as a member of our board of directors following the Reorganization and prior to completion of this offering.

Name	Age	Position
Executive Officers		
Ming Hsieh.	60	Manager of Fulgent LLC, President, Chief Executive Officer and Chairman of Fulgent Inc.
Paul Kim	48	Chief Financial Officer
Hanlin Gao, M.D., Ph.D., D.A.B.M.G., F.A.C.M.G.	49	Chief Scientific Officer and Lab Director
Non-Employee Directors:		
John Bolger( )	69	Director nominee
Yun Yen, M.D., Ph.D., F.A.C.P.( )	61	Director nominee

(1) Member of our Audit Committee.
(2) Member of our Compensation Committee.
(3) Member of our Nominating and Governance Committee.

Executive Officers

Ming Hsieh, our founder, has served as Fulgent LLC's Manager since its inception in June 2011 and, until completion of the Reorganization, will continue to serve as the Manager of Fulgent LLC. Upon our formation in May 2016, Mr. Hsieh was appointed as our director, President and Chief Executive Officer and, upon completion of the Reorganization, Mr. Hsieh will also be appointed as Chairman of our board of directors. Prior to founding Fulgent LLC, Mr. Hsieh served as Chief Executive Officer, President and Chairman of the board of directors of Cogent, Inc., or Cogent, a biometric identification services and products company he co-founded in 1990, which was acquired by 3M in 2010. Prior to his tenure at Cogent, Mr. Hsieh served as Vice President of AMAX Technology from 1987 to 1990. Mr. Hsieh currently serves on the board of directors of Fortinet, Inc., a network security company traded on the NASDAQ Global Select Market under the symbol "FTNT." Mr. Hsieh received a B.S.E.E. from the University of Southern California, or USC, in 1983 and an M.S.E.E. from USC in 1984, as well as honorary doctoral degrees from USC in 2010 and the University of West Virginia in 2011. Mr. Hsieh has served as a trustee at USC since 2007 and at Fudan University in China since 2011. In 2015, Mr. Hsieh was elected to the National Academy of Engineering. Mr. Hsieh was selected to serve on our board of directors based on his extensive management experience, his knowledge of our business, culture and operations as our founder, his engineering expertise and his service for and leadership of our company since inception.

Paul Kim has served as Fulgent LLC's Chief Financial Officer since January 2016 and our Chief Financial Officer since its formation in May 2016. Prior to his service for us, Mr. Kim served as Chief Financial Officer of Cogent from January 2004 until 2011. Mr. Kim's past experience also includes service as the Chief Financial Officer of JNI Corporation, or JNI, a publicly traded storage area network technology company, from September 2002 until December 2003, as Vice President, Finance and Corporate Controller at JNI from October 1999 to August 2002 and as Vice President of Finance and Administration for Datafusion Inc., a privately held software development company, from January 1998 until October 1999. From April 1996 to January 1998, Mr. Kim was the Corporate Controller for Interlink Computer Sciences, Inc., a publicly-traded enterprise software company.

From January 1990 to April 1996, Mr. Kim worked for Coopers and Lybrand L.L.P., leaving as an audit manager. Mr. Kim received a B.A. in Economics from the University of California at Berkeley in 1989 and is a Certified Public Accountant.

Hanlin (Harry) Gao, M.D., Ph.D., D.A.B.M.G., F.A.C.M.G. is a founder of our genetic testing business, has served as Fulgent LLC's Lab Director since February 2012,was appointed as Fulgent LLC's Chief Scientific Officer in January 2016 and will be appointed as our Lab Director and Chief Scientific Officer prior to completion of this offering. Dr. Gao's prior experience includes service as Lab Director of both the DNA Sequencing Core Laboratory and Clinical Molecular Diagnostics Laboratory at the City of Hope from 2004 until 2013. Dr. Gao completed his clinical molecular genetics training fellowship and post-doctoral fellowship at Harvard Medical School in 2004 prior to joining City of Hope. Dr. Gao received a M.S. in Immunology and an M.D. from Peking University and Inner Mongolia University for Nationalities in China in 1993 and 1990, respectively, as well as a Ph.D. in Microbiology, Immunology and Medical Genetics from The Ohio State University in 2001. Dr. Gao is board certified in clinical molecular genetics by the American Board of Medical Genetics, is a Fellow of the American College of Medical Genetics and Genomics and serves as a team leader for laboratory inspections by CAP.

Non-Employee Director Nominees

John Bolger will be appointed as a member of our board of directors following the Reorganization, which will occur prior to completion of this offering. Mr. Bolger is currently a private investor and has served as a director of Tintri Inc., a virtual machine-aware storage solution company, since January 2016. Mr. Bolger has extensive public company board and audit committee experience, having served as a director and audit committee chair of the following publicly traded companies for various terms during the period from 1993 to 2010: Integrated Device Technology, Inc., Sanmina Corp., Data Race, Inc., TCSI, Inc., Integrated Systems, Inc., Wind River Systems, Inc., Mission West Property, Inc., Cogent, Micromuse, Inc., JNI and Mattson Technology. Mr. Bolger also served as Vice President, Chief Financial and Administrative Officer of Cisco Systems, Inc., a manufacturer of computer networking systems, from 1989 to 1992. Mr. Bolger received a B.A. from the University of Massachusetts and an M.B.A. from Harvard University and he is a Certified Public Accountant. Mr. Bolger was selected to serve on our board of directors based on his more than 30 years of accounting and financial expertise, as well as extensive public company board and senior management experience.

Yun Yen, M.D., Ph.D., F.A.C.P. is a founder of our genetic testing business and will be appointed as a member of our board of directors following the Reorganization, which will occur prior to completion of this offering. Dr. Yen is President and Chair Professor at Taipei Medical University in Taiwan, as well as an Affiliate Professor at the California Institute of Technology. Dr. Yen's prior experience includes service as the Allen and Lee Chao Endowed Chair in Developmental Cancer Therapeutics at the City of Hope Comprehensive Cancer Center from 2008 until 2014, and Chair of the City of Hope's Molecular Pharmacology Department and Associate Director for Translational Research at the City of Hope Comprehensive Cancer Center from 2005 until 2014. Dr. Yen holds membership in numerous professional organizations and has published more than 140 abstracts and peer-reviewed journal articles. Dr. Yen received a M.D. from Taipei Medical College in 1982 and a Ph.D. in Pathology and Cell Biology from Thomas Jefferson University in 1988. Dr. Yen was selected to serve on our board of directors based on his extensive expertise within the life sciences field, as well as his educational and professional background.

Appointment of Executive Officers

Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors, director nominees, executive officers or persons to be appointed as our executive officers.

Board Composition

The primary responsibilities of our board of directors are to provide oversight, strategic guidance, counseling and direction to our management. We expect that our board of directors will meet on a regular basis and additionally as needed. In accordance with our certificate of incorporation, our board of directors will be elected annually. In accordance with the terms of our bylaws, our board of directors will consist of members upon completion of this offering. Since our incorporation, Mr. Hsieh has served as the sole member of our board of directors, and prior to completion of this offering, Mr. Hsieh will appoint the director nominees named in this prospectus as additional members to our board of directors and will be appointed as Chairman.

Director Independence

In connection with this offering, we intend to apply to list our common stock on the . Under the rules of , independent directors must comprise a majority of a listed company's board of directors within a specified period of time after the closing of the company's initial public offering. In addition, the rules of require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Audit committee and compensation committee members must also satisfy enhanced independence criteria set forth in Rule 10A-3 and Rule 10C-1 under the Exchange Act, respectively, and applicable rules. We intend for our audit committee and compensation committee to each satisfy these enhanced independence requirements upon completion of this offering.

Based upon information requested from and provided by each director nominee concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that, as of the completion of this offering, , and is "independent" within the meaning of applicable rules and regulations of the SEC and the listing requirements and rules of . In making this determination, the current and prior relationships of each non-employee director with our company and all other facts and circumstances deemed relevant were considered, including their beneficial ownership of our capital stock before and after the completion of this offering. Mr. Hsieh is not independent because he is an employee of our company.

Board Leadership Structure

Our board of directors will be chaired by Ming Hsieh. We believe having a single person serve as both Chairman of the board of directors and Chief Executive Officer is the most effective leadership structure for our company at this time. We believe Mr. Hsieh is the director best situated to identify strategic opportunities and focus the activities of the board of directors on the matters most critical to our company's business and strategy, due to his full-time commitment to our business. The board of directors also believes that the combined role of Chairman and Chief Executive Officer promotes effective execution of strategic initiatives and facilitates information flow between management and the board of directors.

Committees of the Board of Directors

Prior to completion of this offering, our board of directors will establish an audit committee, a compensation committee and a nominating and governance committee and adopt a written charter under which each such committee will operate, each of which will satisfy the applicable listing requirements and rules of and will be available on our website at *www.fulgentdiagnostics.com* upon completion of this offering. The anticipated composition and functions of each of these committees are described below. Members are expected to serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may in the future establish other committees to facilitate the management of our business, in compliance with our certificate of incorporation, bylaws, applicable Delaware law and applicable SEC and rules.

Audit Committee

Prior to completion of this offering, our audit committee will be comprised of , , and , and Mr. Bolger will serve as chair of the committee. We have determined that each member of the audit committee meets all applicable independence requirements under and SEC rules. In addition, our board of directors has determined that Mr. Bolger will qualify as an "audit committee financial expert" within the meaning of applicable SEC rules.

We anticipate the functions of this committee will include, among other things:

- selecting a firm to serve as the independent registered public accounting firm to audit our financial statements;
- ensuring the independence of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and that firm, our interim and year-end operating results;
- establishing procedures for employees to anonymously submit concerns about questionable accounting or audit matters;
- considering the adequacy of our internal controls;
- reviewing material related party transactions or those that require disclosure; and
- approving or, as permitted, pre-approving all audit and non-audit services to be performed by the independent registered public accounting firm.

Compensation Committee

Prior to completion of this offering, our compensation committee will be comprised of , and , and will serve as chair of the committee. We have determined that each member of the compensation committee meets all applicable independence requirements under and SEC rules, is a non-employee director, as defined in Rule 16b-3 under the Exchange Act, and is an outside director, as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code.

We anticipate the functions of this committee will include, among other things:

- reviewing and approving, or recommending that our board of directors approve, the compensation of our executive officers;
- reviewing and recommending to our board of directors the compensation of our directors;
- reviewing and recommending to our board of directors the terms of any compensatory agreements with our executive officers;
- administering our stock and equity incentive plans;
- reviewing and approving, or recommending that our board of directors approve, incentive compensation and equity plans; and
- reviewing our overall compensation philosophy.

Nominating and Governance Committee

Prior to completion of this offering, our nominating and governance committee will be comprised of , and , and will serve as chair of the committee. We have determined that each member of the compensation committee meets all applicable independence requirements under rules.

We anticipate the functions of this committee will include, among other things:

- identifying and recommending candidates for membership on our board of directors;
- recommending directors to serve on committees of our board of directors;
- reviewing and recommending our corporate governance guidelines and policies;
- evaluating, and overseeing the process of evaluating, the performance of our board of directors and individual directors; and
- assisting our board of directors on corporate governance matters.

Corporate Governance Guidelines

Upon completion of this offering, we will adopt corporate governance guidelines to assist the board of directors in the exercise of its responsibilities and to serve the interests of our company and our stockholders. The corporate governance guidelines will be available on our website upon completion of this offering.

Code of Business Conduct and Ethics

Prior to completion of this offering, we will adopt a Code of Business Conduct and Ethics that applies to all of our employees, officers, including our principal executive, financial and accounting officers or persons performing similar functions, and agents and representatives, including directors and consultants. A copy of our Code of Business Conduct and Ethics will be available on our website upon completion of this offering. We expect that any amendments to certain provisions of our Code of Business Conduct and Ethics or any waivers of such provisions applicable to any director or principal executive, financial or accounting officer or persons performing similar functions will be disclosed on our website to the extent required by applicable law or listing requirements.

Compensation Committee Interlocks and Insider Participation

Prior to completion of this offering, we have not had an established compensation committee. In 2015, Mr. Hsieh, in his capacity as the Manager of Fulgent LLC, made all decisions with respect to compensation matters.

None of the director nominees selected to serve as members of our compensation committee as of the completion of this offering is currently or has at any time been an employee of our company. Our executive officers do not currently serve, nor has any of them served during the past year, as a member of the board of directors or compensation committee of any entity that has one or more executive officers selected to serve as a member of our board of directors or compensation committee as of the completion of this offering.

Non-Employee Director Compensation

2015 and 2016 Director Compensation

Fulgent Inc. was incorporated in May 2016. In 2015, the Manager of Fulgent LLC, Ming Hsieh, performed the functions that will be performed by our board of directors following completion of this offering. See “Executive Compensation” below for information about Mr. Hsieh’s compensation in his capacity as the Manager of Fulgent LLC.

On each of February 23, 2016 and April 13, 2016, we granted to Mr. Bolger an option award to purchase up to 20,000 Class D common units as an inducement to serve on our board of directors upon completion of this offering.

Post-Offering Director Compensation

Ming Hsieh, who serves as our President and Chief Executive Officer and, after completion of this offering, will serve as the Chairman of our board of directors, will not receive any additional compensation for his service as a director. While we will reimburse our non-employee directors for their reasonable out-of-pocket costs and travel expenses in connection with their attendance at board and committee meetings, we do not have a standard compensation program for our non-employee directors. However, we intend to review, consider and implement a non-employee director compensation program that our board of directors and compensation committee determines is appropriate after completion of this offering.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table below presents information about the compensation of Mr. Hsieh, our principal executive, financial and accounting officer in 2015, and Dr. Gao, our only other executive officer who was serving as such at the end of 2015, for services rendered to us in all capacities in 2015:

Name and Principal Position	Year	Salary ($)	Cash Bonus ($)	Stock Awards ($)(1)	All Other Compensation ($)(2)	Total ($)
Ming Hsieh *Manager*	2015	—	—	—	—	—
Hanlin Gao *Chief Scientific Officer and Lab Director*	2015	180,000	—	5,019,056	5,400	5,204,456

(1) Calculated in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 718 on the basis of the fair market value of the award on the grant date. Assumptions used in the calculation of these amounts are included in Note 9 to Fulgent LLC's audited financial statements for the year ended December 31, 2015 included in this prospectus.
(2) Amounts consist of the company's matching contributions under its 401(k) retirement savings plan.

Outstanding Equity Awards at Fiscal Year-End

The following table presents information about the outstanding equity awards held by each of Mr. Hsieh and Dr. Gao as of December 31, 2015, after giving effect to the Reorganization:

	Stock Awards	
Name	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested ($)
Ming Hsieh	—	—
Hanlin Gao	(1)	(2)

(1) Represents shares of our common stock to be issued at the effective time of the Reorganization upon the cancellation of 16,000,000 voting common units that constitute profits interests. Such units were granted on October 16, 2015 and were fully vested at grant. Until their exchange for shares of our common stock at the effective time of the Reorganization, such units are subject to repurchase by Fulgent LLC upon termination of Dr. Gao's employment with Fulgent LLC at a repurchase price equal to the fair market value of the units if the termination is other than for cause or $0 if the termination is for cause.
(2) The market value of the shares of our common stock that will be issued in exchange for the common units is based on an assumed initial offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus.

Narrative Disclosure regarding Executive Compensation

As of March 31, 2016, our executive officers consisted of Mr. Hsieh, Dr. Gao and Mr. Paul Kim, who joined our company as our Chief Financial Officer and principal financial and accounting officer in January 2016. The descriptions below summarize our compensation arrangements with each of our executive officers, which are reflected in employment agreements with each of our executive officers. As we transition from a private company to a publicly traded company, we expect to evaluate, adopt and modify our compensation values and philosophy and compensation plans and arrangements as our board of directors and compensation committee deems appropriate. At a minimum, we expect to review executive compensation annually with input from a compensation consultant if and when determined by our board of directors or compensation committee.

Base Salary

Mr. Hsieh has not earned or received any salary for his services as the Manager of Fulgent LLC in 2015 or 2016 to date. Dr. Gao's 2015 and current annual base salary is $180,000 and Mr. Kim's current annual base salary is $160,000.

Upon completion of this offering, in light of their increased responsibilities for our company, Mr. Hsieh, Mr. Kim and Dr. Gao will begin to receive annual base salaries of $240,000, $210,000 and $210,000, respectively.

Cash Bonuses

Although each of our executive officers is eligible to receive cash bonuses at the discretion of the Manager of Fulgent LLC, no cash bonuses have been awarded or paid to any of our executive officers in 2015 or 2016 to date.

Upon completion of this offering, our executive officers will be eligible to receive cash bonuses at any time at the discretion of our board of directors or compensation committee.

Equity Compensation

Each of our executive officers is eligible to receive equity compensation at the discretion of the Manager of Fulgent LLC. Mr. Hsieh has not received any equity compensation for his services for us in 2015 or 2016 to date. On October 16, 2015, Dr. Gao was granted an award of 16,000,000 voting common units that constitute profits interests. Additionally, on January 27, 2016, Mr. Kim was granted an award of 2,500,000 common units of Fulgent LLC as an inducement to entering into employment with us, which are not subject to vesting, forfeiture or a right of repurchase by us and have a grant date fair value of $1,625,000, calculated in accordance with FASB ASC Topic 718 on the basis of the fair market value of the award on the grant date. Upon completion of the Reorganization, these common units will be cancelled in exchange for shares of our common stock.

Upon completion of this offering, our executive officers will be eligible to receive equity awards under our equity incentive plans at any time at the discretion of our board of directors or compensation committee.

Other Elements of Compensation

401(k) Plan

We currently maintain a 401(k) retirement savings plan for our employees, including our executive officers, who satisfy certain eligibility requirements. Our executive officers are eligible to participate in our 401(k) plan on the same terms as other full-time employees. The Code allows eligible employees to defer a portion of their compensation, within prescribed limits, on a pre-tax basis through contributions to the 401(k) plan. Currently, we match contributions made by participants in the 401(k) plan up to a specified percentage of the employee contributions (up to 3% of pay), and these matching contributions are fully vested as of the date on which the contributions are made.

Health and Welfare Plans

Our executive officers are eligible to participate in our employee benefit plans, including our health and welfare plans, on the same basis as our other employees.

No Tax Gross-Ups

We generally do not make gross-up payments to cover our executive officers' personal income taxes that may pertain to any of the compensation paid or provided by our company.

Equity Incentive Plans

2015 Plan

Historically, Fulgent LLC has granted to its employees under its Amended and Restated 2015 Equity Incentive Plan, or the 2015 Plan, unit options and profits interest awards, a type of equity award containing a participation threshold that entitles the recipient of the award to participate in the value of Fulgent LLC only to the extent it appreciates from and after the date of grant of the award. The purpose of the 2015 Plan was to offer selected persons a proprietary interest in our company. Upon completion of this offering, any outstanding options and profits interest awards granted under the 2015 Plan will be equitably adjusted and convert into equivalent options to acquire shares of our common stock and shares of our common stock, respectively. Following completion of this offering, no further awards will be granted under the 2015 Plan and the plan will be terminated. The following is a description of the material terms of the 2015 Plan:

Units Subject to the 2015 Plan

Before completion of this offering, there were 15,000,000 units authorized for issuance under the 2015 Plan. As of March 31, 2016, there were 3,645,000 units subject to outstanding options and 10,000,000 outstanding profits interests. In connection with this offering, these options will become options to acquire shares of our common stock and these profits interest awards will become shares of our common stock.

Description of Awards

Options represent a right to purchase units of Fulgent LLC. The term of each option is 10 years from the date of grant of the option. Profits interests are a type of equity award containing a participation threshold that entitles the recipient of the award to participate in the value of Fulgent LLC to the extent it appreciates from and after the date of grant of the award. Vesting schedules vary from award to award, but, generally, one-quarter of the units subject to an option vest one year after the date of grant and 1/16 of the remainder of the units subject to an option vest at the end of every three-month period thereafter, and profits interest awards generally vest on the date of grant. All options granted under the 2015 Plan become exercisable upon a liquidity event or the change of Fulgent LLC into an entity taxable as a corporation for U.S. federal income tax purposes, each as set forth in the 2015 Plan. Fulgent LLC will be deemed to be taxable as a corporation for U.S. federal income tax purposes upon completion of the Reorganization, at which time the options will become exercisable to the extent vested. The 2015 Plan provides for adjustments to the number and kind of units subject to grants made under the plan and the number and kind of units covered by an award in the event of a reorganization, recapitalization, merger and other changes in our units. The 2015 Plan is set to expire pursuant to its terms on October 15, 2025. However, the Manager of Fulgent LLC may amend, suspend or terminate the 2015 Plan under certain circumstances, and no grants may be made after any such termination.

2016 Plan

We intend to adopt the 2016 Plan as our new equity incentive plan prior to completion of this offering. The terms of the 2016 Plan, which are in the process of being developed, will authorize us to grant options and other equity awards to our employees, directors and consultants for a number of shares of our common stock to be determined by our board of directors upon its adoption of the 2016 Plan.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to compensation arrangements with executive officers and directors, which are described under "Management—Non-Employee Director Compensation" and "Executive Compensation," described below are transactions and series of transactions since January 1, 2013 to which we were or will be a participant in which the amounts involved exceeded or will exceed $120,000 and in which any of our directors, executive officers or beneficial owners of more than 5% of any class of our equity, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest. Except as described below and except for there have not been, nor are there any currently proposed, any such transactions or series of transactions.

Unit Sales

The following table summarizes our sales of units of Fulgent LLC to our directors, executive officers, beneficial owners of more than 5% of our outstanding equity or any immediate family member of the foregoing, but excludes units issued to any such parties as compensation for services, which are discussed under "—Compensation of Vice President, Bioinformatics" and "Executive Compensation."

	Number of Preferred Units			Aggregate Purchase Price Paid to Us
Name of Owner	Class D-1	Class P	Class D-2	
Executive Officers and Directors:				
Ming Hsieh(1)	56,000,000	51,000,000	—	$ 15,500,000
5%+ Stockholders:				
Xi Long(2).	—	—	5,131,579	$ 15,188,234

(1) Reflects (i) 510 of Fulgent LLC's former Class A units issued and sold to Mr. Hsieh on September 19, 2012 for a deemed contribution to Fulgent LLC of $4,000,000, which units were converted into 56,000,000 Class D-1 preferred units upon our recapitalization on October 16, 2015, for an aggregate purchase price of $4,592,489 and (ii) 51,000,000 Class P preferred units issued and sold to Mr. Hsieh on October 16, 2015 for an aggregate purchase price of $10,907,511, which were redeemed by Fulgent LLC in connection with the Pharma Split-Off, discussed above under "Pharma Split-Off and Reorganization." Unit amounts do not reflect a private party sale on May 13, 2016 by Mr. Hsieh to Xi Long of 4,618,421 Class D-1 preferred units, discussed below under "—Private Party Unit Sales and Exchanges."

(2) Reflects 5,131,579 Class D-2 preferred units issued and sold to Xi Long on May 17, 2016 for an aggregate purchase price of $15,188,234. Unit and purchase price amounts do not reflect private party sales on May 13, 2016 by certain of Fulgent LLC's members of 4,618,421 Class D-1 preferred units and 5,644,737 Class D common units and our subsequent exchange of such units for Class D-2 preferred units, discussed below under "—Private Party Unit Sales and Exchanges," as we did not receive any proceeds in connection with such private party sales and exchanges.

Private Party Unit Sales and Exchanges

On May 13, 2016, Xi Long purchased 4,618,421 Class D-1 preferred units from Mr. Hsieh, 2,565,789 Class D common units from Dr. Gao and 3,078,948 Class D common units from certain of Fulgent LLC's other members, for an aggregate purchase price of $11,976,467. On May 17, 2016, we exchanged, on a one-for-one basis, all of the Class D-1 preferred units and Class D common units acquired by Xi Long from Fulgent LLC's members for newly issued Class D-2 preferred units.

Investor's Rights Agreement

On May 17, 2016, Fulgent LLC entered into the Investor's Rights Agreement with Xi Long, which we will assume in connection with the Reorganization. Following our assumption of the agreement, Xi Long will be entitled to rights with respect to the registration of the shares of our common stock that it holds following this offering. For a description of these registration rights, see "Description of Capital Stock—Registration Rights." In addition, the Investor's Rights Agreement provides that, as long as Xi Long holds 10,000,000 units of Fulgent

LLC or, following this offering, 10,000,000 shares of our common stock, we are required to provide Xi Long certain financial information at the end of each quarter, business plans upon their approval and certain additional information as it may request from time to time. However, we are not required to provide information that we deem in good faith to be a trade secret or similar confidential information, and provided further that we may require Xi Long to execute a confidentiality and nondisclosure agreement prior to disclosure of any such information.

Compensation of Vice President, Bioinformatics

Fulgent LLC's Vice President, Bioinformatics, James Xie, is the brother of Ming Hsieh. In 2013, 2014 and 2015, Mr. Xie earned the following compensation for his services for Fulgent LLC:

Year	Salary ($)(1)	Cash Bonus ($)	Stock Awards ($)(2)	Total ($)
2015	175,000	—	1,609,203(3)	1,784,203
2014	30,000	—	—	30,000
2013	—	—	—	—

(1) Mr. Xie's annual base salary for 2016 is $180,000.
(2) Amounts reflect the grant date fair value calculated in accordance with FASB ASC Topic 718 on the basis of the fair market value of the underlying awards on the respective grant dates. Assumptions used in the calculation of these amounts are included in Note 9 to Fulgent LLC's audited financial statements for the year ended December 31, 2015 included in this prospectus.
(3) Reflects awards of common units granted under the 2015 Plan on October 16, 2015 of (i) 5,000,000 Class D non-voting common units with a grant date fair value of $1,568,455, which will become shares of our common stock upon completion of the Reorganization, and (ii) 2,000,000 Class P non-voting common units with a grant date fair value of $40,748, all of which were redeemed by Fulgent LLC in connection with the Pharma Split-Off, discussed above under "Pharma Split-Off and Reorganization."

Additionally, Mr. Xie is eligible to receive cash bonuses and equity awards on the same basis as our other similarly situated employees.

Pharma Split-Off

On April 4, 2016, we effected the Pharma Split-Off, pursuant to which Fulgent LLC separated the Pharma Business from the business described in this prospectus by redeeming each of its member's Class P units, distributing to each such member substantially identical units of Fulgent Pharma and causing Fulgent Pharma to assume all then-outstanding options to purchase Class P common units. See "Pharma Split-Off and Reorganization" for additional information. Following the Pharma Split-Off, Ming Hsieh, the Manager and largest equity holder of Fulgent LLC and President and Chief Executive Officer of Fulgent Inc., remained the Manager and largest equity holder of Fulgent Pharma.

Prior to effecting the Pharma Split-Off, Ming Hsieh contributed $15,500,000 to Fulgent LLC in a series of capital contributions. Mr. Hsieh's capital contributions were allocated to the business described in this prospectus, which Fulgent LLC conducted directly, and to the Pharma Business. On May 19, 2016, Fulgent LLC, Fulgent Pharma and Mr. Hsieh entered into a contribution and allocation agreement pursuant to which the parties specified and agreed to the allocation of such capital contributions between Fulgent LLC and Fulgent Pharma in the following amounts: $4.6 million was allocated to Fulgent LLC and $10.9 million was allocated to Fulgent Pharma. The agreement also clarified that Mr. Hsieh's contributions were properly characterized as capital contributions, rather than loans to Fulgent LLC and Fulgent Pharma, notwithstanding a series of promissory notes previously entered into by Mr. Hsieh and Fulgent LLC.

During 2013, 2014 and 2015, the Pharma Business made payments to ANP Technologies, Inc., or ANP, totaling approximately $1.2 million, $1.0 million and $0.8 million, respectively, for services related to patented nanoencapsulation technology and other drug-related services in the oncology drug area, all of which relate to Fulgent LLC's discontinued operations. Mr. Hsieh owns 20% of the outstanding capital stock of ANP.

Additionally, prior to completion of the Reorganization, Dr. Ray Yin, the Chief Executive Officer of ANP, owned more than 5% of Fulgent LLC's Class D common units, although, following completion of the Reorganization prior to the closing of this offering, Dr. Yin will own less than 5% of our common stock (assuming that he does not purchase shares in this offering).

Fulgent Pharma is in the process of negotiating a lease agreement directly with the landlord for the space it uses in the facility at which our laboratory and corporate headquarters are located. Since the completion of the Pharma Split-Off and until such a lease agreement is finalized, Fulgent Pharma reimburses us for the portion of the rent we pay that is attributable to the space it uses, which totals approximately $1,000 per month.

Reorganization

Prior to the issuance of shares of our common stock in this offering, we will complete the Reorganization, pursuant to which Fulgent LLC will become our wholly-owned subsidiary and the members of Fulgent LLC will become our stockholders. See "Pharma Split-Off and Reorganization" for additional information.

Directed Share Program

At our request, the underwriters have reserved for sale at the initial public offering price up to shares of common stock, or approximately % of the shares offered by this prospectus, for purchase by our employees, directors and other persons associated with us. Any directed shares purchased by our officers and directors will be subject to the 180-day lock-up restriction described under "Underwriting" below. Any other participants in the directed share program will not be subject to any lock-up arrangements with any underwriter with respect to the directed shares sold to them. The number of shares of common stock available for sale to the general public in the offering will be reduced by the number of shares sold pursuant to the directed share program. Any directed shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. The directed share program will be arranged through .

Limitations on Liability and Indemnification Matters

Our certificate of incorporation contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the DGCL. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or
- any transaction from which the director derived an improper personal benefit.

Additionally, our certificate of incorporation and bylaws require us to indemnify our directors and officers to the maximum extent permitted by the DGCL and allow us to indemnify other employees and agents as set forth in the DGCL.

We have entered or will enter into separate indemnification agreements with each of our directors and officers prior to completion of this offering, which will provide such individuals with indemnification in addition to the indemnification provided for in our certificate of incorporation and bylaws. These agreements, among other things, require us to indemnify our directors and officers for certain expenses, including attorneys' fees,

judgments, penalties, fines and settlement amounts actually and reasonably incurred by such director and officer in any action or proceeding arising out of his or her service to us or any of our subsidiaries or any other company or enterprise to which the individual provides services at our request. Subject to certain limitations, these indemnification agreements also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted.

The limitation of liability and indemnification provisions in our certificate of incorporation, bylaws and indemnification agreements may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

We believe the provisions in our certificate of incorporation, bylaws and indemnification agreements discussed above are necessary to attract and retain qualified persons to serve as directors and officers of our company. We also intend to maintain insurance policies that indemnify our directors and officers against various liabilities arising under the Securities Act and the Exchange Act that might be incurred by any director and officer in his or her capacity as such. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers or persons controlling us, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore, in the opinion of the SEC, unenforceable.

At present, there is no pending litigation or proceeding involving Fulgent LLC's manager or any of our director nominees or officers as to which indemnification is required or permitted and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Policies and Procedures for Related Party Transactions

Prior to completion of this offering, our board of directors plans to adopt a written related person transaction policy to establish policies and procedures for the review and approval or ratification of all related person transactions. Effective upon completion of this offering, this policy is expected to provide that our related persons, which consist of our executive officers, directors, director nominees, beneficial owners of more than 5% of our common stock and any immediate family member of and any entity affiliated with any of the foregoing persons, are not permitted to enter into a material transaction in which we are a participant without the prior review and approval of our audit committee, or a committee composed solely of independent directors in the event it is inappropriate for our audit committee to review the transaction due to a conflict of interest, where a "material transaction" constitutes a transaction in which the amount involved exceeds $120,000. In reviewing, considering and approving or rejecting any such material transaction, we expect that our related person transaction policy will require consideration of the facts and circumstances available and deemed relevant to the audit committee or other reviewing committee, including, among others, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction.

Prior to completing this offering, we have not had a written policy for the review and approval of transactions with related persons and Fulgent LLC's Manager, Ming Hsieh, has historically reviewed and approved any transaction where a director or officer had a financial interest.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information known to us regarding the beneficial ownership of our common stock at , 2016, after giving effect to the Reorganization, which will occur prior to completion of this offering, for:

- each of our directors and director nominees;
- each of our named executive officers;
- all of our current directors, director nominees and executive officers as a group; and
- each person, or group of affiliated persons, who beneficially owns more than 5% of our common stock.

We have determined beneficial ownership in accordance with the rules of the SEC. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options or other derivative securities held by that person or entity that are currently exercisable or convertible or that will become exercisable or convertible within 60 days after , 2016, but we did not deem these shares outstanding for the purpose of computing the percentage ownership of any other person. The information in the table below is not necessarily indicative of beneficial ownership for any other purpose and the inclusion of any shares in the table does not constitute an admission of beneficial ownership of those shares. Except as otherwise indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares of our common stock that they beneficially own, subject to applicable community property or similar laws.

Applicable percentage ownership is based on shares of common stock outstanding as of , 2016, after giving effect to the Reorganization, which will occur prior to completion of this offering. For purposes of the table below, we have assumed that we will issue and sell shares of our common stock in this offering. The table below excludes any shares of common stock that may be purchased in this offering pursuant to the directed share program or otherwise.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Fulgent Diagnostics, Inc., 4978 Santa Anita Avenue, Suite 205, Temple City, California 91780.

	Beneficial Ownership After Giving Effect to the Reorganization and Prior to this Offering		Beneficial Ownership After Giving Effect to the Reorganization and After this Offering	
Name of Beneficial Owner	**Number**	**Percent**	**Number**	**Percent**
Directors, Director Nominees and Executive Officers:				
Ming Hsieh(1)				
John Bolger(2)				
Yun Yen(3)				
Paul Kim(4)				
Hanlin Gao(5)				
All executive officers and directors as a group (persons)				
Other 5% Stockholders:				
Xi Long(6)				

* Represents beneficial ownership of less than 1%.

(1) Consists of shares of our common stock to be issued at the effective time of the Reorganization upon the cancellation of (1) 41,381,579 Class D-1 preferred units of Fulgent LLC held of record by Mr. Hsieh and (ii) 10,000,000 Class D-1 preferred units of Fulgent LLC held of record by the Ming Hsieh Annuity Trust, over which Mr. Hsieh possesses sole voting and dispositive power as the sole trustee.

(2) Consists of shares of our common stock subject to option awards granted under the 2015 Plan to purchase up to an aggregate of 40,000 common units of Fulgent LLC and exercisable as of or within 60 days after , 2016, assuming the completion of the Reorganization as of such date.
(3) Consists of shares of our common stock to be issued at the effective time of the Reorganization upon the cancellation of 4,000,000 voting common units of Fulgent LLC held of record by Dr. Yen.
(4) Consists of shares of our common stock to be issued at the effective time of the Reorganization upon the cancellation of 2,500,000 voting common units of Fulgent LLC held of record by Mr. Kim.
(5) Consists of shares of our common stock to be issued at the effective time of the Reorganization upon the cancellation of 13,434,211 voting common units of Fulgent LLC held of record by Dr. Gao.
(6) Consists of shares of our common stock to be issued at the effective time of the Reorganization upon the cancellation of 15,394,737 Class D-2 preferred units of Fulgent LLC held of record by Xi Long. The address for Xi Long is 6 Xinrui Road, Science City, Luogang District, Guangzhou City, Guangdong Province, People's Republic of China 510663.

DESCRIPTION OF CAPITAL STOCK

The description below of our capital stock and provisions of our certificate of incorporation and bylaws that will be in effect upon completion of the offering are summaries and are qualified by reference to the certificate of incorporation and the bylaws, which are filed as exhibits to the registration statement of which this prospectus is part, and by applicable provisions of Delaware law. The following gives effect to changes to our capital structure that will occur prior to completion of this offering in connection with the Reorganization. See "Pharma Split-Off and Reorganization" for additional information. As used in the following description, "we," "us," "our" and "our company" refers only to Fulgent Diagnostics, Inc. and not to any of its subsidiaries.

General

Upon completion of this offering, our authorized capital stock will consist of 200,000,000 shares of common stock, par value $0.0001 per share, and 1,000,000 shares of preferred stock, par value $0.0001 per share, all of which shares of preferred stock will be undesignated, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Common Stock

Upon completion of this offering, we will have a total of shares of our common stock outstanding, based on shares of our common stock issued and outstanding as of March 31, 2016, after giving effect to the exchange of outstanding units of Fulgent LLC on such date for shares of our common stock in the Reorganization prior to completion of this offering. The holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of the stockholders. The holders of our common stock do not have any cumulative voting rights. Holders of our common stock are entitled to receive ratably any dividends declared by the board of directors out of funds legally available for that purpose, subject to any preferential dividend rights of any outstanding preferred stock. Our common stock has no preemptive rights, conversion rights or other subscription rights or redemption or sinking fund provisions. In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in all assets remaining after payment of all debts and other liabilities and any liquidation preference of any outstanding preferred stock. The shares of common stock to be issued by us in this offering will be, when issued and paid for, validly issued, fully paid and non-assessable.

Preferred Stock

Our board of directors may fix the rights, preferences, privileges and restrictions of our shares of preferred stock in one or more series and authorize their issuance without the approval of our stockholders. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action. Upon completion of this offering, no shares of preferred stock will be outstanding, and we have no present plans to issue any shares of preferred stock.

Options and Other Equity Awards

In connection with the Reorganization, all outstanding options to purchase common units of Fulgent LLC will become options to purchase up to an aggregate of shares of our common stock, and all outstanding

common units of Fulgent LLC that constitute profits interests will become shares of our common stock. See "Executive Compensation—Equity Incentive Plans" for additional information.

Registration Rights

After this offering, Xi Long will be entitled to certain rights with respect to registration under the Securities Act of the shares of our common stock that it will acquire upon completion of the Reorganization. For purposes of the below description, we refer to these shares as "registrable securities." With respect to these registrable securities, Xi Long possesses registration rights pursuant to the terms of the Investor's Rights Agreement, which we will assume from Fulgent LLC in connection with the Reorganization.

The registration of shares of our common stock pursuant to the exercise of registration rights would enable a holder of such rights to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective. Pursuant to the terms of the Investor's Rights Agreement, we are generally required pay the registration expenses, other than underwriting discounts and selling commissions, of the shares registered pursuant to the demand, piggyback and Form S-3 registrations described below. Under the Investor's Rights Agreement, we have agreed to indemnify a holder of registrable securities, any underwriter for a holder and any person, if any, who controls a holder (within the meaning of the Securities Act or the Exchange Act) against any losses, claims or damages resulting from violation of securities laws and regulations and from any untrue statement or omission of material fact in any registration statement or prospectus pursuant to which we sell shares of our common stock, unless such liability arose from reliance on written information furnished by the holder for use in connection the registration of shares, and each holder has agreed to indemnify us against all losses caused by its misstatements or omissions to the extent such losses result from our reliance on written information furnished by the holder for use in connection the registration of shares.

Generally, in an underwritten offering, the underwriter or underwriters, if any, has the right, subject to specified conditions, to limit the number of shares the holders of registrable securities may include in the offering. The demand, piggyback and Form S-3 registration rights described below will expire three years after the completion of an initial public offering, or, with respect to any particular holder, at such earlier time that the holder can sell its shares under Rule 144 of the Securities Act during any three-month period.

Demand Registration Rights

On or after May 17, 2019, upon the written request of a holder or holders of a majority of the registrable securities then outstanding that we file a registration statement under the Securities Act covering registrable securities with an anticipated aggregate price to the public of at least $35 million, we will be obligated to give written notice to all holders of registrable securities of such request within 20 days of our receipt of such notice. We will then be obligated to use our best efforts to register the sale of all registrable securities that the holder or holders of registrable securities request in writing to be registered within 20 days after our mailing of a notice to all such holders. We are required to file no more than one registration statement that is declared or ordered effective by the SEC upon exercise of these rights. We may delay the filing of a registration statement for up to 120 days twice in a 12-month period if, in the good faith judgment of our board of directors, such registration would be detrimental to us and our stockholders, and we are not required to file a registration statement during the period beginning 60 days prior to our good faith estimate of the date of the filing of, and ending on a date 180 days following the effective date of, a registration initiated by us.

Piggyback Registration Rights

If we register any of our securities in connection with a public offering, we would be required to use our best efforts to register all registrable securities that the holders of such registrable securities request in writing be registered within 20 days after our mailing of a notice to all holders of the proposed registration. However, this

right does not apply to this offering or to a registration relating to any of our equity incentive plans or a corporate reorganization or other transaction under Rule 145 of the Securities Act, a registration on any registration statement form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the registrable securities, a registration in which the only shares of common stock being registered are shares issuable upon conversion of debt securities that are also being registered.

Form S-3 Registration Rights

Upon the written request of a holder or holders of at least 50% of the registrable securities then outstanding that we file a registration statement on Form S-3 covering registrable securities with an anticipated aggregate price to the public of at least $5 million (net of any underwriters' discounts or commissions), and provided we are then eligible to file a registration statement on Form S-3, we will be obligated to use our best efforts to register the sale of all registrable securities that such holder or holders request in writing to be registered within 15 days after our mailing of a notice to all holders of such registration on Form S-3. We are required to file no more than two registration statements on Form S-3 upon exercise of these rights per 12-month period. We may delay the filing of a registration statement for up to 120 days if, in the good faith judgment of our board of directors, such registration would be detrimental to us and our stockholders.

Anti-Takeover Provisions

Certain provisions of Delaware law, our certificate of incorporation and/or our bylaws may have the effect of delaying, deferring or discouraging another person from acquiring control of our company, as described below.

Section 203 of the DGCL

We are subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a "business combination" to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Certificate of Incorporation and Bylaws

Our certificate of incorporation and bylaws include a number of provisions that may discourage or delay attempts to take over our company or effect change to our management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to reduce our vulnerability to hostile takeovers and to discourage certain tactics that may be used in proxy fights. We believe the benefits of these provisions, including increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure our company, outweigh the disadvantages of discouraging takeover proposals.

No Cumulative Voting Rights

Because our certificate of incorporation does not provide for cumulative voting rights, stockholders holding a majority of our outstanding voting power will be able to elect all of our directors.

Removal of Directors; Number of Directors; Vacancies

Our bylaws provide that directors may be removed by our stockholders upon the vote of a majority of our outstanding common stock, voting together as a single class, and subject to any rights of holders of any series of preferred stock that we may issue in the future, and that any such removal may be made with or without cause. Further, subject to any rights of holders of any series of preferred stock that we may issue in the future, the authorized number of directors may be changed only by the board of directors. Vacancies and newly created directorships on the board of directors may, except as otherwise required by law or determined by the board of directors, only be filled by a majority vote of the directors then serving on the board of directors, even though less than a quorum. These provisions will make it difficult for stockholders to remove directors and will prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.

Stockholder Actions; Special Meetings of Stockholders

Our certificate of incorporation and bylaws provide that all stockholder actions must be effected at a duly called meeting of stockholders, thereby eliminating the right of stockholders to act by written consent without a meeting. Our bylaws also provide that special meetings of stockholders may only be called by the Chairman of our board of directors, our President or our board of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our bylaws provide advance notice procedures that must be followed by stockholders seeking to bring business before an annual meeting of our stockholders or to nominate candidates for election as directors at any meeting of our stockholders, which will require any such notice to be delivered to us at a specified time and in a specified form and contain certain specified information. These provisions may preclude our stockholders from bringing matters before our meetings of stockholders or from making nominations for directors at our meetings of stockholders if they do not comply with these requirements.

Issuance of Undesignated Preferred Stock

Our board of directors has the authority, without further action by the holders of our common stock, to issue up to 1,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the board of directors. The existence of authorized but unissued shares of preferred stock enables our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

Choice of Forum

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our certificate of incorporation or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine.

Listing

We intend to apply to list our common stock on the under the trading symbol “FLGT”.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is . The transfer agent’s address is and its telephone number is .

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding options, in the public market following this offering, or the perception that such sales could occur, could cause the prevailing market price for our common stock to fall and impair our ability to raise capital in the future through the sale of our equity securities.

Upon the closing of this offering, we will have a total of shares of our common stock outstanding, based on shares of our common stock issued and outstanding as of March 31, 2016, after giving effect to the Reorganization, which will occur prior to completion of this offering. Of these outstanding shares, all of the shares of common stock sold in this offering, plus any shares sold pursuant to the underwriters' option to purchase additional shares, will be immediately freely tradable without restriction in the public market, except for any shares of our common stock that may be held or acquired by our "affiliates," as that term is defined in Rule 144 under the Securities Act, or Rule 144, which will be restricted securities under the Securities Act, or by our directors and executive officers through the directed share program.

The remaining outstanding shares of our common stock will be "restricted securities," as that term is defined in Rule 144. Restricted securities may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, or Rule 701, which are summarized below. As a result, subject to the lock-up agreements described below and the provisions of Rules 144 or Rule 701, shares of our common stock that will be deemed restricted securities after this offering will be available for sale in the public market as follows:

- no shares will be available for sale until 180 days after the date of this prospectus, subject to certain limited exceptions provided for in the lock-up agreements; and
- beginning 181 days after the date of this prospectus, shares of our common stock will become eligible for sale in the public market, of which shares are expected to be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below.

Lock-Up Agreements

All of our directors and officers and all of our security holders (including holders of equity securities of Fulgent LLC prior to the Reorganization) are subject to lock-up agreements that, subject to limited exceptions, prohibit them from offering for sale, selling, contracting to sell, pledging or otherwise disposing of any shares of our common stock, options or other rights to acquire shares of our common stock or any security or instrument related to our common stock, or entering into any swap, hedge or other arrangement that transfers any of the economic consequences of ownership of our common stock, for a period of 180 days following the date of this prospectus without the prior written consent of Credit Suisse Securities (USA) LLC and Piper Jaffray & Co. See "Underwriting" for additional information.

Registration Rights

We have granted demand, piggyback and Form S-3 registration rights to Xi Long for the resale of shares of our common stock to be acquired in connection with the Reorganization. Registration of the resale of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by our affiliates. See "Description of Capital Stock—Registration Rights" for additional information.

Rule 144

In general, beginning 90 days after the date of this prospectus, a person who is not our affiliate for purposes of Rule 144 at any time during the 90 days preceding a sale will generally be entitled to sell any shares of our

common stock that the person has beneficially owned for at least six months, including the holding period of any prior owner other than one of our affiliates, without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to our compliance with the public information requirements of Rule 144. In addition, such a person would be entitled to sell any shares of our common stock that the person has beneficially owned for at least one year, including the holding period of any prior owner other than one of our affiliates, without complying with any of the requirements of Rule 144.

Additionally, in general, beginning 90 days after the date of this prospectus, a person who is our affiliate for purposes of Rule 144, or a person selling shares on behalf of an affiliate, and who has beneficially owned shares of our common stock for at least six months, including the holding period of any prior owner other than one of our affiliates, will be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

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

Sales under Rule 144 by an affiliate or a person selling shares on behalf of an affiliate are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without needing to comply with the public information, holding period, volume limitation or notice requirements of Rule 144. Rule 701 also permits a person who is an affiliate of our company to sell shares acquired pursuant to Rule 701 in reliance upon Rule 144, but without needing to comply with the holding period requirements of Rule 144. All holders of shares acquired pursuant to Rule 701, however, are required by the rule to wait until 90 days after the date of this prospectus before selling these shares pursuant to Rule 701.

Options

We intend to file one or more registration statements on Form S-8 to register under the Securities Act all of the shares of our common stock subject to outstanding options granted under the 2015 Plan, as well as all of the shares of our common stock reserved for issuance under the 2016 Plan. These registration statements will become effective immediately upon filing and shares covered by these registration statements will then be eligible for sale in the public markets, subject to vesting restrictions, any applicable lock-up agreements described above and Rule 144 limitations applicable to affiliates. As of March 31, 2016, after giving effect to the Reorganization, shares of our common stock were subject to outstanding options, and of such shares were vested.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR COMMON STOCK

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the Code, Treasury regulations promulgated thereunder, or Treasury Regulations, judicial decisions and published rulings and administrative pronouncements of the U.S. Internal Revenue Service, or IRS, in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. The IRS or a court may take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, among other things:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies, and other financial institutions;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation; and
- tax-qualified retirement plans.

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON

STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-U.S. Holder

For purposes of this discussion, a "Non-U.S. Holder" is any beneficial owner of our common stock that is neither a "U.S. person" nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (i) is subject to the primary supervision of a U.S. court and the control of one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code), or (ii) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

Distributions

As described under "Dividend Policy" above, we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder's adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under "—Sale or Other Taxable Disposition."

Subject to the discussion below on effectively connected income, dividends paid to a Non-U.S. Holder of our common stock will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation) certifying qualification for the lower treaty rate). A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above.

To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI (or successor form), certifying that the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States.

Any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation may also be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

Sale or Other Taxable Disposition

A Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable);
- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a "United States real property interest," or USRPI, because we are or have been a "United States real property holding corporation," or USRPHC, within the meaning of Code Section 897(c)(2) at any time within the shorter of the five-year period preceding such disposition or such Non-U.S. Holder's holding period.

Gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation may also be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a Non-U.S. Holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market, and such Non-U.S. Holder owned, actually and constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Payments of dividends on our common stock will not be subject to backup withholding, provided the applicable withholding agent does not have actual knowledge or reason to know the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Non-U.S. Holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Additional Withholding Tax on Payments Made to Foreign Accounts

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or FATCA) on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (i) the foreign financial institution undertakes certain diligence and reporting obligations, (ii) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (i) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and administrative guidance, withholding under FATCA generally applies to payments of dividends on our common stock, and will apply to payments of gross proceeds from the sale or other disposition of our common stock on or after January 1, 2019.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated as of the date of this prospectus, we have agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC and Piper Jaffray & Co. are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	
Piper Jaffray & Co.	
Raymond James & Associates, Inc.	
BTIG, LLC	
Total	

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

At our request, the underwriters have reserved for sale at the initial public offering price up to shares of common stock, or approximately % of the shares offered by this prospectus, for purchase by our employees, directors and other persons associated with us. Any directed shares purchased by our officers and directors will be subject to the 180-day lock-up restriction described below. Any other participants in the directed share program will not be subject to any lock-up arrangements with any underwriter with respect to the directed shares sold to them. The number of shares of common stock available for sale to the general public in the offering will be reduced by the number of shares sold pursuant to the directed share program. Any directed shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with sales of the directed shares. The directed share program will be arranged through .

We have granted to the underwriters a 30-day option to purchase on a pro rata basis up to additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock in this offering.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel including the validity of the shares, and subject to other conditions contained in the underwriting agreement, such as receipt by the underwriters of officer's certificates and legal opinions. The offering of the shares by the underwriters is also subject to the underwriters' right to reject any order in whole or in part.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of $ per share. The underwriters and selling group members may allow a discount of $ per share on sales to other broker/dealers. After the initial public offering, the representatives may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation and estimated expenses we will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting discounts and commissions paid by us	$	$	$	$
Expenses payable by us	$	$	$	$

We estimate that our out of pocket expenses for this offering (not including any underwriting discounts and commissions) will be approximately $ million. We have agreed to reimburse the underwriters for expenses of up to $ related to clearance of this offering with the Financial Industry Regulatory Authority, Inc., or FINRA.

We and Fulgent LLC have agreed that neither we nor Fulgent LLC will offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse Securities (USA) LLC and Piper Jaffray & Co. for a period of 180 days after the date of this prospectus. The restrictions described in this paragraph do not apply to:

(a) the issuance of shares in connection with the Reorganization;

(b) grants of employee stock options or other equity-based awards pursuant to the terms of our equity inventive plans;

(c) issuances of shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock pursuant to the exercise of such options or other equity-based awards;

(d) issuances of shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or option; or

(e) issuances of shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock under certain other circumstances as set forth in the underwriting agreement;

provided that, in the case of clauses (a), (c) and (d), the recipients of such shares of our common stock or securities agree to be bound by a lock-up agreement in the form executed by our directors, officers and existing security holders, and directors, officers and existing security holders of Fulgent LLC.

Our officers and directors and all of our existing security holders, and officers, directors and all existing security holders of Fulgent LLC, have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock (including any membership or equity interests in Fulgent LLC, including interests subject to profits threshold amounts), enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC and Piper Jaffray & Co. for a period of 180 days after the date of this prospectus. The restrictions described in this paragraph do not apply to:

(a) the transfer, exchange or conversion of interests in Fulgent LLC for shares of our common stock in connection with the Reorganization; provided that any such shares issued upon such transfer, exchange or conversion shall be shares subject to the foregoing restrictions set forth in the lock-up agreement;

(b) transactions relating to shares of our common stock acquired in the open market on or after the date of this prospectus; provided that no filing by the transferor under the Exchange Act shall be required or shall be voluntarily made in connection with such open market transactions (other than a filing on a Form 5 made after the expiration of the lock-up period);

(c) the transfer of shares of our common stock or interests in Fulgent LLC (i) to a family member or to a trust formed for the benefit of the lock-up signatory or a family member thereof, (ii) by a bona fide gift, will or intestacy, (iii) if the lock-up signatory is a corporation, partnership, limited liability company, investment fund or other business entity, (A) to another corporation, partnership, limited liability company or other business entity that controls, is controlled by or is under common control with the lock-up signatory, (B) to investment funds under common management with the lock-up signatory or the limited partners, general partners or other principals of such funds or the lock-up signatory or (C) as part of a disposition, transfer or distribution by the lock-up signatory to its equity holders or (iv) if the lock-up signatory is a trust, to a trustor or beneficiary of the trust; provided that in the case of any transfer or distribution pursuant to this clause, each donee, transferee or distributee agrees in writing with Credit Suisse Securities (USA) LLC and Piper Jaffray & Co. to be bound by the terms of such lock-up agreement prior to such transfer and no filing by any party (donor, donee, transferor, transferee, distributor or distributee) under the Exchange Act shall be required or shall be voluntarily made in connection with such transfer (other than a filing on a Form 5 made after the expiration of the lock-up period); provided further any transfer pursuant to this clause shall not involve a disposition of value;

(d) the receipt by the lock-up signatory from us of shares of common stock upon the vesting of securities convertible into or exchangeable for shares of our common stock (including, without limitation, interests in Fulgent LLC) or upon the exercise of options, in each case in accordance with their terms pursuant to an employee benefit plan, award or option disclosed in this prospectus, provided that any such shares issued upon such vesting or upon exercise of such option shall be subject to the restrictions set forth in the lock-up agreement;

(e) the transfer of shares of our common stock to us upon a vesting event of securities convertible into or exchangeable for shares of our common stock (including, without limitation, interests in Fulgent LLC) or upon the exercise of options to purchase shares of our common stock, in each case in accordance with their terms pursuant to an employee benefit plan, award or option disclosed in this prospectus, in each case on a “cashless” or “net exercise” basis or to cover tax withholding obligations of the undersigned in connection with such vesting or exercise; provided that no filing under the Exchange Act or other public announcement shall be required or shall be voluntarily made during the lock-up period;

(f) the establishment of a trading plan pursuant to Rule 10b5-1 of the Exchange Act during the lock-up Period; provided that no direct or indirect offers, pledges, sales, contracts to sell, sales of any option or contract to purchase, purchases of any option or contract to sell, grants of any option, right or warrant to purchase, loans, or other transfers or disposals of any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock (including, without limitation, interests in Fulgent LLC) may be effected pursuant to such plan during the lock-up period; and provided that no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required of or voluntarily made by or on behalf of the lock-up signatory or us during the lock-up period;

(g) the transfer of shares of our common stock or other securities convertible into or exchangeable for shares of our common stock (including, without limitation, interests in Fulgent LLC) pursuant to a qualified domestic order or in connection with a divorce settlement; provided that the transferee shall sign and deliver to Credit Suisse Securities (USA) LLC and Piper Jaffray & Co. a lock-up letter substantially in the form of the lock-up agreement prior to such transfer; provided, further, that if the lock-up signatory is required to file a report under the Exchange Act, the lock-up signatory shall include a statement in such report to the effect that such transfer was made pursuant to a qualified domestic order or divorce settlement; or

(h) the transfer of shares of our common stock or other securities convertible into or exchangeable for shares of our common stock (including, without limitation, interests in Fulgent LLC) pursuant to a change of control of us after the date of this prospectus that has been approved by the independent members of our board of directors, provided that in the event that the change of control is not completed, the shares of common stock owned by the lock-up signatory shall remain subject to the restrictions contained in the lock-up agreement.

We intend to apply to list the shares of common stock on the under the symbol "FLGT".

Prior to this offering, there has been no public market for our common stock. The initial public offering price was determined by negotiations among us and the representatives and will not necessarily reflect the market price of the common stock following this offering. The principal factors that were considered in determining the initial public offering price included:

- the information presented in this prospectus and otherwise available to the underwriters;
- the history of, and prospects for, the industry in which we compete;
- the ability of our management;
- the prospects for our future earnings;
- the present state of our development, results of operations and our current financial condition;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure you that the initial public offering price will correspond to the price at which the common stock will trade in the public market subsequent to this offering or that an active trading market for the common stock will develop and continue after this offering.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty bids and passive market making in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.
- In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

Other Relationships

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

Selling Restrictions

Notice to Prospective Investors in Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the securities described herein. The securities may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the securities constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this document nor any other offering or marketing material relating to the securities may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, nor us nor the securities have been or will be filed with or approved by any Swiss regulatory authority. The securities are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority, or FINMA, and investors in the securities will not benefit from protection or supervision by such authority.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each underwriter represents and agrees that with effect from and

including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of securities which are the subject of the offering contemplated by this prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representative for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of securities shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

Each of the underwriters severally represents warrants and agrees as follows:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA, received by it in connection with the issue or sale of the securities in circumstances in which Section 21 of the FSMA does not apply to us; and

(b) it has complied with, and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Canada

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Hong Kong

The securities may not be offered or sold in Hong Kong by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap.32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the depositary securities may be issued or may be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to depositary securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

(a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA");

(b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Morrison & Foerster LLP, San Diego, California. Certain legal matters relating to the offering will be passed upon for the underwriters by Latham & Watkins LLC, Costa Mesa, California.

EXPERTS

The consolidated financial statements of Fulgent Therapeutics LLC as of December 31, 2015 and 2014 and for each of the years then ended included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such consolidated financial statements are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The balance sheet as of May 13, 2016 (date of formation) of Fulgent Diagnostics, Inc. included in this prospectus has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such balance sheet is included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed with the registration statement. For further information about us and our common stock, reference is made to the registration statement and the exhibits filed with the registration statement. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not complete, and in each instance the statement is qualified in all respects by the complete text of the agreement or document, a copy of which has been filed as an exhibit to the registration statement.

We currently do not file periodic reports with the SEC. Upon completion of this offering, we will be required to file annual, quarterly and current reports, proxy statements and other information with the SEC pursuant to the Exchange Act. You may read and copy this information, as well as the registration statement and the exhibits filed with the registration statement, at the public reference room maintained by the SEC, located at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants, including us, that file electronically with the SEC. The address of the website is *www.sec.gov*.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Fulgent Diagnostics, Inc.
Temple City, California

We have audited the accompanying balance sheet of Fulgent Diagnostics, Inc., a Delaware corporation (the "Company"), as of May 13, 2016 (date of formation). This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, such balance sheet presents fairly, in all material respects, the financial position of the Company as of May 13, 2016 (date of formation), in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Los Angeles, California
June 9, 2016

FULGENT DIAGNOSTICS, INC.
Balance Sheet
(in thousands, except par value data and as noted)

	May 13, 2016 (Date of Formation)
Assets	
Cash	$ —
Total assets	$ —
Total liabilities	$ —
Commitments and contingencies	$ —
Stockholders' equity	
Common stock, $0.0001 par value, 200,000 shares authorized, 1 share* issued and outstanding as of May 13, 2016	—
Preferred stock, $0.0001 par value, 1,000 shares authorized, 0 shares issued and outstanding as of May 13, 2016	—
Total stockholders' equity	$ —
Total liabilities and stockholders' equity	$ —

* Share amount not in thousands

The accompanying notes are an integral part of this balance sheet.

FULGENT DIAGNOSTICS, INC.
Notes to the Balance Sheet
May 13, 2016 (Date of Formation)

Note 1—Reorganization

Fulgent Diagnostics, Inc., a Delaware corporation (the "Company"), was incorporated on May 13, 2016 solely for the purpose of effecting an initial public offering. Dollar and unit amounts, except per unit dollar amounts, are reported in thousands, unless otherwise noted. Prior to completion of and as a condition to closing the initial public offering, the Company will enter into an agreement and plan of merger with a wholly owned subsidiary of the Company to be formed for the sole purpose of such merger ("Merger Sub"), and Fulgent Therapeutics LLC, a California limited liability company ("Fulgent LLC"), pursuant to which (i) Merger Sub will merge with and into Fulgent LLC, with Fulgent LLC surviving the merger as the wholly owned subsidiary of the Company, (ii) each outstanding unit of Fulgent LLC will be cancelled in exchange for a to-be-determined number of shares of the common stock of the Company, and (iii) all outstanding options to acquire common units of Fulgent LLC will become equivalent options to acquire shares of the common stock of the Company and all outstanding common units that constitute "profits interests," a type of equity award containing a participation threshold that entitles the recipient of the award to participate in the value of Fulgent LLC only to the extent it appreciates from and after the date of grant of the award, will convert into shares of the common stock of the Company (the "Reorganization"). Following the Reorganization and at the time of the closing of this offering, the Company will exist as a holding company with no material assets other than 100% of the equity interests of Fulgent LLC and will consolidate the financial results of Fulgent LLC.

The Company has authorized capital stock consisting of 200,000 shares of common stock, $0.0001 par value per share, and 1,000 shares of "blank check" preferred stock, $0.0001 par value per share. On May 13, 2016, Ming Hsieh purchased one share of the Company's common stock in exchange for cash, which was the only share of the Company outstanding as of May 13, 2016, and which share will be cancelled in connection with the closing of the Reorganization and prior to the closing of this offering. As of June 9, 2016, no shares of the Company's preferred stock were outstanding. Upon completion of this offering, no shares of the Company's preferred stock will be outstanding, and the Company has no present plans to issue any shares of preferred stock.

Note 2—Basis of Presentation

The accompanying balance sheet was prepared in conformity with accounting principles generally accepted in the United States of America. Separate statements of operations, comprehensive income, stockholder's equity and cash flows have not been presented because this entity has had no activities.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The Company evaluated all events and transactions through June 9, 2016, the date the balance sheet as of May 13, 2016 was issued.

The accompanying consolidated financial statements reflect the disposition on April 4, 2016, of the Company's drug research and discovery business, which will be accounted for as discontinued operations.

The following report is in the form which will be furnished by Deloitte & Touche LLP, an independent registered public accounting firm, upon the issuance of financial statements by the Company which include the date on which the disposition of the Company's drug research and discovery business qualified for discontinued operations presentation, which is described in the fourth paragraph of Note 1 and Note 3 to the consolidated financial statements, and assuming that from June 9, 2016 through the date financial statements which include the date on which the disposition of the Company's drug research and discovery business qualified for discontinued operations presentation are issued, no other material events shall have occurred, that would affect the accompanying consolidated financial statements or disclosures therein.

/s/ Deloitte & Touche LLP
Los Angeles, California
June 9, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Fulgent Therapeutics LLC
Temple City, California

We have audited the accompanying consolidated balance sheets of Fulgent Therapeutics LLC and subsidiary (the "Company") as of December 31, 2014 and 2015, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Fulgent Therapeutics LLC and subsidiary as of December 31, 2014 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Los Angeles, California
June 9, 2016
(except for the impact of the discontinued operations discussed in Note 1 and Note 3, as to which the date is , 2016)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FULGENT THERAPEUTICS LLC
Consolidated Balance Sheets
(in thousands, except as noted)

	December 31, 2014	December 31, 2015
Assets		
Current assets		
Cash	$ 172	$ 489
Trade accounts receivable, net	387	2,118
Other current assets	151	314
Current assets of discontinued operations	—	9
Total current assets	710	2,930
Fixed assets, net	978	2,469
Non-current assets of discontinued operations	432	433
	1,410	2,902
Total assets	$ 2,120	$ 5,832
Liabilities and Members' Equity		
Current liabilities		
Accounts payable	$ 165	$ 314
Accrued liabilities	137	199
Current liabilities of discontinued operations	134	173
Total current liabilities	436	686
Total liabilities	436	686
Commitments and contingencies (Note 8)		
Members' equity		
Class A units—510 units* authorized and issued at December 31, 2014; no units authorized issued, or outstanding at December 31, 2015	12,000	—
Class B units—1,000 units* authorized and 490 issued at December 31, 2014; no units authorized issued, or outstanding at December 31, 2015	—	—
Class D preferred units—no units authorized, issued or outstanding at December 31, 2014; 56,000 units authorized, issued and outstanding at December 31, 2015	—	35,280
Class P preferred units—no units authorized, issued or outstanding at December 31, 2014; 51,000 units authorized, issued and outstanding at December 31, 2015	—	10,710
Class D common units—no units authorized, issued or outstanding at December 31, 2014; 44,000 units authorized and 34,000 issued and outstanding at December 31, 2015	—	10,636
Class P common units—no units authorized, issued or outstanding at December 31, 2014; 49,000 units authorized and 45,000 issued and outstanding at December 31, 2015	—	1,680
Accumulated deficit	(10,316)	(53,160)
Total members' equity	1,684	5,146
Total liabilities and members' equity	$ 2,120	$ 5,832

* Unit amounts not in thousands

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

FULGENT THERAPEUTICS LLC
Consolidated Statements of Operations
(in thousands, except per unit and per share data)

	Year Ended December 31,	
	2014	2015
Revenue	$ 1,278	$ 9,576
Cost of revenue	936	5,069
Gross profit	342	4,507
Operating expenses:		
Research and development	521	4,431
Selling and marketing	581	2,670
General and administrative	230	2,418
Total operating expenses	1,332	9,519
Operating loss	(990)	(5,012)
Interest and other income	—	27
Loss before income taxes	(990)	(4,985)
Provision for income taxes	—	—
Loss from continuing operations	(990)	(4,985)
Loss from discontinued operations	(3,293)	(3,329)
Net loss	$ (4,283)	$ (8,314)
Basic and diluted loss per common unit:		
Continuing operations—Class D common units—Profits interests*		$ (0.21)
Continuing operations:		
Weighted-average Class D common units—Profits interests—outstanding—basic and diluted		34,000
Pro forma loss attributable to common stockholders (unaudited):		
Pro forma loss per share attributable to common stockholders (unaudited):		
Basic and diluted		
Shares used in computing pro forma loss per unit attributable to common stockholders (unaudited):		
Basic and diluted		

* Loss of $7,239 calculated prospectively from the date the Class D common units subject to profits interest thresholds were issued in the Recapitalization.

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

FULGENT THERAPEUTICS LLC
Consolidated Statements of Members' Equity
(in thousands, except as noted)

	Class A Preferred		Class B Common		Class D Preferred		Class D Common		Class P Preferred		Class P Common		Accumulated Deficit	Total Members' Equity
	Units*	Amount	Units*	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount		
Balance at December 31, 2013	510	$ 8,000	490	$ —		$ —		$ —		$ —		$ —	$ (6,033)	$ 1,967
Capital contribution		4,000												4,000
Net loss													(4,283)	(4,283)
Balance at December 31, 2014	510	$ 12,000	490	$ —	—	$ —	—	$ —	—	$ —	—	$ —	$ (10,316)	$ 1,684
Capital contribution		3,500												3,500
Recapitalization and deemed distribution	(510)	(15,500)	(490)		56,000	35,280	8,000	2,480	51,000	10,710	39,000	1,560	(34,530)	—
Equity-based compensation							26,000	8,156			6,000	120		8,276
Net loss													(8,314)	(8,314)
Balance at December 31, 2015	—	$ —	—	$ —	56,000	$35,280	34,000	$10,636	51,000	$10,710	45,000	$1,680	$ (53,160)	$ 5,146

* Such amounts not in thousands

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

FULGENT THERAPEUTICS LLC
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31, 2014	2015
Cash flow from operating activities:		
Net loss	$ (4,283)	$ (8,314)
Loss from discontinued operations	(3,293)	(3,329)
Loss from continuing operations	(990)	(4,985)
Adjustments to reconcile net loss to net cash used in operating activities:		
Equity-based compensation	—	8,156
Depreciation and amortization	196	575
Gain on disposal of fixed assets	—	(20)
Provision for bad debt	33	48
Changes in operating assets and liabilities:		
Increase in accounts receivable	(416)	(1,779)
Increase in other current assets	(138)	(163)
Increase in accounts payable	150	132
Increase in accrued liabilities	81	62
Cash provided (used) in continuing operations	(1,084)	2,026
Cash used in discontinued operations	(3,313)	(2,995)
Net cash used in operating activities	(4,397)	(969)
Cash flow from investing activities:		
Proceeds from disposal of fixed assets	—	70
Purchases of fixed assets	(731)	(2,100)
Cash used in continuing operations	(731)	(2,030)
Cash used in discontinued operations	(49)	(175)
Net cash used in investing activities	(780)	(2,205)
Cash flow from financing activities:		
Capital contributions	4,000	3,500
Net cash provided by financing activities	4,000	3,500
Net increase (decrease) in cash	(1,177)	326
Cash balance at beginning of period	1,349	172
Cash balance at end of period (including $0 and $9 at December 31, 2014 and 2015, respectively, from discontinued operations)	$ 172	$ 498
Supplemental cash flow information:		
Fixed assets included in accounts payable	$ —	$ 17
Recapitalization	$ —	$ 34,530

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

FULGENT THERAPEUTICS LLC
Notes to the Consolidated Financial Statements

Note 1—Basis of Presentation

Fulgent Therapeutics LLC was initially formed in June 2011 as a California corporation and converted to a California limited liability company in September 2012. The term the "Company" refers to Fulgent Therapeutics LLC and its subsidiary. Dollar and unit amounts, except per unit dollar amounts, are reported in thousands unless otherwise noted. Fulgent LLC's authorized, issued and outstanding equity interests are referred to as "shares" in its operating agreement, as amended from time to time (the "Operating Agreement"), but are referred to as "units" herein. The Company is managed by the Company's Manager, who is also the Company's controlling equity holder.

The Company is a rapidly growing technology company with an initial focus on offering comprehensive genetic testing to provide physicians with clinically actionable diagnostic information they can use to improve the overall quality of patient care (the "Diagnostic business"). The Company has developed a proprietary technology platform that allows it to offer a broad and flexible test menu while maintaining accessible pricing, high accuracy and competitive turnaround times. The Company's current test menu offers single-gene tests and various pre-established disease-specific panels that collectively test for many genetic conditions, including cancers, cardiovascular diseases and neurological disorders. The Company's existing customer base consists primarily of hospitals and medical institutions, which are frequent and high-volume users of genetic tests.

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany transactions and accounts are eliminated in consolidation.

On April 4, 2016, the Company completed the split-off of its former pharmaceutical business (the "Pharma business") by distributing 100% of the outstanding units of its then subsidiary, Fulgent Pharma LLC ("Fulgent Pharma"), to holders of its Class P preferred and common units. The split-off of the Pharma business is presented as discontinued operations in the consolidated financial statements for all periods presented. Significant asset and liability categories of the Pharma business are disclosed on the consolidated balance sheet. Significant assets and liabilities of the discontinued operations consist of fixed assets and accounts payable.

The major components of statements of operations data comprising the loss on discontinued operations are as follows:

	Year Ended December 31	
	2014	2015
Operating expenses:		
Research and development	$ 3,013	$ 2,217
General and administrative	$ 280	$ 1,112
Total operating expenses	$ 3,293	$ 3,329
Operating loss	$ (3,293)	$ (3,329)
Net loss	$ (3,293)	$ (3,329)
Basic and diluted loss per unit of discontinued operations		
Per Class P common unit—profits interests*		$ (0.15)
Weighted-average Class P common units—profits interests—outstanding		5,796

* Loss of $896 calculated prospectively from the date the Class P common units subject to profits interest threshold were issued in the Recapitalization.

Note 2—Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

On an on-going basis, management evaluates its estimates, primarily those related to: (i) revenue recognition criteria, (ii) accounts receivable and allowances for doubtful accounts, (iii) the useful lives of fixed assets, (iv) the valuation of common and preferred units, and (v) assumptions used in the Black-Scholes option-pricing model to determine the fair value of options and profits interest awards. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or circumstances. Significant estimates relied upon in preparing these consolidated financial statements include revenue recognition, the determination of the fair value of equity-based awards, equity-based compensation expense, and liabilities.

The Company utilizes significant estimates and assumptions in determining the fair value of its common and preferred units. The Company utilized various valuation methodologies in accordance with the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held Company Equity Securities Issued as Compensation (the “Practice Aid”) to estimate the fair value of its common and preferred units. There are significant judgments and estimates inherent in these valuations. These judgments and estimates include assumptions regarding the Company’s future operating performance, stage of commercial growth, average selling price, continued penetration into hospital customers, reimbursement from commercial third-party payors, the timing of a potential initial public offering or other liquidity event, and the determination of the appropriate valuation method at each valuation date. If the Company had made different assumptions, its equity-based compensation expense, income (loss) applicable to common unitholders, and income (loss) per unit applicable to common unitholders could have been materially different.

Unaudited Pro Forma Loss per Share

Pro forma basic and diluted loss per share was computed giving effect to (i) the conversion of the Class D preferred units, at a ratio of one-to-one, into Class D common units immediately prior to completion of a merger pursuant to which a wholly owned subsidiary of Fulgent Diagnostic, Inc. (“Fulgent Inc.”) will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Fulgent Inc. (the “Reorganization”), and (ii) the conversion of all then-outstanding Class D common units, at a to-be-determined ratio, into shares of the common stock of Fulgent Inc. prior to closing this offering, as though each such conversion had occurred as of January 1, 2015 or the original date of issuance, if later.

Pro Forma Tax Effect of the Reorganization

The pro forma effects for conversion of the Company from a pass-through entity to a taxable entity for tax purposes was not presented due to the Company’s net loss position. The resulting provision or benefit would be nominal after consideration of the required valuation allowance.

Concentrations of Credit Risk and Suppliers

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash held by financial institutions in the United States. Such deposits may at times exceed federally insured limits.

The Company relies on a limited number of suppliers and, in some cases, sole suppliers, for some of its laboratory instruments and materials and it may not be able to find replacements or immediately transition to alternative suppliers if necessary. The Company uses a single supplier for certain laboratory substances used in the chemical reactions incorporated into its processes and sequencers, referred to as reagents, as well as for various equipment and materials that it uses in its laboratory operations. The Company's laboratory operations would be interrupted if it encounters delays or difficulties in securing these reagents, sequencers or other equipment or materials or if it needs a substitute for any of its suppliers and is not able to locate and make arrangements with an acceptable substitute. The Company believes there are only a few other manufacturers that are currently capable of supplying and servicing the equipment necessary for its laboratory operations, including sequencers and various associated reagents.

Fair Value of Financial Instruments

The Company's financial instruments consist principally of cash, accounts receivable and accounts payable. The carrying amounts of these financial instruments, including cash, accounts receivable and accounts payable, approximate fair value due to their short maturities.

Cash

Cash consists primarily of amounts held at depository institutions as demand deposits.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount the Company expects to collect. The Company performs credit evaluations of its customers and generally does not require collateral. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information that assists in management's evaluation. The Company writes off accounts receivable following a review by management and determination that the receivable is uncollectible. At December 31, 2014 and 2015, accounts receivable is net of an allowance for doubtful accounts of $27 and $75, respectively.

A roll-forward of the activity in the Company's allowance for doubtful accounts is presented below:

	December 31,	
	2014	2015
Allowance for doubtful accounts at beginning of year	$—	$ 27
Bad debt expense	33	48
Deductions	(6)	—
Allowance for doubtful accounts at end of year	$ 27	$ 75

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally between three and five years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the term of the lease. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is reflected in the statement of operations in the period realized.

Software for Internal Use

The Company capitalizes certain costs incurred to purchase computer software for internal use. These costs include purchased software packages for Company use. Capitalized computer software costs are amortized over the estimated useful life of the computer software, which is generally three years. Internally developed software

costs are capitalized after management has committed to funding the project, it is probable that the project will be completed and the software will be used for its intended function. Costs that do not meet that criteria and costs incurred on projects in the preliminary and post-implementation phases are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the Company compares the carrying amounts of the assets to their expected undiscounted future cash flows. If the undiscounted cash flows are insufficient to recover the carrying value, an impairment loss is recorded for the difference between the carrying value and fair value of the asset.

Revenue Recognition

The Company generates revenue from sales of its genetic tests. The Company currently receives payments from: hospitals and medical institutions with which it has direct-bill relationships; individual patients; research institutions; and commercial third party payors.

The Company recognizes revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred; (iii) the fee is fixed or determinable; and (iv) collectability is reasonably assured. Criterion (i) is satisfied when the Company has an arrangement or contract in place. Criterion (ii) is satisfied when the Company delivers a report to the ordering physician or test results to the research institution. Determination of criteria (iii) and (iv) are based on management's judgments regarding whether the fee is fixed or determinable, and whether the collectability of the fee is reasonably assured. The Company recognizes revenue on a cash basis when it cannot conclude that either criterion (iii) or (iv) has been met.

The Company's test results are delivered electronically, and as such there are no shipping and handling fees incurred by it or billed to customers. The Company's sales are exempt from state sales taxation due to the nature of the results delivered. As a result, the Company does not charge customers state sales tax.

Overhead Expenses

The Company allocates overhead expenses, such as rent and utilities, to cost of revenue and operating expense categories based on headcount. As a result, an overhead expense allocation is reflected in cost of revenue and each operating expense category.

Cost of Revenue

Cost of revenue reflects the aggregate costs incurred in delivering test results and consists of: personnel costs, including salaries, employee benefit costs, bonuses and equity-based compensation expenses; costs of laboratory supplies; depreciation of laboratory equipment; amortization of leasehold improvements and allocated overhead. Costs associated with performing tests are recorded as tests are processed.

Research and Development Expenses

Research and development expenses represent costs incurred to develop the Company's technology and future tests. These costs consist of: personnel costs, including salaries, employee benefit costs, bonuses and equity-based compensation expenses; laboratory supplies; consulting costs and allocated overhead, including rent and utilities. The Company expenses all research and development costs in the periods in which they are incurred.

Selling and Marketing Expenses

Selling and marketing expenses consist of: personnel costs, including salaries, employee benefit costs, bonuses and equity-based compensation expenses; client service expenses; direct marketing expenses; educational and promotional expenses; market research and analysis and allocated overhead, including rent and utilities. The Company expenses all selling and marketing costs as incurred.

General and Administrative Expenses

General and administrative expenses include executive, finance and accounting, legal and human resources functions. These expenses consist of: personnel costs, including salaries, employee benefit costs, bonuses and equity-based compensation expenses; audit and legal expenses; consulting costs and allocated overhead, including rent and utilities. The Company expenses all general and administrative expenses as incurred.

Income Taxes

The Company is organized as a limited liability company and its members have elected to have the Company treated as a partnership for income tax purposes. All taxable income or loss and tax credits generally are reflected in the personal income tax returns of the Company's members. Accordingly, no provision for federal and state income taxes has been provided in the accompanying consolidated financial statements.

Equity-Based Compensation

The Company's employee equity-based awards result in a cost that is measured at fair value on an award's grant date. Equity-based compensation costs are reflected in the accompanying statements of operations based upon the underlying recipient's roles within the Company. The Company grants options to its employees that generally vest upon the satisfaction of service period criteria of up to four years and a performance condition. The options have a contractual term of 10 years. Because the performance condition is not met until the occurrence of a qualifying liquidity event or incorporation, each as defined in the Plan (as defined in Note 9 below), no expense has been recorded to date relating to the Company's options. At the time of a qualifying liquidity event or incorporation, the Company will record equity-based compensation expense based on the grant date fair value of the option awards using the accelerated attribution method. An incorporation will be deemed to have occurred upon completion of the Reorganization, at which time the options will become exercisable to the extent vested.

Transactions with non-employees in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date on which it is probable that performance will occur. Options granted to non-employees are not exercisable until completion of service and the earlier of a liquidity event or incorporation, each as defined in the Plan. At the time of a qualifying liquidity event or incorporation, the Company will record equity-based compensation expense based on the measurement date fair value of the option awards using the accelerated attribution method. An incorporation will be deemed to have occurred upon completion of the Reorganization, at which time the options will become exercisable to the extent vested.

The Company has also granted awards of Class D and Class P units to employees and non-employees that are subject to profits interest thresholds, which are sometimes referred to as "profits interests." These legally outstanding units allow the holder to participate along with other unitholders in distributions after the designated profits interest threshold amounts are met. These units are immediately vested as of the applicable grant date. The Company also awards employees units not subject to profits interest thresholds. The Company recognizes compensation cost relating to unit awards, including those subject to profit interest thresholds, based on the fair value of the awards.

Members' Equity (Deficit)

As a limited liability company, owners are referred to as members. More than one class of member exists, each having varying rights, preferences and privileges.

Loss per Unit

Loss per unit prior to the Recapitalization defined and described in Note 3 to these financial statements is not presented, as those units were extinguished and substantially different classes of units were issued that specifically track the performance of the Diagnostic business and Pharma business separately. The per unit impact of the extinguishment, including any deemed distribution, has not been presented and the loss per unit related to the tracking units issued were calculated and presented prospectively from the date of issuance. Subsequent to the Recapitalization, there is no common or preferred unit that tracks or represents the performance of all business activities of the Company as a whole.

The Operating Agreement sets forth how the profits and losses will be allocated to the capital accounts of its members. The profits and losses of the Diagnostic business and the Pharma business are allocated to the Class D and Class P common and preferred units, respectively. The Manager of the Company approves the method of allocating income to the Diagnostic business and Pharma business. This determination is based on the net income or loss amounts of the corresponding business in accordance with GAAP, consistently applied. The Company believes this method of allocation is systematic and reasonable.

Loss per unit is calculated based upon the allocations specified in the Operating Agreement as if current income was distributed to all participating securities, using the two class method, disregarding the preferred units' liquidation preferences, as such would be considered a return of capital. The Company's common and preferred units have the right to participate in income and distributions of the Company but are not obligated to fund losses. As a result, in periods of net loss, the Company allocated losses to the holders of its common units subject to profits interest thresholds, as those units were determined to be the most subordinate unit.

Other Comprehensive Loss

Other comprehensive loss represents all changes in member's deficit, except those resulting from investments or contributions by members. The Company's other comprehensive loss consists of its net loss.

Reporting Segment and Geographic Information

Reporting segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. The Company's chief operating decision maker is its Manager. The Company views its operations and manages its business in one reporting segment.

Operating Leases

The Company has entered into various leases, classified as operating leases, of varying terms and duration for its headquarters located in Temple City, California, which is comprised of various corporate offices and a laboratory certified under Clinical Laboratory Improvement Amendments of 1988 ("CLIA"), accredited by College of American Pathologists ("CAP") and licensed by the State of California Department of Public Health ("CA DPH").

Application of New or Revised Accounting Standards

Pursuant to the Jump-Start Our Business Startups Act of 2012 (the "JOBS Act"), a company constituting an "emerging growth company" is, among other things, entitled to rely upon certain reduced reporting requirements.

The Company is an emerging growth company, but has elected not to take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. As a result, the Company will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for public companies that are not emerging growth companies.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. The standard is effective for public entities for annual and interim periods beginning after December 15, 2017. Early adoption is permitted as of one year prior to the current effective date. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. The effects of this standard on the Company's financial position, results of operations and cash flows are not yet known.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard requires lessees to recognize a right-of-use asset and a lease liability for all leases except those with a term of 12 months or less. The liability will be equal to the present value of lease payments. The asset will be based on the liability. The standard is effective for the Company for the fiscal year beginning March 30, 2019. Lessees and lessors are required to use a modified retrospective transition method for existing leases. Accordingly, they would apply the new accounting model for the earliest year presented in the financial statements. Adoption of the standard will result in a gross up of the Company's balance sheet for the right-of-use asset and the lease liability for operating leases. The effects of this standard on the Company's financial position, results of operations and cash flows are not yet known.

In March 2016, the FASB issued ASU No. 2016-09, *Stock Compensation (Topic 718); Improvements to Employee Share-Based Payment Accounting*. The new guidance simplifies several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, policy election to account for forfeitures as they occur rather than on an estimated basis, and classification on the statement of cash flows. The ASU is effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is permitted. The Company elected to early adopt and has elected to account for forfeitures as they actually occur. The Company had not issued any options prior to 2015 and thus adoption had no impact prior to that period.

Note 3—Recapitalization

The Company historically conducted two lines of business: the Diagnostics business, which the Company conducted directly and which is the only business it is presently pursuing, and the Pharma business, which was conducted by the Company directly until the creation of Fulgent Pharma in 2015, at which time the Pharma business was conducted by Fulgent Pharma.

In October 2015, the Company was recapitalized by canceling the then-existing Class A and Class B units and authorizing and issuing equity interests separated into two series based on these two lines of business (the "Recapitalization"). The holders of the Company's Class D preferred units and Class D voting and non-voting common units had economic rights based on the assets, income, earnings and profits and any liabilities, expenses, costs and charges of the Diagnostics business, and holders of the Company's Class P preferred units and Class P voting and non-voting common units had economic rights based on the assets, income, earnings and profits and any liabilities, expenses, costs and charges of the Pharma business. The Class D and Class P units that were created by the October 2015 recapitalization, sometimes referred to as "tracking" units, were intended to "track," or reflect, the relative performance of the Diagnostic business and the Pharma business, respectively. There was no single security that represented the performance of the Company as a whole.

In the October 2015 recapitalization, the holders of Class A units received both Class D and Class P preferred units and the holders of Class B units received both Class D and Class P common units. All of the Class D common units issued in the Recapitalization were subject to a profits interest threshold. In evaluating this transaction, the Company considered that the number of units and ownership interests held by each equity holder changed and the nature of the units changed from units that track the performance of the Company as a whole to units that track the separate businesses. Based on this evaluation, the Company determined that the Recapitalization should be accounted for as the extinguishment of Class A and Class B units and the issuance of Class D and Class P preferred and common units, based on the Company's application of the qualitative approach. The Class D and Class P preferred and common units were recorded at their fair value with the difference between the fair value and carrying value being recorded as a deemed distribution to Class A and Class B units attributable to the period prior to the issuance of the Class D and Class P units.

Note 4—Fixed Assets

Major classes of fixed assets were as follows:

	Useful Lives	December 31, 2014	December 31, 2015
Computer hardware	3 Years	$ 56	$ 601
Computer software	3 Years	57	176
Machinery and equipment	5 Years	210	210
Medical lab equipment	5 Years	869	2,016
General equipment	3 Years	59	59
Furniture and fixtures	5 Years	11	51
Leasehold improvements	Shorter of lease term or estimated useful life	88	256
Sub-Total		$ 1,350	$ 3,369
Accumulated depreciation		(372)	(900)
		$ 978	$ 2,469

Depreciation expense on fixed assets totaled $575 and $196 in the years ended December 31, 2014 and 2015, respectively.

Note 5—Other Current Assets

Other current assets consisted of the following:

	December 31, 2014	December 31, 2015
Other current assets:		
Reagents	$ 141	$ 212
Payroll tax refund	—	37
Prepaid expenses	10	65
Total	$ 151	$ 314

Reagents are used for DNA sequencing applications in the Company's DNA sequencing equipment.

Note 6—Members' Equity

The Company's issued and outstanding capital prior to the Recapitalization consisted of Class A and Class B units. The Class A member contributed a total of $12,000 and $15,500 as of December 31, 2014 and 2015, respectively. The Class B members did not make any capital contributions to the Company. Class A units

had voting rights and Class B units had no voting rights. Members are at risk for their capital contributions, but have no other obligations to fund losses. Class A and B members could transfer all or any portion of their units only with the consent of the Manager. The Class A and B units were non-redeemable. Pursuant to the Operating Agreement in effect prior to the Recapitalization, distributions were to be made first to the Class A members until such members had received aggregate distributions equal to the sum of the capital contributions made by such members. Thereafter, distributions were to be made pro rata to all members in accordance with such members' percentage ownership of all outstanding units. No cash distributions had been made as of the Recapitalization.

As described in Note 3, in October 2015, the Company was recapitalized by cancelling its former Class A units, which had liquidation and distribution preferences, and issuing the holder thereof Class D and Class P preferred units with similar liquidation and distribution preferences, and cancelling its former Class B units, which did not have a liquidation or distribution preference, and issuing the holders thereof Class P common units and Class D common units that also do not have liquidation or distribution preferences and are subject to a profit interest threshold of $.0476 per unit.

Each outstanding Class D preferred unit, Class D voting common unit, Class P preferred unit and Class P voting common unit are entitled to one vote on matters submitted to a vote of the members. Subject to certain restrictions, members may transfer all or any portion of their units with the consent of the Manager. The following is a summary of units outstanding as of December 31, 2015:

	Voting	Non Voting
Class D common units	24,000	10,000
Class P common units	42,500	2,500
Class D preferred units	56,000	—
Class P preferred units	51,000	—

All Class D and P units are non-redeemable. Class D units track the relative performance of the Diagnostics business and Class P units track the relative performance of the Pharma business, and the distributable amounts, if any, would come from the respective businesses related to those units. After the Recapitalization, there is no single security that tracks or represents the performance of all business activities of the Company as a whole. As of December 31, 2015, 34,000 Class D common units and 6,000 Class P common units were subject to profits interest thresholds, which must be met prior to distribution to the holder of such units. These profits interest thresholds are $.0476 and $.0287 per unit for the Class D and Class P units, respectively. Pursuant to the Operating Agreement in effect subsequent to the Recapitalization, distributions from the Diagnostics business and Pharma business are to be made first pro rata to the members holding Class D and Class P preferred units, respectively, until such members have received aggregate distributions equal to the sum of the capital contributions made by such members to the applicable business. The $15,500 capital contributions made by the former Class A member were allocated as follows: $4,600 and $10,900 to his Class D and Class P preferred units, respectively. Any remaining distributions are then to be made pro rata to all members holding Class D and Class P units in accordance with such members' percentage ownership of all outstanding Class D and Class P units, respectively, including those units subject to profits interest thresholds after earnings are in excess of the applicable profits interest threshold amount.

No cash distributions have been made as of December 31, 2015. Upon completion of the split-off of the Pharma business, all Class P units were cancelled.

Note 7—Reporting Segment and Geographic Information

The Company views its operations and manages its business in one reporting segment operating primarily in the United States. All long-lived assets are located in the United States.

Revenue by region was as follows:

	Year Ended December 31,	
	2014	2015
Revenue:		
United States	$ 640	$ 5,084
Foreign:		
Canada	194	2,658
Other Countries	444	1,834
	$ 1,278	$ 9,576

Note 8—Commitments and Contingencies

Operating Leases

The Company has commitments under non-cancelable operating leases of varying terms and duration for its headquarters located in Temple City, California, which is comprised of various corporate offices and a CLIA-certified, CAP-accredited and CA DHS-licensed laboratory. The following table shows the annual base rental cost over the term of the leases:

	Obligation Under Facility Leases
Years Ended December 31,	
2016	$ 92
2017	97
2018	23
Total	$ 212

Rent expense for the fiscal years ended December 31, 2014 and 2015, was $64 and $158, respectively.

Contingencies

From time to time, the Company may be subject to legal proceedings and claims arising in the ordinary course of business. Management does not believe that the outcome of any of these matters will have a material effect on the Company's consolidated financial position, results of operations or cash flows.

Note 9—Equity-Based Compensation

The Fulgent Therapeutics LLC 2015 Equity Incentive Plan (the "Plan") provides for the issuance of equity-based awards to the Company's eligible employees, directors and consultants. The Plan reserves for issuance pursuant to awards granted under the Plan, including options to acquire such units, an aggregate of 15,000 Class D non-voting common units, 4,500 Class P non-voting common units and 5,500 Class P voting common units. Options typically vest over four years and expire ten years from the date of grant, and are not exercisable until the earlier of a liquidation event or incorporation, both as defined in the Plan. All options granted under the Plan become exercisable upon a liquidity event of the Company, as defined in the Plan, or the change of the Company into an entity taxable as a corporation for U.S. federal income tax purposes. The Company will be deemed to be taxable as a corporation for U.S. federal income tax purposes upon completion of the Reorganization, at which time the options will become exercisable to the extent vested.

Compensation expense related to employee equity-based awards is measured and recognized in the financial statements based on the fair value of the awards. The fair value of each option award is estimated on the grant

date using the Black-Scholes option-pricing model. Equity-based compensation expense is recognized using an accelerated attribution method, over the requisite service period, which is typically the vesting period of the award.

Equity-based awards issued to non-employees are accounted for at fair value determined by using the Black-Scholes option-pricing model. The fair value of each non-employee equity-based award is re-measured each period until a commitment date is reached, which is generally the vesting date.

The Company has granted fully vested unit awards subject to profits interest thresholds. These unit awards are measured at fair value on the date of grant. The fair value of the unit awards subject to a profits interest threshold is measured using the Black-Scholes option-pricing model.

Determining the fair value of equity-based awards at the grant date requires judgment. The Company's use of the Black-Scholes option-pricing model requires the input of subjective assumptions, including the fair value of the underlying units, the expected term of the option or other award, the expected volatility of the price of the underlying units, risk-free interest rates, and the expected dividend yield of the underlying units. The assumptions used in the Company's application of the Black-Scholes option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, the Company's equity-based compensation expense could be materially different in the future.

Award Activity

Option Awards

No options were granted prior to the year ended December 31, 2015.

The following table summarizes activity for options to acquire Class D common units in the year ended December 31, 2015:

	Number of Units Subject to Options	Weighted-Average Exercise Price Per Units	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2014	—	—	—	—
Granted	2,080	$ 0.05	6.1	$ 645
Exercised	—	—	—	—
Forfeited/canceled	—	—	—	—
Outstanding as of December 31, 2015	2,080	$ 0.05	6.1	$ 645
Vested and expected to vest as of December 31, 2015	2,080	$ 0.05	6.1	$ 645
Exercisable at December 31, 2015	—	—	—	—

As of December 31, 2015, the Company had recognized $0 expense on option awards granted. Options granted by the Company are not exercisable until the earlier of a liquidity event or an incorporation, each as defined in the Plan, which, as of December 31, 2015, were not probable.

The weighted-average grant-date fair value of options to acquire Class D common units granted in the year ended December 31, 2015 was $0.33. As of December 31, 2015, the remaining unrecognized compensation expense of $690 related to these options is expected to be recognized over a weighted-average period of 3.4 years.

The following table summarizes activity for options to acquire Class P common units in the year ended December 31, 2015:

	Number of Units Subject to Options	Weighted-Average Exercise Price Per Unit	Weighted-Average Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2014	—	—	—	—
Granted	1,810	$ 0.04	10	$ 0
Exercised	—	—	—	—
Forfeited/canceled	—	—	—	—
Outstanding as of December 31, 2015	1,810	$ 0.04	10	$ 0
Vested and expected to vest as of December 31, 2015	1,810	$ 0.04	10	$ 0
Exercisable at December 31, 2015	—	—	—	—

The weighted average grant date fair value of options to acquire Class P common units granted in the year ended December 31, 2015 was $0.04. The options are not exercisable until the earlier of a liquidity event or an incorporation, each as defined in the Plan, which, as of December 31, 2015, was not probable. As of December 31, 2015, the remaining unrecognized compensation expense was $64. These options were assumed by Fulgent Pharma as part of the split-off of the Pharma business and will not result in any recognition by the Company.

Unit Awards

There were no grants of unit awards prior to the year ended December 31, 2015.

The following tables show grants of Class D and Class P unit awards, including units subject to profits interest thresholds, during the year ended December 31, 2015:

	Employee	Non-Employee
Class D:		
Profits Interests	26,000	—
Units	—	—
Class P:		
Profits Interests	4,500	1,500
Units	—	—

All awards of units subject to profits interest thresholds were fully vested as of the grant date, may be repurchased in whole or in part by the Company at any time during the nine month period following the termination of the holder's continuous service. The Company's repurchase right terminates if not timely exercised by the Company and upon the effective date of the registration statement of the Company filed under the Securities Act of 1933, as amended. The participation threshold for each of the awards granted during the year ended December 31, 2015 is $0.0476 per unit and $0.0287 per unit for the Class D and Class P units, respectively. Of the awards granted during the period, all were granted under the Plan except for an award of 16,000 units subject to a profits interest threshold granted to an employee. These units are legally outstanding units of the Company that allow the holder to participate in distributions upon exceeding the designated thresholds. These units are accounted for at fair value and are considered equity instruments.

Fair Value Assumptions

Option Awards to Employees

The following table sets forth weighted-average assumptions used to estimate the fair value of options to acquire Class D common units granted to employees during the year ended December 31, 2015:

Expected term (in years)	6.1
Risk-free interest rates	1.6%
Dividend yield	0
Expected volatility	86.0%

These assumptions and estimates are as follows:

- Expected Term. The expected term represents the period that our equity-based awards are expected to be outstanding. We determined the expected term assumption based on the vesting terms, exercise terms and contractual terms of the options, and in the case of equity-based awards subject to a profits interest threshold, based on the estimated time to liquidity.
- *Risk-Free Interest Rate.* The Company determines the risk-free interest rate by using the equivalent to the expected term based on the U.S. Treasury yield curve in effect as of the date of grant.
- *Dividend Yield.* The assumed dividend yield is based on the Company's expectation that it will not pay dividends in the foreseeable future, which is consistent with its history of not paying dividends.
- *Expected Volatility*. The Company does not have sufficient history to estimate the volatility of the price of its common units or the expected term of its options. The Company calculates expected volatility based on historical volatility data of a representative group of companies that are publicly traded. The Company selected representative companies with comparable characteristics to it, including risk profiles, position within the industry, and with historical equity price information sufficient to meet the expected term of the equity-based awards. The Company computes the historical volatility of this selected group using the daily closing prices for the selected companies' equity during the equivalent period of the calculated expected term of its equity-based awards. The Company will continue to use the representative group volatility information until the historical volatility of its common units is relevant to measure expected volatility for future option grants.
- *Forfeiture Rate.* The Company has early adopted ASU No. 2016-09, *Stock Compensation (Topic 718); Improvements to Employee Share-Based Payment Accounting*, and has elected to account for forfeitures as they occur.

There were no options to acquire Class P common units granted to employees during the year ended December 31, 2015.

Option Awards to Non-Employees

Equity-based compensation expense related to options granted to non-employees is recognized as the options are earned. The fair value of the options is more reliably measurable than the fair value of the services received. The fair value of non-employee options is calculated at each reporting date, using the Black-Scholes option-pricing model, until the award vests or there is a substantial incentive for the non-employee not to perform the required services.

The following table sets forth the weighted-average assumptions used to estimate the fair value of options to acquire Class D and Class P common units granted to non-employees during the year ended December 31, 2015:

	Class D	Class P
Expected term (in years)	10	10
Risk-free interest rates	2.3%	2.3%
Dividend yield	0	0
Expected volatility	94.8%	98.0%

Unit Awards to Employees and Non-Employees

The fair value of the unit awards is more reliably measurable than the fair value of the services received. The fair value of awards subject to profits interest thresholds is calculated at each reporting date using the Black-Scholes option-pricing model. The following table sets forth weighted-average assumptions used to estimate the fair value of Class D common unit awards subject to profits interest thresholds granted to employees and non-employees during the year ended December 31, 2015:

	Class D	Class P
Employee:		
Expected term (in years)	2	2
Risk-free interest rates	0.6%	0.6%
Dividend yield	0	0
Expected volatility	68.1%	75.8%
Non—Employee:		
Expected term (in years)	*	2
Risk-free interest rates	*	0.6%
Dividend yield	*	0
Expected volatility	*	75.6%

* no grants awarded

Determination of the Fair Value of Common Units on Grant Dates

The Company is a privately held company with no active public market for its common units. Therefore, in setting the exercise price for option awards and the participation threshold for profits interests, and for determining the financial reporting of such awards, the Manager considered valuations prepared by an independent third party.

The independent third party performed the valuations in a manner consistent with the Practice Aid. In conducting the valuations, the Company considered all objective and subjective factors that it believed to be relevant in each valuation conducted, including management's best estimate of the Company's business condition, prospects and operating performance at each valuation date. Within the valuations, a range of factors, assumptions and methodologies were used. The significant factors included:

- the fact that the Company is a privately held company with illiquid securities;
- the Company's stage of commercialization;
- the likelihood of achieving a liquidity event for the Company's equity, such as an initial public offering, given prevailing market conditions;
- the Company's historical operating results;
- valuations of comparable public companies;
- the Company's discounted future cash flows, based on its projected operating results; and
- the Company's capital structure, including the rights and preferences of its various classes of equity.

There are significant judgments and estimates inherent in these valuations. These judgments and estimates include assumptions regarding the Company's future operating performance, stage of commercial growth, average selling price, continued penetration into hospital and medical institution customers, reimbursement from commercial third-party payors, the timing of a potential initial public offering or other liquidity event, and the determination of the appropriate valuation method at each valuation date. If the Company had made different assumptions, its equity-based compensation expense, income (loss) applicable to common unitholders, and income (loss) per unit applicable to common unitholders could have been materially different.

The valuations utilized the market approach, the income approach, or a combination of both. The market approach and the income approach are both acceptable valuation methods in accordance with the Practice Aid. There are three general methodologies under market approach:

- *Guideline Company Method*. This method involves the identification and analysis of publicly traded companies that are comparable to the subject company. Pricing multiples of the publicly traded companies are applied to representative financial metrics of the subject company.
- *Similar Transaction Method*. This method includes the identification of transactions in which the targets are comparable to the subject company. This method can also include identification of transactions completed by the most likely buyers in the subject company's industry. Transaction multiples from the identified transactions are applied to the representative financial metrics of the subject company.
- *Precedent Transaction Method*. By considering the sale price of equity in a recent financing, the equity value can be "backsolved" using an option pricing model that gives consideration to our capitalization structure and rights of the preferred and common equity holders.

Under the income approach, enterprise value can be estimated using the discounted cash flow ("DCF"), method, which assumes:

- a business is worth today what it can generate in future cash to its owners;
- cash received today is worth more than an equal amount of cash received in the future; and
- future cash flows can be reasonably estimated.

The DCF analysis is comprised of the sum of the present value of two components: discrete period projected cash flows and a residual or terminal value.

Additionally, each valuation reflects a marketability discount, resulting from the illiquidity of the Company's common units.

As provided in the Practice Aid, there are several approaches for allocating enterprise value of a privately held company among the securities held in a complex capital structure. The possible methodologies include the probability-weighted expected return method ("PWERM"), the option-pricing method ("OPM"), the current-value method, or a hybrid of the PWERM and the OPM, which is referred to as the hybrid method. Under the PWERM, equity is valued based upon the probability-weighted present value of expected future returns, considering various future outcomes available to the Company, as well as the rights of each class of equity. The OPM treats common equity and preferred equity as call options on the enterprise's value. The exercise prices associated with these call options vary according to the liquidation preference of the preferred equity, the preferred equity conversion price, the exercise prices of common equity options and other features of a company's equity capital structure. The current-value method, which is generally only used for early stage companies, is based on first determining enterprise value using a market, income or asset-based approach, and then allocating that value to the preferred equity based on its liquidation preference or conversion value, whichever would be greater.

The valuation related to awards of Class D units granted in the year ended December 31, 2105 incorporated the income approach (Gordon Growth Analysis) and the market approach (Guideline Public Company Method) in determining the value, and the Company applied 50% weight to each approach. The valuation related to awards of Class P units granted in the year ended December 31, 2015, incorporated the market approach (Precedent Transactions Method), utilizing OPM to backsolve.

Equity-Based Compensation Expense

The following table summarizes equity-based compensation expense for the year ended December 31, 2015 included in the statements of operations as follows:

	Class D	Class P
Cost of revenue	$1,673	—
Research and development	$3,241	—
Selling and marketing	$1,569	—
General and administrative	$1,673	—
Discontinued operations	—	$ 120
Total	$8,156	$ 120

Equity-based compensation expense of $120 recorded in the year ended December 31, 2015 was related to the Pharma business and is included in discontinued operations.

Note 10—Loss per Unit

The Company extinguished its Class A and Class B units and issued its Class D and Class P common and preferred units as of October 16, 2015. The Class D common and preferred units track the performance of the Diagnostics business and the Class P common and preferred units track the performance of the Pharma business, and the distributable amounts, if any, would come from the respective businesses related to those units. The Class D and Class P units subject to profits interest thresholds were determined to be the most subordinate unit. The basic and diluted loss per unit for the period from October 16, 2015 through December 31, 2015, the period during which the Class D and Class P common and preferred units were outstanding during the year ended December 31, 2015, was calculated as follows:

	Continuing Operations	Discontinued Operations	Total
Loss for the period from October 16, 2015 through December 31, 2015	$ (7,239)	$ (896)	(8,135)
Loss allocated to Class D common units–profits interests	$ (7,239)	—	—
Loss allocated to Class P common units–profits interests	—	$ (896)	—
Weighted-average Class D common units–profits interests–outstanding, basic and diluted	34,000	—	—
Weighted-average Class P common units–profits interests–outstanding, basic and diluted	—	5,796	—
Loss per Class D common unit–profits interests–basic and diluted	$ (0.21)	—	—
Loss per Class P common unit–profits interests–basic and diluted	—	$ (0.15)	—

The Company's common and preferred units have the right to participate in earnings and distributions of the Company but are not obligated to fund losses. As a result, in periods of net loss, the Company allocated losses to the holders of its common units, subject to profits interest thresholds, as those units represent the most subordinate unit.

The following options to acquire Class D and Class P common units have been excluded from the calculations of diluted loss per unit because they are contingently exercisable.

	Continuing Operations	Discontinued Operations
Class D common unit options	2,080	—
Class P common unit options	—	1,810

Note 11—Employee Benefit Plans

The Company offers a 401(k) retirement savings plan (the "401(k) Plan") for its employees, including its executive officers, who satisfy certain eligibility requirements. The Internal Revenue Code of 1986, as amended, allows eligible employees to defer a portion of their compensation, within prescribed limits, on a pre-tax basis through contributions to the 401(k) Plan. The Company matches contributions to the 401(k) Plan based on the amount of salary deferral contributions the participant makes to the 401(k) Plan. The Company will match up to 3% of an employee's compensation that the employee contributes to his or her 401(k) account. Total Company matching contributions to the 401(k) Plan were $21 and $37 in the years ended December 31, 2014 and 2015, respectively.

Note 12—Related Party

During 2014 and 2015, the Pharma business made payments to ANP Technologies, Inc. ("ANP") totaling $1,025 and $800, respectively, for services related to patented nanoencapsulation technology and other drug-related services in the oncology drug area and related expense is recorded in discontinued operations. The Chief Executive Officer of ANP is a unitholder of the Company and the Company's Manager is a shareholder of ANP.

Note 13—Subsequent Events

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The Company evaluated all events and transactions through June 9, 2016, the date the consolidated financial statements as of December 31, 2014 and 2015 were issued.

Split-Off

On April 4, 2016, the Company split-off all of the business, assets and liabilities of the Pharma business. See Note 1 and Note 3 for additional information.

Xi Long Financing

On May 17, 2016, the Company issued and sold 5,132 Class D-2 preferred units to Xi Long USA, Inc. ("Xi Long") at a purchase price per unit of $2.9598 and for gross proceeds to the Company of approximately $15,200. Additionally, on May 13, 2016, Xi Long purchased an aggregate of 10,263 units from certain of the Company's members at a purchase price per unit of $1.1669, which, on May 17, 2016, the Company exchanged for 10,263 of its Class D-2 preferred units.

On April 4, 2016, in anticipation of the financing, the Company renamed its existing Class D preferred units as Class D-1 preferred units.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FULGENT THERAPEUTICS LLC
Condensed Consolidated Balance Sheets
(in thousands, except as noted)
(unaudited)

	December 31, 2015	March 31, 2016
Assets		
Current assets		
Cash	$ 489	$ 1,023
Trade accounts receivable, net	2,118	2,794
Other current assets	314	395
Current assets of discontinued operations	9	173
Total current assets	2,930	4,385
Fixed assets, net	2,469	2,591
Non-current assets of discontinued operations	433	383
	2,902	2,974
Total assets	$ 5,832	$ 7,359
Liabilities and Members' Equity		
Current liabilities		
Accounts payable	$ 314	$ 836
Accrued liabilities	199	247
Current liabilities of discontinued operations	173	48
Total current liabilities	686	1,131
Total liabilities	686	1,131
Commitments and contingencies (Note 7)		
Members' equity		
Class D preferred units—56,000 units authorized, issued and outstanding at March 31, 2016 and December 31, 2015	35,280	35,280
Class P preferred units—51,000 units authorized, issued and outstanding at March 31, 2016 and December 31, 2015	10,710	10,710
Class D common units—44,000 units authorized as of March 31, 2016 and December 31, 2015; 36,500 and 34,000 issued and outstanding at March 31, 2016 and December 31, 2015, respectively	10,636	12,261
Class P common units—49,000 units authorized and 45,000 issued and outstanding at March 31, 2016 and December 31, 2015	1,680	1,680
Accumulated deficit	(53,160)	(53,703)
Total members' equity	5,146	6,228
Total liabilities and members' equity	$ 5,832	$ 7,359

See accompanying notes to unaudited condensed consolidated financial statements.

FULGENT THERAPEUTICS LLC
Condensed Consolidated Statements of Operations
(in thousands, except per unit and per share data)
(unaudited)

	Three Months Ended March 31,	
	2015	2016
Revenue	$ 1,588	$ 3,440
Cost of revenue	653	1,304
Gross profit	935	2,136
Operating expenses:		
Research and development	217	561
Selling and marketing	234	301
General and administrative	79	1,889
Total operating expenses	530	2,751
Operating loss	405	(615)
Interest and other income	20	13
Income (loss) before income taxes	425	(602)
Provision for income taxes	—	—
Income (loss) from continuing operations	425	(602)
Income (loss) from discontinued operations	(554)	59
Net loss	$ (129)	$ (543)
Basic and diluted loss per common units:		
Continuing operations—Class D common units—profits interests		$ (0.02)
Continuing operations:		
Weighted-average Class D common units—profits interests—outstanding—basic and diluted		34,000
Pro forma loss attributable to common stockholders (unaudited):		
Pro forma loss per share attributable to common stockholders (unaudited):		
Basic and diluted		
Shares used in computing pro forma loss per share attributable to common stockholders (unaudited):		
Basic and diluted		

See accompanying notes to unaudited condensed consolidated financial statements.

FULGENT THERAPEUTICS LLC
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2015	2016
Cash flow from operating activities:		
Net loss	$ (129)	$ (543)
Income (loss) from discontinued operations	(554)	59
Income (loss) from continuing operations	425	(602)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Equity-based compensation	—	1,625
Depreciation and amortization	90	199
Gain on disposal of fixed assets	(20)	—
Provision for bad debt	—	—
Changes in operating assets and liabilities:		
Increase in accounts receivable	(418)	(676)
Increase in other current assets	(62)	(81)
Increase in accounts payable	237	379
Increase in accrued liabilities	7	48
Cash provided in continuing operations	259	892
Cash used in discontinued operations	(210)	(17)
Net cash provided by operating activities	49	875
Cash flow from investing activities:		
Proceeds from disposal of fixed assets	70	—
Purchases of fixed assets	(440)	(177)
Cash used in continuing operations	(370)	(177)
Net cash used in investing activities	(370)	(177)
Cash flow from financing activities:		
Capital contributions	500	—
Net cash provided by financing activities	500	—
Net increase in cash	179	698
Cash balance at beginning of period (including $0 and $9 at January 1, 2015 and 2016, respectively, from discontinued operations)	172	498
Cash balance at end of period (including $0 and $173 at March 31, 2015 and 2016, respectively, from discontinued operations)	$ 351	$ 1,196
Supplemental cash flow information:		
Fixed assets included in accounts payable	$ 89	$ 159
Deferred initial public offering costs included in accounts payable	$ —	$ 243

See accompanying notes to unaudited condensed consolidated financial statements.

FULGENT THERAPEUTICS LLC
Notes to the Condensed Consolidated Financial Statements
(unaudited)

Note 1—Basis of Presentation

Fulgent Therapeutics LLC was initially formed in June 2011 as a California corporation and converted to a California limited liability company in September 2012. The term the "Company" refers to Fulgent Therapeutics LLC and its subsidiary. Fulgent LLC's authorized, issued and outstanding equity interests are referred to as "shares" in the Company's operating agreement, as amended from time to time, but are referred to as "units" herein. Dollar and unit amounts, except per unit dollar amounts, are reported in thousands unless otherwise noted.

The Company is a rapidly growing technology company with an initial focus on offering comprehensive genetic testing to provide physicians with clinically actionable diagnostic information they can use to improve the overall quality of patient care. The Company has developed a proprietary technology platform that allows it to offer a broad and flexible test menu while maintaining accessible pricing, high accuracy and competitive turnaround times. The Company's current test menu offers single-gene tests and pre-established disease-specific panels that collectively test for many genetic conditions, including various cancers, cardiovascular diseases and neurological disorders. The Company's existing customer base consists primarily of hospitals and medical institutions, which are frequent and high-volume users of genetic tests.

The accompanying interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany transactions and accounts are eliminated in consolidation. The accompanying interim condensed consolidated balance sheet as of March 31, 2016, and the interim condensed consolidated statements of operations and cash flows for the three months ended March 31, 2016 and 2015 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of March 31, 2016 and the results of operations and cash flows for the three months ended March 31, 2016 and 2015. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016 or for any other future year or interim period.

On April 4, 2016, the Company completed the split-off of its former pharmaceutical business (the "Pharma business") by distributing 100% of the outstanding units of its then subsidiary, Fulgent Pharma LLC ("Fulgent Pharma"), to holders of its Class P preferred and common units. The split-off of the Pharma business is presented as discontinued operations in the accompanying interim condensed consolidated financial statements for all periods presented. Significant asset and liability categories of the Pharma business are disclosed on the accompanying interim condensed consolidated balance sheet. Significant assets and liabilities of the discontinued operations consist of fixed assets and accounts payable.

The major components of statements of operations data comprising the loss on discontinued operations are as follows:

	Three Months Ended March 31,	
	2015	2016
Operating expenses:		
Research and development	$ 126	$ 332
General and administrative	$ 428	$ 9
Total operating expenses	$ 554	$ 341
Operating loss	$ (554)	$ (341)
Interest and other income	—	$ 400
Net income (loss)	$ (554)	$ 59

Note 2—Summary of Significant Accounting Policies

See the summary of the Company's significant accounting policies set forth in the notes to its consolidated financial statements for the year ended December 31, 2015. No such policies materially changed or were materially updated during the three months ended March 31, 2016.

Pro Forma Tax Effect of the Reorganization

The pro forma effects for conversion of the Company from a pass-through entity to a taxable entity for tax purposes was not presented due to the Company's net loss position. The resulting provision or benefit would be nominal after consideration of the required valuation allowance.

Unaudited Pro Forma Loss per Share

Pro forma basic and diluted loss per share was computed giving effect to (i) the conversion of the Class D Preferred units, at a ratio of one-to-one, into Class D common units immediately prior to completion of a merger pursuant to which a wholly owned subsidiary of Fulgent Diagnostics, Inc. ("Fulgent Inc.") will merge with and into the Company with the Company surviving the merger as a wholly owned subsidiary of Fulgent Inc. (the "Reorganization"), and (ii) the conversion of all then-outstanding Class D common units, at a to-be-determined ratio, into shares of the common stock of Fulgent Inc. prior to closing this offering, as though each such conversion had occurred as of January 1, 2016 or the original date of issuance, if later.

Deferred Offering Costs

Deferred offering costs, which primarily consist of direct incremental legal and accounting fees relating to the Company's initial public offering, are capitalized. The deferred offering costs will be offset against the proceeds upon completion of the offering. In the event the offering is terminated, deferred offering costs will be expensed. As of March 31, 2016, the Company capitalized $243 of deferred offering costs in other assets on the accompanying interim condensed consolidated balance sheet.

Note 3—Income (loss) per Unit

Basic and diluted income (loss) per unit for the three months ended March 31, 2016, was calculated as follows:

	Continuing Operations	Discontinued Operations	Total
Income (loss)	$ (602)	$ 59	(543)
Loss allocated to Class D common units—profits interests	$ (602)	—	
Income allocated to Class P common units—profits interests	—	$ —	
Income allocated to Class P common units	—	$ 26	
Income allocated to Class P preferred units	—	$ 33	
Weighted-average Class D common units—profits interests—outstanding, basic and diluted	34,000	—	
Weighted-average Class P common units—profits interests—outstanding, basic and diluted	—	6,000	
Weighted-average Class P common units outstanding, basic and diluted	—	39,000	
Weighted-average Class P preferred units outstanding, basic and diluted	—	51,000	
Loss per Class D common unit—profits interests, basic and diluted	$ (0.02)	—	
Income per Class P common unit—profits interests, basic and diluted	—	—	
Income per Class P common unit, basic and diluted	—	$ 0.00	
Income per Class P preferred unit, basic and diluted	—	$ 0.00	

The Company's common and preferred units have the right to participate in earnings and distributions of the Company but are not obligated to fund losses. As a result, in periods of net loss, the Company allocated losses to the holders of its common units subject to profits interest thresholds, as they were determined to be the most subordinate unit. No income has been allocated to common units subject to profits interest thresholds, as the distribution thresholds on such units have not been met as of March 31, 2016.

The following options to acquire Class D and Class P common units have been excluded from the calculations of diluted income (loss) per unit because they are contingently issuable.

	Continuing Operations	Discontinued Operations
Class D common unit options	3,645	—
Class P common unit options	—	1,810

Note 4—Fixed Assets

Major classes of fixed assets were as follows:

	Useful Lives	December 31, 2015	March 31, 2016
Computer hardware	3 Years	$ 601	$ 811
Computer software	3 Years	176	176
Machinery and equipment	5 Years	210	210
Medical lab equipment	5 Years	2,016	2,074
General equipment	3 Years	59	59
Furniture & fixtures	5 Years	51	51
Leasehold improvements	Shorter of lease term or estimated useful life	256	309
Sub-Total		$ 3,369	$ 3,690
Accumulated depreciation		(900)	(1,099)
		$ 2,469	$ 2,591

Depreciation expense on fixed assets totaled $90 and $199 in the three months ended March 31, 2015 and 2016, respectively.

Note 5—Other Current Assets

Other current assets consisted of the following:

	December 31, 2015	March 31, 2016
Other current assets:		
Deferred initial public offering costs	$ —	$ 243
Reagents	212	108
Prepaid expenses	65	44
Payroll tax refund	37	—
Total	$ 314	$ 395

Reagents are used for DNA sequencing applications in the Company's DNA sequencing equipment.

Note 6—Reporting Segment and Geographic Information

The Company views its operations and manages its business in one reporting segment. All long-lived assets are located in the United States.

Revenue by region was as follows:

	March 31 2015	March 31 2016
Revenue:		
United States	$ 798	$ 1,905
Foreign:		
Canada	485	868
Other Countries	305	667
	$ 1,588	$ 3,440

Note 7—Commitments and Contingencies

Operating Leases

The Company has commitments under non-cancelable operating leases of varying terms and duration for its Temple City, California headquarters, which is comprised of various corporate offices and a laboratory certified under Clinical Laboratory Improvement Amendments of 1988 (“CLIA”), accredited by College of American Pathologists (“CAP”) and licensed by the State of California Department of Public Health (“CA DPH”). Rent expense for the three months ended March 31, 2015 and 2016 was $22 and $66, respectively.

Contingencies

From time to time, the Company may be subject to legal proceedings and claims arising in the ordinary course of business. Based on advice from legal counsel, management does not believe that the outcome of any of these matters will have a material effect on the Company’s consolidated financial operations.

Note 8—Equity-Based Compensation

The Fulgent Therapeutics LLC Amended and Restated 2015 Equity Incentive Plan (the “Plan”) provides for the issuance of equity-based awards to the Company’s eligible employees, directors and consultants. The Plan reserves for issuance pursuant to awards granted under the Plan, including options to acquire such units an aggregate of 15,000 Class D non-voting common units, 4,500 Class P non-voting common units and 5,500 Class P voting common units. Options typically vest over four years and expire ten years from the date of grant, and are not exercisable until the earlier of a liquidation event or incorporation, both as defined in the Plan. All options granted under the Plan become exercisable upon a liquidity event of the Company, as defined in the Plan, or the change of the Company into an entity taxable as a corporation for U.S. federal income tax purposes. The Company will be deemed to be taxable as a corporation for U.S. federal income tax purposes upon completion of the Reorganization, at which time the options will become exercisable to the extent vested.

Compensation expense related to employee equity-based awards is measured and recognized in the financial statements based on the fair value of the awards. The fair value of each option award is estimated on the grant date using the Black-Scholes option-pricing model. Equity-based compensation expense is recognized on an accelerated method over the requisite service period, which is typically the vesting period of the award.

Equity-based awards issued to non-employees are accounted for at fair value determined by using the Black-Scholes option-pricing model. The fair value of each non-employee equity-based award is re-measured each period until a commitment date is reached, which is generally the vesting date.

The Company has granted fully vested unit awards and unit awards subject to profits interest thresholds. These unit awards are measured at fair value on the date of grant. The fair value of the unit awards subject to a profits interest threshold is measured using the Black-Scholes option-pricing model.

Determining the fair value of equity-based awards at the grant date requires judgment. The Company's use of the Black-Scholes option-pricing model requires the input of subjective assumptions, including the fair value of the underlying units, the expected term of the option or other award, the expected volatility of the price of the underlying units, risk-free interest rates, and the expected dividend yield of the underlying units. The assumptions used in the Company's application of the Black-Scholes option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, the Company's equity-based compensation expense could be materially different in the future.

Award Activity

Option Awards

The following table summarizes activity for options to acquire Class D common units in the three months ended March 31, 2016:

	Number of Units Subject to Options	Weighted-Average Exercise Price Per Unit	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2015	2,080	$ 0.05	6.1	$ 645
Granted	1,565	$ 0.05	6.5	$ 939
Exercised	—	—	—	—
Forfeited/canceled	—	—	—	—
Outstanding as of March 31, 2016	3,645	$ 0.05	6.3	$ 1,584
Vested and expected to vest as of March 31, 2016	3,645	$ 0.05	6.3	$ 1,584
Exercisable at March 31, 2016	—	—	—	—

The weighted-average grant date fair value of options to acquire Class D common units granted in the three months ended March 31, 2016 was $0.62. As of March 31, 2016, the remaining unrecognized compensation expense of $1.7 million related to these options is expected to be recognized over a weighted-average period of 3.5 years.

There were no grants of options to acquire Class P common units in the three months ended March 31, 2016.

As of March 31, 2016, the Company had recognized $0 expense on option awards granted. Options granted by the Company are not exercisable until the earlier of a liquidity event or an incorporation, each as defined in the Plan, which, as of March 31, 2016, were not probable.

Unit Awards

The following table shows grants of Class D unit awards, including units subject to profits interest thresholds, during the three months ended March 31, 2016:

	Employee	Non-Employee
Class D:		
Profit Interests	—	—
Units	2,500	—

The Class D common units issued in the three months ended March 31, 2016 were related to one award granted to an employee during the period. These units were granted outside of the Plan, were immediately vested and are not subject to a profits interest threshold.

There were no awards of Class P units during the three months ended March 31, 2016.

Fair Value Assumptions

Option Awards to Employees

The following table sets forth weighted-average assumptions used to estimate the fair value of options to acquire Class D common units granted to employees during the three months ended March 31, 2016:

Expected term (in years)	6.1
Risk-free interest rates	1.4%
Dividend yield	0
Expected volatility	95.5%

These assumptions and estimates are as follows:

- *Expected Term*. The expected term represents the period that our equity-based awards are expected to be outstanding. We determined the expected term assumption based on the vesting terms, exercise terms and contractual terms of the options, and in the case of equity-based awards subject to a profits interest threshold, based on the estimated time to liquidity.
- *Risk-Free Interest Rate*. The Company determines the risk-free interest rate by using the equivalent to the expected term based on the U.S. Treasury yield curve in effect as of the date of grant.
- *Dividend Yield.* The assumed dividend yield is based on the Company's expectation that it will not pay dividends in the foreseeable future, which is consistent with its history of not paying dividends.
- *Expected Volatility*. The Company does not have sufficient history to estimate the volatility of the price of its common units or the expected term of its options. The Company calculates expected volatility based on historical volatility data of a representative group of companies that are publicly traded. The Company selected representative companies with comparable characteristics to it, including risk profiles, position within the industry, and with historical equity price information sufficient to meet the expected term of the equity-based awards. The Company computes the historical volatility of this selected group using the daily closing prices for the selected companies' equity during the equivalent period of the calculated expected term of its equity-based awards. The Company will continue to use the representative group volatility information until the historical volatility of its common units is relevant to measure expected volatility for future option grants.
- *Forfeiture Rate*. The Company has early adopted Accounting Standards Update ("ASU") No. 2016-09, *Stock Compensation (Topic 718); Improvements to Employee Share-Based Payment Accounting*, and has elected to account for forfeitures as they occur.

There were no options granted to employees to acquire Class P common units during the three months ended March 31, 2016.

Option Awards to Non-Employees

Equity-based compensation expense related to options granted to non-employees is recognized as the options are earned. The fair value of the options is more reliably measurable than the fair value of the services received. The fair value of non-employee options is calculated at each reporting date, using the Black-Scholes option-pricing model, until the award vests or there is a substantial incentive for the non-employee not to perform the required services.

The following table sets forth the weighted-average assumptions used to estimate the fair value of options to acquire Class D common units granted to non-employees during the three months ended March 31, 2016:

Expected term (in years)	10
Risk-free interest rates	1.8%
Dividend yield	0
Expected volatility	98.7%

There were no options granted to non-employees to acquire Class P common units during the three months ended March 31, 2016.

Unit Awards to Employees and Non-Employees

The fair value of the unit award granted during the three months ended March 31, 2016 is equal to its intrinsic value.

Determination of Fair Value of Common Units on Grant Dates

The Company is a privately held company with no active public market for its common units. Therefore, in determining the fair value of equity-based awards, the Manager considered valuations prepared by an independent third party. For the valuation related to awards of Class D units granted in the three months ended March 31, 2016, the Company incorporated the probability-weighted expected return method and utilized the market approach (Precedent Transactions Method) incorporating the Xi Long financing (see Note 10), applying a 20% discount for lack of marketability.

Equity-Based Compensation Expense

The following table summarizes equity-based compensation expense for the three months ended March 31, 2016 included in the statements of operations as follows:

	Class D
Cost of revenue	$ —
Research and development	—
Selling and marketing	—
General and administrative	1,625
Discontinued operations	—
Total	$1,625

Note 9—Related Party

During the three months ended March 31, 2015 and 2016, the Pharma business made payments to ANP Technologies, Inc. (“ANP”) totaling $0 and $0, respectively, for services related to patented nano encapsulation technology and other drug-related services in the oncology drug area and related expense is recorded in discontinued operations. The Chief Executive Officer of ANP is a unitholder of the Company and the Company’s Manager is a shareholder of ANP.

Note 10—Subsequent Events

Split-Off

On April 4, 2016, the Company completed the split-off all of the business, assets and liabilities of the Pharma business. To effect the split-off, the Company redeemed each member’s Class P units, distributed to each such member substantially identical shares of Fulgent Pharma and caused Fulgent Pharma to assume all then-outstanding options to purchase Class P common units. The split-off is presented as discontinued operations on the accompanying interim condensed consolidated financial statements for all periods presented.

Xi Long Financing

On May 17, 2016, the Company issued and sold 5,132 Class D-2 preferred units to Xi Long USA, Inc. (“Xi Long”) at a purchase price per unit of $2.9598 and for gross proceeds to the Company of approximately $15,200. Additionally, on May 13, 2016, Xi Long purchased an aggregate of 10,263 units from certain of the Company’s members at a purchase price per unit of $1.1669, which, on May 17, 2016, the Company exchanged for 10,263 of its Class D-2 preferred units.

On April 4, 2016, in anticipation of the financing, the Company renamed its existing Class D preferred units as Class D-1 preferred units.

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Prior to closing this offering, Fulgent Therapeutics LLC, a California limited liability company, will become a wholly owned subsidiary of Fulgent Diagnostics, Inc., a holding company incorporated in Delaware and the issuer of common stock in this offering, in a transaction that we refer to as the "Reorganization." Unless the context otherwise requires, (i) the term "Fulgent LLC" refers to Fulgent Therapeutics LLC, (ii) the term "Fulgent Inc." refers to Fulgent Diagnostics, Inc. and (iii) the terms "Fulgent," the "company," "we," "us" and "our" refer, for periods prior to completion of the Reorganization, to Fulgent LLC and, for periods after completion of the Reorganization, to Fulgent Inc. and its consolidated subsidiary after giving effect to the Reorganization.

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, paid or payable by the registrant in connection with the sale of common stock in this offering. All amounts shown are estimates except for the Securities and Exchange Commission, or SEC, registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and the listing fee.

	Amount Paid or to be Paid
SEC registration fee	$ *
FINRA filing fee	*
listing fee	*
Blue sky qualification fees and expenses	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous expenses	*
Total	$ *

* To be completed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Our certificate of incorporation and our bylaws each provide for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law, or DGCL. These documents further provide that we shall pay expenses (including attorneys' fees) incurred by an director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding for which such director or officer may be entitled to indemnification in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by us.

In addition to the foregoing provisions of our certificate of incorporation and bylaws, our directors and officers may be indemnified by us pursuant to Section 145 of the DGCL. Section 145 of the DGCL authorizes a corporation to indemnify its directors and officers against liabilities arising out of actions, suits and proceedings to which they are made or threatened to be made by a party by reason of the fact that they have served or are currently serving as a director or officer to a corporation. The indemnity may cover expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the director

or officer in connection with any such action, suit or proceeding. Section 145 permits a corporation to pay expenses (including attorneys' fees) incurred by directors and officers in advance of the final disposition of such action, suit or proceeding. In addition, Section 145 provides that a corporation has the power to purchase and maintain insurance on behalf of its directors and officers against any liability asserted against them and incurred by them in their capacity as a director or officer, or arising out of their status as such, whether or not the corporation would have the power to indemnify the director or officer against such liability under Section 145.

We have entered or will enter into separate indemnification agreements with each of our directors and officers prior to completion of this offering, which will provide such individuals with indemnification in addition to the indemnification provided for in our certificate of incorporation and bylaws. These agreements, among other things, require us to indemnify our directors and officers for certain expenses, including attorneys' fees, judgments, penalties, fines and settlement amounts actually and reasonably incurred by such director and officer in any action or proceeding arising out of his or her service to us or any of our subsidiaries or any other company or enterprise to which the individual provides services at our request. Subject to certain limitations, these indemnification agreements also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted.

The limitation of liability and indemnification provisions in our certificate of incorporation, bylaws and indemnification agreements may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

We believe the provisions in our certificate of incorporation, bylaws and indemnification agreements discussed above are necessary to attract and retain qualified persons to serve as directors and officers of our company. We also intend to maintain insurance policies that indemnify our directors and officers against various liabilities arising under the Securities Act of 1933, as amended, or Securities Act, and the Securities Exchange Act of 1934, as amended, that might be incurred by any director and officer in his or her capacity as such. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers or persons controlling us, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore, in the opinion of the SEC, unenforceable.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Fulgent Inc.

The registrant, Fulgent Inc., was formed solely for the purpose of effecting this offering and, until the consummation of the Reorganization, will not have issued any securities, other than to Ming Hsieh in connection with its formation. In connection with the offering of the securities being registered hereby, Fulgent Inc. will issue an aggregate of shares of its common stock in the Reorganization, as described under "Pharma Split-Off and Reorganization" in the prospectus included in this registration statement. This issuance will be exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) thereof because it will not involve any public offering of securities, the recipients of the securities will have represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and have adequate access through their relationship with us to information about us, and all of the securities will be issued as restricted securities for purposes of the Securities Act.

Fulgent LLC

On April 4, 2016, we separated our former pharmaceutical business, which we no longer operate, from our business described in this registration statement and its related prospectus. We refer to this separation as the "Pharma Split-Off." Prior to the Pharma Split-Off, all of Fulgent LLC's authorized, issued and outstanding

equity interests were separated into two groups based on these two lines of business, such that holders of Fulgent LLC's Class D-1 preferred units and Fulgent LLC's Class D voting and non-voting common units had economic rights based on the assets, income, earnings and profits and any liabilities, expenses, costs and charges of the business described in this prospectus, and holders of Fulgent LLC's Class P preferred units and Fulgent LLC's Class P voting and non-voting common units had economic rights based on the assets, income, earnings and profits and any liabilities, expenses, costs and charges of Fulgent LLC's former pharmaceutical business. Since completion of the Pharma Split-Off, Fulgent LLC has no Class P units authorized, issued or outstanding and all of Fulgent LLC's authorized, issued and outstanding equity interests consist of Class D common units, two classes of preferred units convertible into Class D common units and options to purchase Class D common units.

The descriptions below set forth information regarding all securities issued and sold by Fulgent LLC within the past three years that were not registered under the Securities Act, and the consideration, if any, received for such securities. None of these transactions involved any underwriters, underwriting discounts or commissions or any public offering and we believe each transaction was exempt from the registration requirements of the Securities Act as described below.

Class D-1 Preferred Units

On October 16, 2015, we sold 56,000,000 Class D-1 preferred units to our founder and Manager, Ming Hsieh, in consideration of his capital contribution of $4,592,489 to the business described in this prospectus. This issuance was exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) thereof because it did not involve any public offering of securities, the recipient of the securities represented this intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and had adequate access through his relationship with us to information about us, and all of the securities were issued as restricted securities for purposes of the Securities Act.

Class D Voting Common Units

On October 16, 2015, we issued an aggregate of 24,000,000 Class D voting common units that constitute profits interests and are subject to a participation threshold amount of $0.0476 per unit to three members of our management team in consideration of their service for our company. On January 27, 2016, we issued 2,500,000 Class D voting common units to Paul Kim, our Chief Financial Officer, as an inducement to entering into employment with us. These issuances were exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) thereof because they did not involve any public offering of securities, the recipients of the securities represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and have adequate access through their relationship with us to information about us, and all of the securities were issued as restricted securities for purposes of the Securities Act.

Class D Non-Voting Common Units

On October 16, 2015, we issued an aggregate of 10,000,000 Class D non-voting common units that constitute profits interests and are subject to a participation threshold amount of $0.0476 per unit to two members of our management team in consideration of their service for our company. These issuances were exempt from the registration requirements of the Securities Act in reliance upon Rule 701 thereunder because the securities were issued under written compensatory plans intended to comply with Rule 701 and the recipients of these securities were bona fide service providers to us as the time of grant.

Options to Purchase Class D Non-Voting Common Units

Between October 16, 2015 and March 31, 2016, we issued options to purchase an aggregate of 3,945,000 Class D non-voting common units subject to an exercise price of $0.05 per unit. Of these, options to purchase an aggregate of 300,000 Class D non-voting common units have been cancelled, no options have been exercised and

options to purchase an aggregate of 3,645,000 Class D non-voting common units remained outstanding as of March 31, 2016. Between March 31, 2016 and the date of this filing, we issued options to purchase an aggregate of 733,000 Class D non-voting common units at an exercise price of $0.05 per unit. Of these, no options have been cancelled or exercised and options to purchase an aggregate of 4,378,000 Class D non-voting common units remained outstanding as of the date of this filing. These issuances were exempt from the registration requirements of the Securities Act in reliance upon Rule 701 thereunder because the securities were issued under written compensatory plans intended to comply with Rule 701 and the recipients of these securities were bona fide service providers to us as the time of grant.

Class D-2 Preferred Units

On May 17, 2016, we sold 5,131,579 Class D-2 preferred units to Xi Long USA, Inc., or Xi Long, for an aggregate purchase price of $15,188,234. On May 17, 2016, we exchanged for Class D-2 preferred units, on a one-for-one basis, an aggregate of 10,263,158 Class D-1 preferred and Class D common units acquired by Xi Long from our other members on May 13, 2016. These issuances were exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) thereof and Regulation D thereunder because they will not involve any public offering of securities, the recipient of the securities has represented its intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and had adequate access through its relationship with us to information about us, and all of the securities were issued as restricted securities for purposes of the Securities Act.

Class P Preferred Units

On October 16, 2015, we sold 51,000,000 Class P preferred units to our founder and Manager, Ming Hsieh, in consideration of his capital contribution of $10,907,511 to Fulgent LLC's former pharmaceutical business. This issuance was exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) thereof because it did not involve any public offering of securities, the recipient of the securities represented his intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and had adequate access through his relationship with us to information about us, and all of the securities were issued as restricted securities for purposes of the Securities Act.

Class P Voting Common Units

On October 16, 2015, we issued an aggregate of 39,000,000 Class P voting common units that constitute profits interests and are subject to a participation threshold amount of $0.0287 per unit to two members of our management team in consideration of their service for our company. These issuances were exempt from the registration requirements of the Securities Act in reliance upon Section 4(a)(2) thereof because they did not involve any public offering of securities, the recipients of the securities represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and had adequate access through their relationship with us to information about us, and all of the securities were issued as restricted securities for purposes of the Securities Act.

On October 16, 2015, we issued an aggregate of 3,500,000 Class P voting common units that constitute profits interests and are subject to a participation threshold amount of $0.0287 per unit to two members of our management team in consideration of their service for our company. These issuances were exempt from the registration requirements of the Securities Act in reliance upon Rule 701 thereunder because the securities were issued under written compensatory plans intended to comply with Rule 701 and the recipients of these securities were bona fide service providers to us as the time of grant.

Class P Non-Voting Common Units

Between October 16, 2015 and November 16, 2015, we issued an aggregate of 2,500,000 Class P non-voting common units that constitute profits interests and are subject to a participation threshold amount of

$0.0287 per unit to two members of our management team in consideration of their service for our company. These issuances were exempt from the registration requirements of the Securities Act in reliance upon Rule 701 thereunder because the securities were issued under written compensatory plans intended to comply with Rule 701 and the recipients of these securities were bona fide service providers to us as the time of grant.

Options to Purchase Class P Non-Voting Common Units

On October 16, 2015, we issued options to purchase an aggregate of 1,810,000 Class P non-voting common units subject to an exercise price of $0.04 per unit. As of the Pharma Split-Off, no options had been exercised, forfeited or cancelled. These issuances were exempt from the registration requirements of the Securities Act in reliance upon Rule 701 thereunder because the securities were issued under written compensatory plans intended to comply with Rule 701 and the recipients of these securities were bona fide service providers to us as the time of grant.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

See the Exhibit Index immediately following the signature page, which is incorporated herein by reference.

(b) Financial Statement Schedules.

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or notes.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Temple City, California, on the day of , 2016.

FULGENT DIAGNOSTICS, INC.

By: _____
Ming Hsieh
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ming Hsieh and Paul Kim, and each of them, his or her true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments, including post-effective amendments, to this registration statement, and any registration statement relating to the offering covered by this registration statement and filed pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each of said attorney-in-fact and agents or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
Ming Hsieh	President, Chief Executive Officer and Director (Principal Executive Officer)	, 2016
Paul Kim	Chief Financial Officer (Principal Accounting and Financial Officer)	, 2016

EXHIBIT INDEX

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement, including Form of Lock-Up Agreement.
2.1*	Agreement and Plan of Merger, dated , by and among the registrant, and Fulgent Therapeutics LLC.
3.1*	Certificate of Incorporation of the registrant.
3.2*	Bylaws of the registrant.
4.1*	Form of Certificate of Common Stock of the registrant.
4.2	Investor's Rights Agreement, dated May 17, 2016, by and between the registrant and Xi Long USA, Inc.
5.1*	Opinion of Morrison & Foerster LLP.
10.1#	Form of Indemnification Agreement, entered or to be entered into between the registrant and each of its officers and directors prior to completion of this offering.
10.2#	Amended and Restated 2015 Equity Incentive Plan of Fulgent Therapeutics LLC, to be assumed by the registrant.
10.3#	Form of Notice of Option Grant and Option Agreement under the Amended and Restated 2015 Equity Incentive Plan of Fulgent Therapeutics LLC.
10.4#	Form of Notice of Profits Interest Grant and Profits Interest Agreement under the Amended and Restated 2015 Equity Incentive Plan of Fulgent Therapeutics LLC.
10.5#*	2016 Omnibus Incentive Plan of the registrant.
10.6#*	Form of Notice of Option Grant and Option Agreement under the 2016 Omnibus Incentive Plan of the registrant.
10.7#*	Form of Notice of Restricted Stock Unit Grant and Restricted Stock Unit Agreement under the 2016 Omnibus Incentive Plan of the registrant.
10.8#	Employment Agreement, dated May 25, 2016, by and between Fulgent Therapeutics LLC, the registrant and Ming Hsieh.
10.9#	Employment Agreement, dated May 25, 2016, by and between Fulgent Therapeutics LLC, the registrant and Paul Kim.
10.10#	Amended and Restated Employment Agreement, dated May 25, 2016, by and between Fulgent Therapeutics LLC, the registrant and Hanlin Gao.
10.11	Contribution and Allocation Agreement, dated May 19, 2016, by and among Fulgent Therapeutics LLC, Fulgent Pharma LLC and Ming Hsieh.
10.12	Commercial Leases, dated April 14, 2015, April 28, 2016 and March 24, 2016, by and between E & E Plaza LLC and Fulgent Therapeutics LLC.
21.1*	Subsidiaries of the registrant.
23.1*	Consent of Deloitte & Touche LLP, independent registered public accounting firm of the registrant.
23.2*	Consent of Morrison & Foerster LLP (included in Exhibit 5.1).
24.1*	Power of Attorney (included on the signature page hereto).
99.1	Consent of John Bolger to be named a director nominee.
99.2	Consent of Yun Yen to be named a director nominee.

* To be filed by amendment.
\# Management contract or compensatory plan, contract or arrangement.

FULGENT THERAPEUTICS LLC

INVESTOR'S RIGHTS AGREEMENT

Dated as of May 17, 2016

TABLE OF CONTENTS

FULGENT THERAPEUTICS LLC

INVESTOR'S RIGHTS AGREEMENT

THIS INVESTOR'S RIGHTS AGREEMENT (this "**Agreement**") is entered into effective as of May 17, 2016, by and between Fulgent Therapeutics LLC, a California limited liability company (the "**Company**"), and Xi Long USA, Inc., a Delaware corporation (the "**Investor**"). The Company and the Investor are sometimes collectively referred to herein as the "**Parties**" and individually as a "**Party**."

RECITALS

A. WHEREAS, the Investor and the Company are parties to that certain Class D-2 Preferred Share Purchase and Exchange Agreement, dated as of the date hereof (the "**Purchase Agreement**"), relating to the Company's issuance and sale of 5,131,579 shares (the "**Investment Shares**") of the Company's Class D-2 Preferred Shares (the "**D-2 Preferred Shares**") to the Investor;

B. WHEREAS, the Investor also entered into Share Purchase Agreements pursuant to which the Investor purchased from the other parties thereto a total of 10,263,158 shares of the Company's issued and outstanding Shares (the "**Seller Shares**");

C. WHEREAS, pursuant to the terms of the Purchase Agreement, the Investor and the Company exchanged the Seller Shares for Class D-2 Preferred Shares ("**Exchanged Shares**" and together with the Investment Shares, the "**Acquired Shares**") as described therein; and

D. WHEREAS, the obligations of the Company and the Investor under the Purchase Agreement are conditioned, among other things, upon the execution and delivery of this Agreement by the Investor and the Company.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual premises and covenants set forth herein, the Parties agree as follows:

1. Registration Rights.

1.1 Definitions. For purposes of this Section 1:

(a) The term "**Act**" means the Securities Act of 1933, as amended.

(b) The term "**Form S-3**" means such form under the Act as in effect on the date hereof or any registration form under the Act subsequently adopted by the SEC that permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(c) The term "**Holder**" means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.11 hereof.

(d) The term "**Initial Public Offering**" means the first firm commitment underwritten public offering of securities of the Company pursuant to an effective registration statement under the Act (other than a registration statement relating either to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan or an SEC Rule 145 transaction).

(e) The term "**register**," "**registered**," and "**registration**" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

(f) The term "**Registrable Securities**" means (i) the Acquired Shares, and (ii) any Common Shares of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the shares referenced in (i) above, excluding in all cases, however, any Registrable Securities sold by a person (x) in a transaction in which his, her or its rights under this Section 1 are not assigned, (y) pursuant to a registration statement under the Act that has been declared effective and such Registrable Securities have been disposed of pursuant to such effective registration statement or (z) in a transaction in which such Registrable Securities are sold pursuant to Rule 144 (or any similar provision then in force) under the Act.

(g) The number of shares of "**Registrable Securities then outstanding**" shall be determined by the number of shares of Common Shares outstanding that are, and the number of shares of Common Shares issuable pursuant to then exercisable or convertible securities that are, Registrable Securities.

(h) The term "**SEC**" shall mean the Securities and Exchange Commission.

(i) The term "**1934 Act**" means the Securities Exchange Act of 1934, as amended.

Capitalized terms that are not otherwise defined herein shall have the respective meanings assigned to them in the Third Amended and Restated Operating Agreement of the Company.

1.2 Request for Registration.

(a) Subject to the conditions of this Section 1.2, if the Company shall receive at any time three (3) years after the date of this Agreement a written request from the Holders of a majority or more of the Registrable Securities then outstanding (the "**Initiating Holders**") that the Company file a registration statement under the Act covering the registration of at least fifty percent (50%) of the then outstanding Registrable Securities, provided that the anticipated aggregate offering price from such offering would exceed $35,000,000, then the Company shall, within twenty (20) days of the receipt thereof, give written notice of such request

to all Holders, and subject to the limitations of this Section 1.2, use best efforts to effect, as soon as practicable, the registration under the Act of all Registrable Securities that the Holders request to be registered in a written request received by the Company within twenty (20) days of the mailing of the Company's notice pursuant to this Section 1.2(a).

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2 and the Company shall include such information in the written notice referred to in Section 1.2(a). In such event the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Section 1.2, if the underwriter advises the Company that marketing factors require a limitation of the number of securities underwritten (including Registrable Securities), then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities on a pro rata basis (as nearly as practicable) based on the number of Registrable Securities held by all such Holders (including the Initiating Holders), provided that no Registrable Securities shall be excluded unless and until all other securities of the Company have been excluded. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) In addition, the Company shall not be required to effect a registration pursuant to this Section 1.2:

(i) after the Company has effected one (1) registration pursuant to this Section 1.2, and such registration has been declared or ordered effective;

(ii) during the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of the filing of, and ending on a date one hundred eighty (180) days following the effective date of, a Company-initiated registration subject to Section 1.3, provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;

(iii) if the Initiating Holders propose to dispose of Registrable Securities that may be registered on Form S-3 pursuant to Section 1.4;

(iv) if the Company shall furnish to Holders requesting a registration pursuant to this Section 1.2, a certificate signed by the Company's Chief Executive Officer or Chairman of the Board stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such registration to be effected at such time, in which event the Company shall have the right to defer such filing for a period of not more than 120 days after receipt of the request of the Initiating Holders, provided that such right to delay a request shall be exercised by the Company not more than twice in any twelve (12)-month period; or

(v) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Act.

1.3 Company Registration.

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for shareholders other than the Holders) any of its stock or other securities under the Act in connection with the public offering of such securities (other than a registration relating solely to the sale of securities to participants in a Company stock plan, a registration relating to a corporate reorganization or other transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities, a registration in which the only Common Shares being registered are Common Shares issuable upon conversion of debt securities that are also being registered, or a registration in connection with the Initial Public Offering), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after mailing of such notice by the Company, the Company shall, subject to the provisions of Section 1.5(e), use its best efforts to cause to be registered under the Act all of the Registrable Securities that each such Holder has requested to be registered.

(b) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 1.7 hereof.

1.4 Form S-3 Registration. In case the Company shall receive from the Holders of at least fifty percent (50%) of the Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company shall:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) use best efforts to effect, as soon as practicable, such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company, provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4:

(i) if Form S-3 is not available for such offering by the Holders;

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than $5,000,000;

(iii) if the Company shall furnish to the Holders a certificate signed by the Chief Executive Officer or Chairman of the Board of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such Form S-3 registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 120 days after receipt of the request of the Holder or Holders under this Section 1.4;

(iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two registration on Form S-3 for the Holders pursuant to this Section 1.4; or

(v) in any particular jurisdiction in which the Company would be required to qualify to do business, where not otherwise required, or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall use best efforts to file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as requests for registration effected pursuant to Section 1.2 or Section 1.4.

1.5 Obligations of the Company. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to 60 days or, if earlier, until the distribution contemplated in the Registration Statement has been completed; provided, however, that (i) such 60 day period shall be extended for a period of time equal to the period the Holder refrains from selling any securities included in such registration at the request of an underwriter of Common Shares (or other securities) of the Company; and (ii) in the case of any registration of Registrable Securities on Form S-3 which are intended to be offered on a continuous or delayed basis, such 60 day period shall be extended, if necessary, to keep the registration statement effective until all such Registrable Securities are sold, provided that Rule

415, or any successor rule under the Act, permits an offering on a continuous or delayed basis, and provided further that applicable rules under the Act governing the obligation to file a post-effective amendment permit, in lieu of filing a post-effective amendment which (I) includes any prospectus required by Section 10(a)(3) of the Act or (II) reflects facts or events representing a material or fundamental change in the information set forth in the registration statement, the incorporation by reference of information required to be included in (I) and (II) above to be contained in periodic reports filed pursuant to Section 13 or 15(d) of the 1934 Act in the registration statement;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish to each Holder (i) a draft copy of the registration statement, and (ii) such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as it may reasonably request in order to facilitate the disposition of Registrable Securities owned by it;

(d) use best efforts to register and qualify the securities covered by such registration statement under such other securities or "blue sky" laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business, where not otherwise required, or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Act;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement. In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by the Company and enter into an underwriting agreement in customary form with an underwriter or underwriters selected by the Company. If the total amount of securities, including Registrable Securities, requested by shareholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then subject to Section 1.2 above, the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, that the underwriters determine in their sole discretion will not jeopardize the success of the offering but in no event shall the amount of securities of the selling Holders included in the offering be reduced below twenty five percent (25%) of the total amount of securities included in such offering, unless such offering is the Initial Public Offering of the Company's securities, in which case the selling shareholders may be excluded if the underwriters make the determination described above. For purposes of the preceding provision concerning apportionment, for any selling shareholder that is a Holder of Registrable Securities and that is a partnership or corporation, the partners, retired partners and stockholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling shareholder," and any pro rata reduction with respect to such "selling shareholder" shall be based upon the aggregate amount of Registrable Securities owned by all entities and individuals included in such "selling shareholder," as defined in this sentence;

(f) notify each Holder of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Act, of (i) the issuance of any stop order by the SEC in respect of such registration statement, or (ii) the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed;

(h) provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration; and

(i) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 1, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 1, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters and to the Holders requesting registration of Registrable Securities.

1.6 Information from Holder.

(a) It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of such securities as shall be reasonably required to effect the registration of such Holder's Registrable Securities.

(b) The Company shall have no obligation with respect to any registration requested pursuant to Section 1.2 if, due to the operation of Section 1.6(a), the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in Section 1.2(a).

1.7 Expenses of Registration.

(a) All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Sections 1.2, 1.3 and 1.4, including, without limitation, all registration, filing and qualification fees (including "blue sky" fees), printers' and accounting fees, fees and disbursements of counsel for the Company (including fees and disbursements of counsel for the Company in its capacity as counsel to the selling Holders hereunder; if Company counsel does not make itself available for this purpose, the Company will pay the reasonable fees and disbursements of one counsel for the selling Holders not to exceed $10,000) shall be borne by the Company. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 or Section 1.4 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be registered in the withdrawn registration).

(b) All expenses other than underwriting discounts and commissions incurred in connection with the first two (2) registrations, filings or qualifications pursuant to Section 1.4, including, without limitation, all registration, filing and qualification fees (including "blue sky" fees), printers' and accounting fees, fees and disbursements of counsel for the Company (including fees and disbursements of counsel for the Company in its capacity as counsel to the selling Holders hereunder; if Company counsel does not make itself available for this purpose, the Company will pay the reasonable fees and disbursements of one counsel for the selling Holders not to exceed $10,000) shall be borne by the Company. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.4 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be registered in the withdrawn registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to have the Company bear the expenses of one (1) registration pursuant to Section 1.4. Except as provided in the immediately preceding sentence, all expenses incurred in connection with a registration requested pursuant to Section 1.4, including, without limitation, all registration, filing and qualification fees (including "blue sky" fees), printers' and accounting fees, fees and disbursements of counsel for the Company and the fees and disbursements of counsel for the selling Holder or Holders, shall be borne pro rata by the Holder or Holders participating in the registration.

1.8 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.9 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter, within the meaning of the Act or the 1934 Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act or any state securities laws, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "**Violation**"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading or (iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any state securities laws or any rule or regulation promulgated under the Act, the 1934 Act or any state securities laws; and the Company will reimburse each such Holder, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 1.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person; provided further, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Holder, partner, officer, director, stockholder, counsel, accountant or underwriter, or any person controlling such Holder or underwriter, from whom the person asserting any such losses, claims, damages or liabilities purchased shares in the offering, if a copy of the prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Holder or underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the shares to such person, and if the prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

(b) To the extent permitted by law, each selling Holder, on a several and not joint basis, will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Act, legal counsel and accountants for the Company, any underwriter, any other shareholder selling securities in such registration statement and any controlling person of any such underwriter or other shareholder, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Act, the 1934 Act or any state securities laws, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation (but excluding clause (iii) of the definition thereof), in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any person intended to be indemnified pursuant to this Section 1.9(b) for any legal or other expenses reasonably incurred by such person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 1.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld).

(c) Promptly after receipt by an indemnified party under this Section 1.9 of actual knowledge of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.9 to the extent of such prejudice, but the omission to so deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.9.

(d) If the indemnification provided for in this Section 1.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of and the relative benefits received by the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations, provided that no person guilty of fraud shall be entitled to contribution. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission. The relative benefits received by the indemnifying party and the indemnified party shall be determined by reference to the net proceeds and underwriting discounts and commissions from the offering received by each such party.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.9 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.10 Reports Under Securities Exchange Act of 1934. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after ninety (90) days after the effective date of the Initial Public Offering;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the Initial Public Offering), the Act and the 1934 Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to such form.

1.11 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee, member, retired member or assignee of such securities that after such assignment or transfer, holds at least 3,100,000 shares of Registrable Securities (subject to appropriate adjustment for Recapitalizations), provided: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (b) such transferee or assignee agrees in writing, a copy of which writing is provided to the Company at the time of transfer, to be bound by and subject to the terms and conditions of this Agreement, including without limitation the provisions of Section 1.13 below; and (c) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Act. For the purposes of determining the number of shares of Registrable Securities held by a transferee or assignee, the holdings of transferees and assignees of a partnership who are partners or retired partners of such partnership (including spouses and ancestors, lineal descendants and siblings of such partners or spouses who acquire Registrable Securities by gift, will or intestate succession) shall be aggregated together and with the partnership; provided that

all assignees and transferees who would not qualify individually for assignment of registration rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices or taking any action under this Section 1.

1.12 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the outstanding Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (a) to include such securities in any registration filed under Section 1.3 hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the amount of the Registrable Securities of the Holders that are included or (b) to make a demand registration which could result in such registration statement being declared effective prior to the earlier of either of the dates set forth in Section 1.2(a) or within one hundred twenty (120) days of the effective date of any registration effected pursuant to Section 1.2.

1.13 "Market Stand-Off" Agreement. Each Holder hereby agrees that it will not, directly or indirectly, without the prior written consent of the Company and the managing underwriter, during the period commencing on the date of the final prospectus relating to the initial public offering by the Company and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares (whether such shares or any such securities are then owned by the Holder or are thereafter acquired), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares or such other securities, in cash or otherwise; provided, however, that such period may be extended to such longer period as the Company or the managing underwriter may request in order to facilitate compliance with, to the extent applicable, Financial Industry Regulatory Authority, Inc. ("**FINRA**") Rule 2711 or NYSE Member Rule 472 or any successor or similar rule or regulation. The foregoing provisions of this Section 1.13 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall only be applicable to the Holders if all officers and directors and greater than five percent (5%) shareholders of the Company enter into similar agreements. The underwriters in connection with the initial public offering by the Company are intended third party beneficiaries of this Section 1.13 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto; further, each Holder hereby agrees to enter into written agreement with such underwriters containing terms substantially equivalent to the terms of this Section 1.13, and each Holder hereby agrees that such underwriters shall be entitled to require each such Holder to enter into such a written agreement. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all Holders subject to such agreements, based on the number of shares subject to such agreements, except that, notwithstanding the foregoing, the Company and the underwriters may, in their sole discretion, waive or terminate these restrictions with respect to up to 1,000,000 shares of the Common Shares. Notwithstanding the foregoing, nothing in this Section 1.13 shall prevent a Holder from making a transfer of any Common Shares that was listed on a national stock exchange, actively traded over-the-counter or traded on the NASDAQ Global Market at the time it was acquired by the Holder or was acquired by such Holder pursuant to Rule 144A of the Act, including any shares acquired in the initial public offering by the Company.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

1.14 Termination of Registration Rights. No Holder shall be entitled to exercise any right provided for in this Section 1 after three (3) years following the consummation of the Initial Public Offering or, as to any Holder, such earlier time at which all Registrable Securities held by such Holder (and any affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) can be sold in any ninety (90) day period without registration in compliance with Rule 144 of the Act.

2. Covenants of the Company.

2.1 Delivery of Financial Statements. The Company shall deliver to each Investor holding at least 10,000,000 (appropriately adjusted for any Recapitalizations) shares of Registrable Securities:

(a) as soon as practicable, but in any event within one hundred twenty (120) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of shareholder's equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("**GAAP**"), and audited and certified by independent public accountants of nationally recognized standing selected by the Company;

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited income statement, statement of cash flows for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter;

(c) as soon as practicable, but in any event at least thirty (30) days after Manager or Board approval, as applicable, a budget and business plan for the next fiscal year, prepared on a monthly basis, including balance sheets, income statements and statements of cash flows for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company;

(d) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as such Investor or any assignee of such Investor may from time to time reasonably request, provided, however, that the Company shall not be obligated under this Section 2.1 to provide information that it deems in good faith to be a trade secret or similar confidential information, and provided further that the Company may require the Investor to execute a confidentiality and nondisclosure agreement prior to disclosure of any such information.

3. Miscellaneous.

3.1 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties (including transferees of any shares of Registrable Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the Parties or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.2 Governing Law; Venue. This Agreement is to be construed in accordance with and governed by the internal laws of the State of California without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the Parties. All disputes and controversies arising out of or in connection with this Agreement shall be resolved exclusively by the state and federal courts located in Los Angeles County in the State of California, and each Party hereto agrees to submit to the jurisdiction of said courts and agrees that venue shall lie exclusively with such courts.

3.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.4 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.5 Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been duly given (a) when hand delivered to the other Party; (b) when sent by facsimile to the number set forth below if sent between 8:00 a.m. and 5:00 p.m. recipient’s local time on a business day, or on the next business day if sent by facsimile to the number set forth below if sent other than between 8:00 a.m. and 5:00 p.m. recipient’s local time on a business day, or when sent by electronic mail to the address set forth below if sent between 8:00 am and 5:00 pm recipient’s local time on a business day, or on the next business day if sent by electronic mail other than between 8:00 am and 5:00 pm recipient’s local time; (c) three business days after deposit in the U.S. mail with first class or certified mail receipt requested postage prepaid and addressed to the other Party at the address set forth below; or (d) the next business day after deposit with a national overnight delivery service, postage prepaid, addressed to the parties as set forth below with next business day delivery guaranteed, provided that the sending Party receives a confirmation of delivery from the delivery service provider. Each person making a communication hereunder by facsimile or electronic mail shall promptly attempt to confirm by telephone to the person to whom such communication was addressed each communication made by it by facsimile or electronic mail pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A Party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 3.5 by giving the other Party written notice of the new address in the manner set forth above.

3.6 Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such Party may be entitled.

3.7 Amendments and Waivers. Any term of this Agreement may be amended only with the written consent of the Company and the holders of a majority of the Registrable Securities then outstanding and the observance of any term of this Agreement by the Company may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the holders of a majority of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities, each future holder of all such Registrable Securities and the Company.

3.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

3.9 Aggregation of Stock. All shares of Registrable Securities held or acquired by entities advised by the same investment adviser and affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

3.10 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement among the parties with respect to the subject matter hereof and no Party shall be liable or bound to any other Party in any manner by any warranties, representations or covenants except as specifically set forth herein or therein.

* * *

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

COMPANY:

FULGENT THERAPEUTICS LLC,
a California limited liability company

By: */s/ Ming Hsieh*
Ming Hsieh
Manager

Address: Fulgent Therapeutics LLC
4978 Santa Anita Avenue
Suite 205
Temple City, California 91780
Email: MingHsieh@Fulgent-therapeutics.com

with a copy, which shall not constitute notice, to:

Address: Morrison & Foerster LLP
12531 High Bluff Drive
Suite 100
San Diego, California 92130
Attn: Scott M. Stanton
Email: SStanton@MoFo.com

INVESTOR:

XI LONG USA, INC.,
a Delaware corporation

By: */s/ Zhenjie Huang*

Name: Zhenjie Huang

Title: Chief Executive Officer

Address: #6 Xinrui Rd., Science City, Luogang District, Guangzhou City Guangdong Province, PRC

Facsimile: _____

Email: _____

Exhibit 10.1

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into this [●] day of [●] (the "Effective Date") by and between Fulgent Diagnostics, Inc., a Delaware corporation (the "Company"), and [●] (the "Indemnitee").

WHEREAS, the Company believes it is essential to retain and attract qualified directors and officers;

WHEREAS, the Indemnitee [is][has agreed to serve as] [a director][an officer][a director and officer] of the Company;

WHEREAS, both the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies;

WHEREAS, the Company's Certificate of Incorporation (as amended, restated or modified from time to time, the "Certificate of Incorporation"), allows, and the Company's Bylaws (as amended, restated or modified from time to time, the "Bylaws") require, the Company to indemnify and advance expenses to its directors and officers to the extent permitted by the DGCL (as hereinafter defined);

[WHEREAS, the Indemnitee has been serving and intends to continue serving as a director and/or officer of the Company in part in reliance on the indemnification provisions of the Certificate of Incorporation and Bylaws; and]

[WHEREAS, the Indemnitee is relying upon the rights afforded under this Agreement in accepting the Indemnitee's position as a director, officer or employee of the Company; and]

WHEREAS, in recognition of the Indemnitee's need for (a) substantial protection against personal liability based on the Indemnitee's reliance on the Certificate of Incorporation, the Bylaws and the rights afforded under this Agreement, and (b) an inducement [to continue] to provide effective services to the Company as a director and/or officer thereof, the Company wishes to provide for the indemnification of the Indemnitee and to advance expenses to the Indemnitee to the fullest extent permitted by law, subject to certain exceptions contained in this Agreement, and, to the extent insurance is maintained by the Company, to provide for the continued coverage of the Indemnitee under the Company's directors' and officers' liability insurance policies.

NOW, THEREFORE, in consideration of the premises contained herein and of the Indemnitee [continuing][agreeing] to serve the Company directly or, at its request, with another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions.

(a) A "Change in Control" shall be deemed to have occurred if:

(i) any "person", as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act"), hereafter becomes the "beneficial owner," as defined in

Rule 13d-3 of the Exchange Act, directly or indirectly, of securities of the Company representing 20% or more of the total combined voting power represented by the Company's then outstanding Voting Securities, other than (1) a trustee or other fiduciary holding securities under an employee benefit plan of the Company, (2) an entity owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company or (3) any current beneficial stockholder or group, as defined by Rule 13d-5 of the Exchange Act, including the heirs, assigns and successors thereof, that, as of the Effective Date, is the beneficial owner, within the meaning of Rule 13d-3 of the Exchange Act, of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities;

(ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Company's Board of Directors (the "Board") and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into or exchanged for Voting Securities of the surviving entity or its ultimate parent) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity (or its ultimate parent) outstanding immediately after such merger or consolidation, or the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company, in one transaction or a series of transactions, of all or substantially all of the assets of the Company and its subsidiaries, taken as a whole.

(b) "DGCL" shall mean the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended or interpreted; provided, however, that, to the fullest extent permitted by law, in the case of any such amendment or interpretation, only to the extent that such amendment or interpretation permits the Company to provide broader rights to indemnification and advancement of expenses than were permitted prior thereto.

(c) "Expense" shall mean attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing for any of the foregoing, any Proceeding relating to or arising out of any Indemnifiable Event. The parties agree that, to the fullest extent permitted by law, for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee's counsel as being prudent and appropriate in the good faith judgment of such counsel shall be presumed conclusively to be reasonable Expenses. To the fullest extent permitted by law, the Company agrees that, in any proceeding for an advancement of Expenses, it will not assert or make any claim that any Expenses (including without limitation attorneys' fees and expert witness or consultant fees) incurred by or on behalf

of Indemnitee are not reasonable if counsel for Indemnitee certifies by affidavit his or her belief that such Expenses were prudent and appropriate in the good faith judgment of such counsel; provided that, following the final disposition of the Proceeding for which Expenses are advanced, the Company may seek to recover any Expenses that it establishes are not reasonable in an action brought to enforce the undertaking granted by Indemnitee pursuant to Section 3. The term "Expenses" shall not include the amount of judgments, fines or penalties against Indemnitee or amounts paid in settlement.

(d) "Indemnifiable Event" shall mean any event or occurrence that takes place either prior to, on or after the execution of this Agreement, related to or arising out of the fact that the Indemnitee is or was a director or officer of the Company or its subsidiaries, or while a director or officer is or was serving at the request of the Company as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, or related to or arising out of anything done or not done by the Indemnitee in any such capacity.

(e) "Proceeding" shall mean any threatened, pending or completed action, suit, investigation or proceeding, and any appeal thereof, whether civil, criminal, administrative, arbitrative, investigative or otherwise and/or any inquiry or investigation, whether formal or informal, conducted by the Company or any other party, that the Indemnitee in good faith believes might lead to the institution of any such action; provided, however, that the term "Proceeding" shall not include any action, suit or proceeding to enforce the Indemnitee's rights under this Agreement, including as provided for in Section 6 of this Agreement.

(f) "Reviewing Party" shall mean any appropriate person or body consisting of a member or members of the Company's Board or any other person or body appointed by the Board (including the special independent counsel referred to in Section 7 hereof) who is not a party to the particular Proceeding with respect to which the Indemnitee is seeking indemnification.

(g) "Voting Securities" shall mean any securities of the Company which vote generally in the election of directors.

2. Indemnification. In the event the Indemnitee was or is a party to, or is threatened to be made a party to, or is involved (as a party, witness, or otherwise) in any Proceeding by reason of (or arising in part out of) an Indemnifiable Event, whether the basis of the Proceeding is the Indemnitee's alleged action in an official capacity as a director or officer of the Company or any of its subsidiaries or in any other capacity while serving as a director or officer of the Company or any of its subsidiaries, the Company shall indemnify the Indemnitee to the fullest extent permitted by the DGCL and subject to any exceptions contained in this Agreement, against any and all Expenses, liability, and loss (including judgments, fines, ERISA excise taxes or penalties, and amounts paid or to be paid in settlement, and any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed on any director or officer as a result of the actual or deemed receipt of any payments under this Agreement) (collectively, "Liabilities") reasonably incurred or suffered by such person in connection with such Proceeding. "Liabilities" shall include any liability of the lawful spouse (whether such status is derived by reason of the statutory law, common law or otherwise of any applicable jurisdiction) of the

Indemnitee arising out of that person's capacity as the spouse of the Indemnitee in connection with an Indemnifiable Event, including, without limitation, liability for damages recoverable from marital community property, property jointly held by the Indemnitee and the spouse or property transferred from the Indemnitee to the spouse. The Company shall provide indemnification pursuant to this Section 2 as soon as practicable, but in no event later than 60 calendar days after it receives written demand from the Indemnitee. Notwithstanding the foregoing, the Company shall only indemnify an Indemnitee that acted in good faith and in a manner reasonably believed to be in or not opposed to the Company's best interests, and, with respect to any criminal action or proceeding, such Indemnitee had no reasonable cause to believe his or her conduct was unlawful.

3. Advancement of Expenses. The Company shall advance Expenses to the Indemnitee within 20 calendar days of a written request therefor (which shall include invoices received by the Indemnitee in connection with such Expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditures made that would cause the Indemnitee to waive any privilege accorded by applicable law shall not be included with such invoices) (an "Expense Advance"); provided, however, that the Company shall make such advances only to the extent permitted by law. The Indemnitee shall qualify for Expense Advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that the Indemnitee undertakes to the fullest extent required by law to repay the Expense Advance if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that the Indemnitee is not entitled to be indemnified by the Company. The right to advances under this paragraph shall in all events continue until final disposition of any Proceeding, including any appeal therein. Expense Advances shall be unsecured and interest free. Expense Advances shall be made without regard to the Indemnitee's ability to repay the Expenses and without regard to the Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement.

4. Limits on Indemnification and Advancement. Notwithstanding anything in this Agreement to the contrary and except for the rights to indemnification provided in Section 6 hereof, the Indemnitee shall not be entitled, pursuant to this Agreement, (a) to indemnification or advancement for claims initiated or brought by the Indemnitee (including Expenses incurred by Indemnitee in defending any affirmative defenses or counterclaims brought or made in connection with a claim initiated by Indemnitee), except (i) if the Board has approved the initiation or bringing of such claim, or (ii) as otherwise required under Delaware law, or (b) to indemnification on account of any suit in which judgment is rendered against the Indemnitee pursuant to Section 16(b) of the Exchange Act for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company. For the avoidance of doubt, the Indemnitee shall not be deemed, for purposes of this Section, to have initiated or brought any claim by reason of (1) having asserted any affirmative defenses in connection with a claim not initiated by the Indemnitee or (2) having made any counterclaim (whether permissive or mandatory) in connection with any claim not initiated by the Indemnitee.

5. Review Procedure for Indemnification. Notwithstanding the foregoing, the obligations of the Company under Section 2 hereof shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the special independent counsel referred to in Section 7 hereof is involved) that the Indemnitee would not be permitted to be indemnified under

applicable law or this Agreement; provided, however, that if the Indemnitee has commenced legal proceedings in a court of competent jurisdiction pursuant to Section 6 hereof to secure a determination that the Indemnitee should be indemnified under applicable law and this Agreement, any determination made by the Reviewing Party that the Indemnitee would not be permitted to be indemnified under applicable law shall not be binding until a final judicial determination (as to which all rights of appeal therefrom have been exhausted or have lapsed) is made that the Indemnitee would not be permitted to be indemnified under applicable law or this Agreement. If there has not been a Change in Control, the Reviewing Party shall be selected by the Board, and if there has been such a Change in Control, other than a Change in Control which has been approved by a majority of the Company's Board who were directors immediately prior to such Change in Control, the Reviewing Party shall be the special independent counsel referred to in Section 7 hereof. Indemnitee shall cooperate with the Reviewing Party making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such counsel or the Company, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. To the fullest extent permitted by law, any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the Reviewing Party shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. Subject to Section 6, any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and the Indemnitee; provided, however, that such determination shall not be binding on the Company if the Indemnitee made any misstatement of material fact, or any omission of a material fact necessary to make the Indemnitee's statements not materially misleading, in connection with the Indemnitee's written demand or request for indemnification or advancement or the Reviewing Party's consideration thereof.

6. Enforcement of Indemnification Rights. If (a) the Reviewing Party determines that the Indemnitee would not be permitted to be indemnified in whole or in part under applicable law or this Agreement, (b) the Indemnitee has not otherwise been paid in full pursuant to Section 2 hereof within 60 calendar days of the Company's receipt of Indemnitee's written request for indemnification or (c) Indemnitee has not been provided Expense Advances pursuant to Section 3 hereof within 20 calendar days after a written request therefor has been received by the Company, then the Indemnitee shall have the right to commence litigation in the Delaware Court of Chancery (an "Enforcement Proceeding") and, if successful in whole or in part, the Indemnitee shall, to the fullest extent permitted by law, be entitled to be paid any and all expenses (including without limitation attorneys' fees and other costs and expenses) in connection with such Enforcement Proceeding. The Company hereby consents to service of process for such Enforcement Proceeding and to appear in any such Enforcement Proceeding. Neither the failure of the Reviewing Party to have made a determination prior to the commencement of an Enforcement Proceeding that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Reviewing Party that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought

by the Indemnitee to enforce a right to indemnification or to an advancement of Expenses hereunder, or brought by the Company to recover an advancement of Expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or for the Company to recover such advancement of Expenses, under this Section 6 or otherwise, shall be on the Company. To the fullest extent permitted by law, the Company shall be precluded from asserting in any Proceeding that the provisions of this Agreement are not valid, binding and enforceable or that there is insufficient consideration for this Agreement and shall stipulate in court that the Company is bound by all the provisions of this Agreement. Failure by the Company to comply with the provisions of this Agreement will cause irreparable and irremediable injury to the Indemnitee, for which a remedy at law will be inadequate. As a result, in addition to any other right or remedy the Indemnitee may have at law or in equity with respect to a breach of this Agreement, the Indemnitee shall be entitled to injunctive or mandatory relief directing specific performance by the Company of its obligations under this Agreement. Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification shall be required to be made prior to the final disposition of the Proceeding, including any appeal therein.

7. Change in Control. The Company agrees that if there is a Change in Control of the Company, other than a Change in Control which has been approved by a majority of the Company's Board who were directors immediately prior to such Change in Control, then with respect to selecting a Reviewing Party to make the determinations of a Reviewing Party contemplated hereby, the Company shall select as a Reviewing Party independent special counsel who shall not have otherwise performed services for the Company or the Indemnitee (or any other party to the Proceeding giving rise to the claim for indemnification or advancement), other than in connection with matters concerning the Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements, within the last five years. Such independent counsel shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's rights under this Agreement. Such counsel, among other things, shall render its written opinion to the Company and the Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees and expenses of the special independent counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or the engagement of special independent counsel pursuant to this Agreement.

8. Partial Indemnity. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses and Liabilities, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that the Indemnitee has been successful on the merits or otherwise in defense of any or all Proceedings relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, the Indemnitee shall be indemnified against all Expenses incurred in connection with such claim, issue or matter.

9. Non-exclusivity. The rights of the Indemnitee hereunder shall be in addition to any other rights the Indemnitee may have under any statute, provision of the Company's Certificate of Incorporation or Bylaws, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement than would be afforded currently under the Company's Certificate of Incorporation and Bylaws and this Agreement, it is the intent of the parties hereto that the Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

10. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, the Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any director or officer of the Company or any of its subsidiaries, depending on the Indemnitee's position therewith, and the Company shall use commercially reasonable efforts to maintain such coverage in effect in accordance with its terms. In all policies providing such insurance, the Indemnitee shall be named as an insured in such a manner as to provide the Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's officers and directors. The Company shall give prompt notice of the commencement of any Proceeding to the insurers in accordance with the procedures set forth in the respective policies and shall thereafter take all necessary actions to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

11. Settlement of Claims. The Company shall not be liable to indemnify the Indemnitee under this Agreement (a) for any amounts paid in settlement of any action or claim effected without the Company's written consent, which consent shall not be unreasonably withheld or (b) for any judicial award if the Company was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action.

12. Presumptions. Upon submitting a written request for indemnification, the Indemnitee shall be presumed to be entitled to indemnification hereunder and the Company shall have the burden of proof in making any determination contrary to such presumption. For purposes of this Agreement, to the fullest extent permitted by law, the termination of any Proceeding, action, suit or claim, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not (a) create a presumption that the Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law or (b) otherwise adversely affect the rights of the Indemnitee to indemnification except as may be provided herein.

13. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted with respect to any dispute arising out of this Agreement by or on behalf of the Company or any affiliate of the Company against the Indemnitee, the Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, or such longer period as may be required by state law under the circumstances, and any claim or cause of action of the Company or its affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

14. Consent and Waiver by Third Parties. The Indemnitee hereby represents and warrants that he or she has obtained all waivers and/or consents from third parties which are necessary to execute and perform this Agreement without being in conflict with any other agreement, obligation or understanding with any such third party. The Indemnitee represents that he or she is not bound by any agreement or any other existing or previous business relationship which conflicts with, or may conflict with, the performance of his or her obligations hereunder or prevent the full performance of his or her duties and obligations hereunder.

15. Amendment of this Agreement. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver. Except as specifically provided herein, no failure to exercise or any delay in exercising any right or remedy hereunder shall constitute a waiver thereof.

16. Primacy of Indemnification. The Company hereby acknowledges that Indemnitee has, or may from time to time have, certain rights to indemnification, advancement of Expenses and/or insurance that are either (1) provided by a fund or other entity with which Indemnitee is associated or its affiliates ("Fund Indemnitors") or (2) pursuant to insurance obtained on Indemnitee's own behalf ("Individual Insurance," and together with the obligations of Fund Indemnitors, the "Other Arrangements"). The Company hereby agrees (i) that the Company will not assert in any litigation between the Company and Indemnitee that the Company's obligations under this Agreement are not primary relative to the Other Arrangements, or that any obligation of the providers of the Other Arrangements to advance Expenses or to provide indemnification for the same Expenses, judgments, penalties, fines, other monetary remedies, amounts paid in settlement, incurred by Indemnitee or on Indemnitee's behalf are not secondary, (ii) that the Company shall be required to advance the full amount of Expenses (subject to the provisions concerning advancement of Expenses set forth in this Agreement) incurred by Indemnitee and shall be liable for the full amount of all Expenses, judgments, penalties, fines, other monetary remedies, amounts paid in settlement, relative to the Other Arrangements, or as may be required by the terms of this Agreement, the Certificate of Incorporation or Bylaws of the Company (or any other agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have under the Other Arrangements, and (iii) that with respect to the Company's obligations to advance Expenses and indemnify Indemnitee by reason of Indemnitee's service as an officer or director of the Company, the Company irrevocably waives, relinquishes and releases the providers of the Other Arrangements from any and all claims for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the providers of the Other Arrangements on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and to the extent consistent with the terms of the Other Arrangements the providers of the Other Arrangements shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. Nothing in this Agreement shall be deemed to prevent the Company from taking any action necessary to require its own insurer(s) to provide coverage to the Company or its officers or directors (including Indemnitee), including causing any person (including a provider of Other Arrangements) to be named as a party to a declaratory judgment action brought to obtain such relief. The Company and the Indemnitee agree that providers of Other Arrangements are express third party beneficiaries of the terms of this Section.

17. Subrogation; Attorneys' Fees. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights. In addition to paragraph 6 of this Agreement, if any proceeding is commenced related to or arising out of this Agreement, any prevailing party shall, to the fullest extent permitted by law, be entitled to have their Expenses in connection with such proceeding paid by the non-prevailing party.

18. No Duplication of Payments. Subject to Section 16, the Company shall not be liable under this Agreement to make any payment in connection with any claim made against the Indemnitee to the extent the Indemnitee has otherwise actually received payment (under any insurance policy, charter, bylaw, vote, agreement or otherwise) of the amounts otherwise indemnifiable hereunder.

19. Services to the Company. Indemnitee agrees to serve as a [director/officer] of the Company. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any other entity) and Indemnitee. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as a [director/officer] of the Company.

20. Binding Effect. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company), spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to the Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether the Indemnitee continues to serve as a director or officer of the Company or of any other enterprise at the Company's request.

21. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law.

Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

22. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such State without giving effect to the principles of conflicts of laws.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

24. Headings. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

25. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Proceeding in such proportion as is deemed fair and reasonable in light of all of the circumstances in order to reflect (i) the relative benefits received by the Company and Indemnitee in connection with the event(s) and/or transaction(s) giving rise to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transactions.

26. Notices. All notices, demands, and other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand, against receipt, or mailed, postage prepaid, certified or registered mail, return receipt requested, and addressed to the Company at:

Fulgent Diagnostics, Inc.
4978 Santa Anita Avenue, Suite 205
Temple City, CA 91780
Attention: Chief Executive Officer

and to the Indemnitee at:

_____

_____

_____

_____

Notice of change of address shall be effective only when done in accordance with this Section 26. All notices complying with this Section 26 shall be deemed to have been received on the date of delivery or on the third business day after mailing.

27. Duration. This Agreement shall continue until and terminate upon the later of: (a) ten years after the date that Indemnitee shall have ceased to serve as a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which Indemnitee served at the request of the Company; or (b) the final termination of all pending Proceedings in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 6.

[*Remainder of page left intentionally blank*]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first set forth above.

THE COMPANY:

FULGENT DIAGNOSTICS, INC.

Date: _____

By: _____
Name: _____
Title: _____

INDEMNITEE:

Date: _____

By: _____
Name: _____
Title: _____

FULGENT THERAPEUTICS LLC

AMENDED AND RESTATED 2015 EQUITY INCENTIVE PLAN

ADOPTED ON OCTOBER 16, 2015
AMENDED AND RESTATED ON APRIL 4, 2016

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

FULGENT THERAPEUTICS LLC
AMENDED AND RESTATED 2015 EQUITY INCENTIVE PLAN
Adopted on October 16, 2015
Amended and Restated on April 4, 2016

SECTION 1 ESTABLISHMENT AND PURPOSE.

The purpose of the Plan is to offer selected persons a proprietary interest in the success of the Company, or to increase such interest, by the grant of Awards. In the event any term or provision of this Plan conflicts with the LLC Agreement, the terms and provisions of the LLC Agreement shall govern.

Capitalized terms are defined in Section 17.

SECTION 2 ADMINISTRATION.

The Plan will be administered by the Manager, who shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Plan. All decisions, interpretations and other actions of the Manager shall be final and binding on all Participants.

SECTION 3 ELIGIBILITY.

Only Employees, Officers and Consultants shall be eligible for the grant of Awards pursuant to this Plan. Options will only be granted to an Employee, Officer or Consultant if the Company would be considered an "eligible issuer of service recipient stock" (as that term is used in Treasury Regulation §1.409A-1(b)(5)(E)) with respect to such Employee, Officer or Consultant.

SECTION 4 AWARDS SUBJECT TO PLAN.

(a) **Initial Authorization**. The Company initially has authorized the number and type of Shares to be issued under the Plan as is set forth in the LLC Agreement (subject to Section 6 below), including Shares to be issued on exercise of Options. The Manager may, in its sole discretion, issue such Shares as Profits Interests hereunder. A Profits Interest shall be any Share that, at the time it is issued, is designated as such by the Manager. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan.

(b) **Additional Shares**. In the event that Shares issued under the Plan are reacquired by the Company, or in the event an Option expires or becomes unexercisable without having been exercised in full, such reacquired Shares or the Shares that underlie such expired or unexerciseable Options shall be added to the number of Shares then available for issuance under the Plan. In addition, the Company may authorize and issue under this Plan additional Shares, or authorize and issue new classes of Shares in the Company, in such amounts and with such rights, preferences and privileges, and may authorize and issue Options to acquire such Shares, in each

case as the Manager determines in its sole discretion. The Manager shall be authorized to, and shall, amend this Plan and the LLC Agreement to the extent necessary to provide for such additional Shares or classes of Shares.

SECTION 5 TERMS AND CONDITIONS OF AWARDS.

(a) **Award Agreement**. Each grant of an Award under the Plan shall be evidenced by an Award Agreement between the Participant and the Company. Such Award shall be subject to all applicable terms and conditions of the Plan and LLC Agreement and may be subject to any other terms and conditions that are not inconsistent with the Plan and LLC Agreement and that the Manager deems appropriate for inclusion in an Award Agreement. The provisions of the various Award Agreements entered into under the Plan need not be identical. No Award shall be granted unless the Participant has delivered an executed copy of the Award Agreement to the Company.

(b) **Number of Shares and Option Term**. Each Award Agreement shall specify the number of Shares that are being granted as Shares, or the number of Shares for which an Option is exercisable. Options shall have a term of not more than 120 months.

(c) **Vesting**. Each Award Agreement shall specify the vesting schedule applicable to the Award addressed thereby. The Manager shall determine the vesting provisions of any Award Agreement in its sole discretion.

(d) **Restrictions on Transfer of Shares**. Any Award granted under the Plan shall be subject to (i) the terms of the LLC Agreement and any other agreement among the Members and (ii) such special forfeiture conditions, rights of repurchase, rights of first refusal and other transfer restrictions as the Manager may determine. Such special restrictions shall be set forth in the applicable Award Agreement and shall apply in addition to the restrictions that apply to holders of Shares generally under the LLC Agreement or otherwise. For the avoidance of doubt, Shares issuable on exercise of an Option shall be subject to the foregoing provisions.

(e) **Non-vested Awards**. If a Participant's Service is terminated by the Participant or by the Company for any reason before an Award has fully vested, unless otherwise determined by the Manager or unless otherwise provided in the Participant's Award Agreement, the Participant will forfeit all non-vested Shares, or all non-vested rights to acquire Shares, to the Company for no consideration without further action by the Company.

(f) **Withholding Taxes**. As a condition to a grant of, and distributions or deliveries with respect to, any Award, the Participant shall make such arrangements as the Manager may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such grant, distributions or deliveries. The Participant shall also make such arrangements as the Manager may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the disposition of an Award.

(g) **No Rights as a Member**. A Participant, or a transferee of a Participant, shall have no rights as a Member or assignee with respect to any Share until such person has satisfied any requirements imposed on Members or assignees by applicable law and the LLC Agreement.

(h) **IRS Form W-8 or Form W-9**. Each Participant shall deliver to the Company a duly completed and properly executed IRS Form W-8 (in the case of non-U.S. residents) or Form W-9 (in the case of U.S. citizens or residents) and such other tax forms as the Manager reasonably requests.

(i) **LLC Agreement**. Each Participant granted or issued Shares shall agree to be bound by and comply with the terms of the LLC Agreement. Schedule D of the LLC Agreement shall be amended to reflect the issuance of Shares to a Participant under this Plan.

(j) **Modification and Assumption of Shares**. Within the limitations of the Plan, the Manager may modify or assume outstanding Awards (whether granted by the Company or another issuer) in return for the grant of a different Award. The foregoing notwithstanding, no modification of an Award shall, without the consent of the Participant, impair the Participant's rights or increase the Participant's obligations as a holder of such Award except as set forth herein, in an applicable Award Agreement or in the LLC Agreement.

SECTION 6 ADJUSTMENT OF SHARES; LIQUIDITY EVENTS.

(a) **General**. In the event of a subdivision of the outstanding Shares, a combination or consolidation of the outstanding Shares into a lesser number of Shares, a recapitalization, a spin-off, a reclassification, a merger or consolidation, a Restructuring or Separation or a similar occurrence (other than a Liquidity Event), corresponding adjustments automatically shall be made in each of (i) the number and kind of Shares available for future grants under Section 4 and (ii) the number and kind of Shares issued and outstanding hereunder or subject to Options issued and outstanding hereunder, in each case subject to the LLC Agreement. In addition, in the event any such transaction results in the Shares becoming, directly or indirectly, securities having a different denomination, all references in the Plan to Shares automatically shall be converted into references to such securities using such different denomination, and in the event any such transaction results in the Shares or such securities becoming interests in an entity other than the Company, all references to the Company automatically shall be converted into references to such other entity.

(b) **Liquidity Events with respect to Shares.** In the event the Company engages in a sale, distribution, transfer or other disposition of all or substantially all of the Company's assets (or of a substantial portion of the Company's assets not in the ordinary course of business), an acquisition of Shares by a person or group of persons acting in concert of 50% or more of the outstanding Shares (whether by direct acquisition, merger or consolidation or otherwise), a liquidation or dissolution of the Company, or a similar transaction (a "**Liquidity Event**"), the outstanding Shares issued hereunder, including Shares outstanding following the exercise of an Option, shall be subject to the agreement governing such Liquidity Event and the LLC Agreement. The agreement governing the Liquidity Event may provide for one or more of the following:

(i) The continuation of such outstanding Shares by the Company (if the Company is the surviving entity), including the continuation of any applicable vesting schedule.

(ii) The conversion of such outstanding Shares by the surviving entity or its parent into equity of the surviving entity or its parent on terms equivalent to the terms applicable to the conversion of Shares that are not Shares issued hereunder (but taking into account any difference in value of the Shares issued hereunder compared to Shares not issued hereunder at the time of the Liquidity Event and allowing for the continuation of any existing vesting schedule with respect to such Shares).

(iii) The full or partial vesting of, or the cancellation and forfeiture of, unvested Shares upon the closing of the Liquidity Event.

(iv) The redemption of such outstanding and vested Shares and a payment to the Participants equal to the amount distributable to such Shares pursuant to the LLC Agreement. Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving entity or its parent with a fair market value equal to the amount distributable or deemed distributable in the Liquidity Event. Such payment may be made in installments. If no amounts would be distributable to such Shares, then such Shares may be cancelled without making a payment to the Participants. For purposes of this paragraph (iv), the fair market value of any security shall be determined without regard to any vesting conditions that may apply to such security and shall be determined in good faith by the Manager.

(v) The redemption of such outstanding and unvested Shares and a payment to the Participants equal to the amount distributable to such Shares pursuant to the LLC Agreement. Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving entity or its parent with a fair market value equal to the amount distributable or deemed distributable in the Liquidity Event. Such payment may be made in installments and may be deferred until the date or dates when such Shares would have vested. Such payment may be subject to vesting based on the Participant's Continuous Service, provided that the vesting schedule shall not be less favorable to the Participant than the schedule under which such Shares would have vested. If no amounts would be distributable to such Shares, then such Shares may be cancelled without making a payment to the Participants. For purposes of this paragraph (v), the fair market value of any security shall be determined without regard to any vesting conditions that may apply to such security and shall be determined in good faith by the Manager.

(vi) Any combination of the foregoing.

(c) **Liquidity Event with respect to Options.** In the event the Company engages in a Liquidity Event, the outstanding Options granted hereunder shall be subject to the agreement governing such Liquidity Event and the LLC Agreement. The agreement governing the Liquidity Event may provide for one or more of the following:

(i) The Assumption or Replacement of such outstanding Options.

(ii) The full or partial vesting of, or the cancellation and forfeiture of, unvested Options upon the closing of the Liquidity Event.

(iii) The cashing out of such outstanding and vested Options based on the exercise price per Share for Shares issuable on exercise of such Options and the amounts distributable to Shares of the same class pursuant to the LLC Agreement. Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving entity or its parent with a fair market value equal to the amount distributable or deemed distributable in the Liquidity Event. If no amounts would be distributable with respect to such Options, then such Options may be cancelled without making a payment to the Participants. For purposes of this paragraph (iii), the fair market value of any security shall be determined without regard to any vesting conditions that may apply to such security and shall be determined in good faith by the Manager.

(iv) The cashing out of such outstanding and unvested Options based on the exercise price per Share for Shares issuable on exercise of such Options and the amounts distributable to Shares of the same class pursuant to the LLC Agreement. Such payment shall be made in the form of cash, cash equivalents, or securities of the surviving entity or its parent. Except to the extent it would result in additional taxes under Section 409A of the Code, such payment may be made in installments and may be deferred until the date or dates when such Options would have vested. Such payment may be subject to vesting based on the Participant's Continuous Service, provided that the vesting schedule shall not be less favorable to the Participant than the schedule under which such Option would have vested. If no amounts would be distributable with respect to such Options, then such Options may be cancelled without making a payment to the Participants. For purposes of this paragraph (iv), the fair market value of any security shall be determined without regard to any vesting conditions that may apply to such security and shall be determined in good faith by the Manager.

(v) Any combination of the foregoing.

(d) **Reservation of Rights**. The grant of an Award pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge, consolidate or exchange equity interests or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 7 OPTION EXERCISE.

(a) **Exercise Price.** The per Share exercise price for an Option shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(b) **Consideration.** Subject to applicable law, the consideration to be paid for the Shares to be issued upon exercise or purchase of an Option, including the method of payment, shall be determined by the Manager in its sole discretion.

(c) **Taxes.** Upon exercise of an Option, the Company shall withhold or collect from the Participant an amount sufficient to satisfy any applicable withholding tax obligations, including, but not limited to, by surrender of the whole number of Shares covered by the Option sufficient to satisfy the minimum applicable tax withholding obligations incident to

the exercise of an Option (reduced to the lowest whole number of Shares if such number of Shares withheld would result in withholding a fractional Share with any remaining tax withholding settled in cash).

(d) **Procedure for Exercise; Rights as a Member.**

(i) Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Manager under the terms of the Plan and specified in the Award Agreement. Notwithstanding the foregoing, Options may not be exercised prior to an Incorporation or a Liquidity Event with respect to such Options unless otherwise determined by the Manager.

(ii) An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been made.

SECTION 8 CONDITIONS TO ISSUANCE.

(a) **Compliance with Law**. Shares or Options shall not be issued under the Plan unless the issuance and delivery of such Shares or Options comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded. The Company shall have no obligation to effect any registration or qualification of the Shares or Options under federal or state laws.

(b) **Other**. As a condition to the issuance of Shares under the Plan, the Company may require the recipient thereof to represent and warrant at the time of any such issuance that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares. The Company shall require the person receiving Shares under the Plan to execute and deliver a signature page to, and agree to comply with, the provisions of the LLC Agreement and to make such representations and warranties contained in the LLC Agreement that are required of Members of the Company.

SECTION 9 NO RETENTION RIGHTS.

Nothing in this Plan or in any Award Agreement shall confer upon the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Related Entity employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

SECTION 10 DURATION AND AMENDMENTS.

(a) **Term of the Plan**. The Plan, as set forth herein, shall become effective as of the date hereof. The Plan shall terminate automatically on October 15, 2025. The Plan may be terminated on any earlier date pursuant to Subsection (b) below.

(b) **Right to Amend or Terminate the Plan**. The Manager may amend, suspend or terminate the Plan at any time and for any reason.

(c) **Effect of Amendment or Termination**. No Awards shall be granted under the Plan after the termination thereof. The termination of the Plan, or any amendment thereof, shall not affect any Award previously granted under the Plan.

SECTION 11 DISTRIBUTIONS AND ALLOCATIONS.

Distributions and allocations to Participants with respect to their Shares shall be governed by the LLC Agreement and any applicable Award Agreement.

SECTION 12 NO EFFECT ON RETIREMENT AND OTHER BENEFIT PLANS.

Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a “Pension Plan” or “Welfare Plan” under the Employee Retirement Income Security Act of 1974, as amended.

SECTION 13 UNFUNDED OBLIGATION.

Any amounts payable to Participants pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. Neither the Company nor any Related Entity shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Manager, the Company or any Related Entity and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant’s creditors in any assets of the Company or a Related Entity. The Participants shall have no claim against the Company or any Related Entity for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan.

SECTION 14 CONSTRUCTION.

Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

SECTION 15 NONEXCLUSIVITY OF THE PLAN.

Neither the adoption of the Plan by the Manager nor any provision of the Plan will be construed as creating any limitations on the power of the Manager to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of Awards otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

SECTION 16 INFORMATION TO PARTICIPANTS; CONFIDENTIALITY.

(a) Notwithstanding any provision herein or in any Award Agreement to the contrary, in the event the Company has undertaken an obligation to deliver any documents or other information to a Participant, whether pursuant to an Award Agreement or otherwise, such delivery need only occur at the discretion of the Manager, including in the event a Participant requests such documents or other information.

(b) Beginning on the earlier of (i) the date that the aggregate number of Participants under this Plan is five hundred (500) or more and the Company is relying on the exemption provided by Rule 12h-1(f)(1) under the Exchange Act and (ii) the date that the Company is required to deliver information to Participants pursuant to Rule 701 under the Securities Act, and until such time as the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, is no longer relying on the exemption provided by Rule 12h-1(f)(1) under the Exchange Act or is no longer required to deliver information to Participants pursuant to Rule 701 under the Securities Act, the Company shall provide to each Participant the information described in paragraphs (e)(3), (4), and (5) of Rule 701 under the Securities Act not less frequently than every six (6) months with the financial statements being not more than 180 days old and with such information provided either by physical or electronic delivery to Participants or by written notice to Participants of the availability of the information on an Internet site that may be password-protected and of any password needed to access the information.

(c) In accepting an Award, each Participant acknowledges and agrees all documents or other information provided to it by or on behalf of the Company or the Manager concerning the business or assets of the Company, the Participant's Award, or any other Participant or Member, including, without limitation, this Plan, the relevant Award Agreement, the LLC Agreement and the terms herein and therein, shall be deemed strictly confidential and shall not, without the prior consent of the Manager, be (i) disclosed to any Person or (ii) used by such Participant other than for a Company purpose or a purpose reasonably related to protecting such Participant's Award (in a manner not inconsistent with the interests of the Company). The Manager hereby consents to the disclosure by each Participant of such information to such Participant's accountants, attorneys and similar advisors bound by a duty of confidentiality; moreover, the foregoing requirements of this Section 16(c) shall not apply to a Participant with regard to any information that is currently or becomes: (i) required to be disclosed pursuant to applicable law (but only to the extent of such requirement); (ii) required to be disclosed in order to protect such Participant's Award (but only to the extent of such requirement, after consultation with the Manager and in a manner not inconsistent with the interests of the Company); (iii) publicly known or available in the absence of any improper or unlawful action on the part of

such Participant; or (iv) known or available to such Participant other than through or on behalf of the Company or the Manager. For purposes of this Section 16(c), Company information provided by one Participant or Member to another shall be deemed to have been provided on behalf of the Company.

SECTION 17 DEFINITIONS.

Capitalized terms used in this Plan without definition shall have the meanings given to them in the LLC Agreement. As used in this Plan:

"**Assumed**" (and with correlative meaning, "**Assume**" and "**Assumption**") means either (i) the Award is expressly affirmed by the Company or (ii) the contractual obligations represented by the Award are expressly assumed (and not simply by operation of law) by a successor entity or its parent with appropriate adjustments to the number and type of securities of the successor entity or its parent subject to the Award and the exercise or purchase price thereof which at least preserves the compensation element of the Award existing at the time of the assumption as determined in accordance with the instruments evidencing the agreement to assume the Award.

"**Award**" shall mean an award of Shares or Options under the Plan and, as the context requires, the Shares for which an Option is exercisable.

"**Award Agreement**" means the written agreement evidencing the grant of an Award executed by the Company and the Participant, including any amendments thereto.

"**Cause**" means, with respect to the termination by the Company or a Related Entity of the Participant's Continuous Service, that such termination is for "Cause" as such term (or word of like import) is expressly defined in a then-effective written agreement between the Participant and the Company or such Related Entity, or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Manager, the Participant's: (i) performance of any act or failure to perform any act in bad faith and to the detriment of the Company or a Related Entity; (ii) dishonesty, intentional misconduct or material breach of any agreement with the Company or a Related Entity; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Company**" shall mean Fulgent Therapeutics LLC, a California limited liability company.

"**Consultant**" shall mean a person who performs bona fide services for the Company or a Related Entity as a consultant or advisor, excluding Employees or Officers.

"**Continuous Service**" means the provision of services to the Company or a Related Entity in any capacity of Employee, Officer or Consultant to the extent not interrupted or terminated. In jurisdictions requiring notice in advance of an effective termination as an Employee, Officer or Consultant, Continuous Service shall be deemed terminated upon the actual cessation of providing services to the Company or a Related Entity notwithstanding any

required notice period that must be fulfilled before a termination as an Employee, Officer or Consultant can be effective under applicable laws. A Participant's Continuous Service shall be deemed to have terminated either upon an actual termination of Continuous Service or upon the entity for which the Participant provides services ceasing to be a Related Entity. Continuous Service shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entity, or any successor, in any capacity of Employee, Officer or Consultant, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Officer or Consultant (except as otherwise provided in an Award Agreement).

"**Employee**" shall mean any individual who is a common-law employee of the Company or a Related Entity.

"**Exchange Act**" shall mean the Securities and Exchange Act of 1934, as amended.

"**Fair Market Value**" means, as of any date, the value of property determined as follows:

(i) If the property is listed on one or more established stock exchanges or national market systems, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which such property is listed (as determined by the Manager) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Manager deems reliable;

(ii) If the property is regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such stock as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value shall be the mean between the high bid and low asked prices for the property on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Manager deems reliable; or

(iii) In the absence of an established market for the property of the type described in (i) and (ii), above, the Fair Market Value thereof shall be determined by the Manager in good faith.

"**Good Reason**" means, unless specified otherwise in an Award Agreement, any of the following events or conditions unless consented to by the Participant (and the Participant shall be deemed to have consented to any such event or condition unless the Participant provides written notice of the Participant's non-acquiescence within 30 days of the effective time of such event or condition):

(i) a change in the Participant's responsibilities or duties which represents a material and substantial diminution in the Participant's responsibilities or duties as in effect immediately preceding the consummation of the relevant transaction;

(ii) a reduction in the Participant's base salary to a level below that in effect at any time within six (6) months preceding the consummation of a transaction or at any time thereafter; provided that an across-the-board reduction in the salary level of substantially all other individuals in positions similar to the Participant's by the same percentage amount shall not constitute such a salary reduction; or

(iii) requiring the Participant to be based at any place outside a 50 mile radius from the Participant's job location or residence prior to the transaction except for reasonably required travel on business which is not materially greater than such travel requirements prior to the transaction.

"**Incorporation**" means a change of the Company into an entity taxable as a "corporation" for U.S. federal income tax purposes, whether through an election to treat the Company as a corporation for such purposes, a merger, acquisition, exchange of equity resulting in the Company becoming a wholly-owned subsidiary of a corporation, or other transaction resulting in an entity taxable as a corporation succeeding to all of, or a substantial portion of, the assets and liabilities of the Company, in each case pursuant to which the existing Members of the Company substantially maintain their percentage ownership over the successor entity or entities immediately after such transaction and pursuant to which Shares issued or issuable hereunder become equity securities in an entity taxable as a "corporation" for U.S. federal income tax purposes.

"**Liquidity Event**" shall have the meaning given such term in Section 6(b) of this Plan.

"**LLC Agreement**" shall mean the Second Amended and Restated Operating Agreement for Fulgent Therapeutics LLC, dated as of April 4, 2016, as amended from time to time, or any successor agreement.

"**Member**" shall mean a person who is a Member of the Company pursuant to the LLC Agreement.

"**Officer**" shall mean any individual who is an officer of the Company or a Related Entity.

"**Option**" means an option to purchase Shares pursuant to an Award Agreement granted under the Plan.

"**Participant**" shall mean a person who receives an Award under this Plan.

"**Parent**" shall mean any entity (other than the Company) in an unbroken chain of entities ending with the Company, if each of the entities other than the Company owns shares, units or interests possessing 50% or more of the total combined voting power of all classes of shares, units or interests in one of the other entities in such chain. An entity that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

"**Plan**" shall mean this Fulgent Therapeutics LLC Amended and Restated 2015 Equity Incentive Plan, as amended.

"**Related Entity**" means any Parent or Subsidiary of the Company and ANP Technologies, Inc., a Delaware corporation.

"**Replaced**" (and with correlative meaning, "**Replace**" and "**Replacement**") means the Award is replaced with a comparable award of the Company, the successor entity (if applicable) or the parent of either of them which preserves the compensation element of such Award existing at the time of the replacement and provides for subsequent payout in accordance with the same (or a more favorable) vesting schedule applicable to such Award. The determination of Award comparability shall be made by the Manager and its determination shall be final, binding and conclusive.

"**Securities Act**" shall mean the Securities Act of 1933, as amended.

"**Service**" shall mean service as an Employee, Officer or Consultant.

"**Subsidiary**" means any entity (other than the Company) in an unbroken chain of entities beginning with the Company, if each of the entities other than the last entity in the unbroken chain owns shares, units or interests possessing 50% or more of the total combined voting power of all classes of shares, units or interests in one of the other entities in such chain. An entity that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

Exhibit 10.3

FULGENT THERAPEUTICS LLC

AMENDED AND RESTATED

2015 EQUITY INCENTIVE PLAN

NOTICE OF OPTION GRANT

You have been granted an option to purchase Shares of the Company, subject to the terms and conditions of this Notice of Option Grant (the "**Notice**"), the Fulgent Therapeutics LLC Amended and Restated 2015 Equity Incentive Plan, as amended from time to time (the "**Plan**"), and the attached Option Agreement as follows. Unless otherwise defined herein, the terms defined in the Plan, the LLC Agreement and the Option Agreement shall have the same defined meanings in this Notice.

Name of Participant:	[●]
Date of Award:	[●]
Class of Shares:	Class D Non-Voting Common
Exercise Price per Share:	$[●]
Total Number of Shares Subject to the Option:	[●]
Total Exercise Price:	$[●]
Type of Option:	Non-Qualified Option
Expiration Date:	[●]
Post-Termination Exercise Period:	90 days
Vesting Schedule:	The Option shall vest with respect to 1/4 of the Shares subject thereto on the twelve-month anniversary of the Vesting Commencement Date and with respect to 1/16 of the Shares subject thereto at the end of every three-month period thereafter. Notwithstanding such Vesting Schedule, the Option shall not be exercisable until the earlier of a Liquidity Event with respect to such Option or an Incorporation.
Vesting Commencement Date:	[●]

By your signature and the signature of the Company's representative on the Option Agreement, you and the Company agree that the Option is granted under and governed by the terms and conditions of this Notice and the Plan, the Option Agreement and the LLC Agreement, each of which are attached to and made a part of this document.

THE OPTION GRANTED PURSUANT TO THIS AGREEMENT, AND THE SHARES FOR WHICH SUCH OPTION IS EXERCISABLE, HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED. THE PARTICIPANT HEREBY AGREES THAT ALL SHARES ACQUIRED PURSUANT TO THIS AGREEMENT SHALL BE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE LLC AGREEMENT.

FULGENT THERAPEUTICS LLC
AMENDED AND RESTATED
2015 EQUITY INCENTIVE PLAN:
OPTION AGREEMENT

THIS OPTION AGREEMENT (the "**Agreement**") is entered into as of [●], by Fulgent Therapeutics LLC, a California limited liability company (the "**Company**"), and [●] (the "**Participant**").

SECTION 1. GRANT OF OPTION.

The Company hereby grants to the Participant named in the Notice of Option Grant (the "**Notice**") an option (the "**Option**") to purchase the total number and type of Shares subject to the Option (the "**Optioned Shares**") set forth in the Notice, at the exercise price per Share set forth in the Notice (the "**Exercise Price**") subject to the terms and provisions of the Notice, this Agreement, the Company's Amended and Restated 2015 Equity Incentive Plan, as amended from time to time (the "**Plan**"), and the LLC Agreement, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan and the LLC Agreement shall have the same defined meanings in this Agreement.

SECTION 2. EXERCISE OF OPTION.

(a) **Right to Exercise**. The Option shall vest during its term in accordance with the Vesting Schedule set out in the Notice and with the applicable provisions of the Plan and this Agreement, provided that the Option shall not be exercisable, to the extent vested, until the earlier of a Liquidity Event with respect to such Option or an Incorporation unless otherwise determined by the Manager in its discretion. The Option shall be subject to the provisions of the Notice and the Plan relating to the exercisability or termination of the Option in the event of a Liquidity Event with respect to such Option. The Participant shall be subject to reasonable limitations on the number of requested exercises during any monthly or weekly period as determined by the Manager. In no event shall the Company issue fractional Shares.

(b) **Method of Exercise**. The Option shall be exercisable by delivery of an exercise notice in a form determined by the Manager from time to time or by such other procedure as specified from time to time by the Manager, which shall state the election to

exercise the Option, the whole number of Shares in respect of which the Option is being exercised, and such other provisions as may be required by the Manager. The exercise notice shall be delivered in person, by certified mail, or by such other method (including electronic transmission) as determined from time to time by the Manager to the Company accompanied by payment of the Exercise Price and all applicable income and employment taxes required to be withheld.

(c) **Taxes**. No Shares will be delivered to the Participant pursuant to the exercise of the Option until the Participant has made arrangements acceptable to the Manager for the satisfaction of applicable income tax and employment tax withholding obligations and such other tax obligations of the Participant as may be incident to the receipt of Shares. Upon exercise of the Option, the Company or the Participant's employer may offset or withhold (from any amount owed by the Company or the Participant's employer to the Participant) or collect from the Participant an amount sufficient to satisfy such tax withholding obligations. Furthermore, in the event of any determination that the Company has failed to withhold a sum sufficient to pay all withholding taxes due in connection with the Option, the Participant agrees to pay the Company the amount of such deficiency in cash within five (5) days after receiving a written demand from the Company to do so, whether or not the Participant is an employee of the Company at that time.

SECTION 3. CONDITIONS TO EXERCISE AND ISSUANCE OF SHARES.

The Participant understands that neither the Option nor the Shares exercisable pursuant to the Option have been registered under the Securities Act or any other securities laws and are subject to the LLC Agreement. As a condition to exercise of the Option, the Participant shall make such representations and warranties as are required by Section 8(b) of the Plan and take such other actions as the Manager requests in its reasonable discretion as a condition to the issuance of Shares to the Participant and the admission of such Participant as a Member of the Company.

SECTION 4. METHOD OF PAYMENT.

Payment of the Exercise Price shall be made by any of the following, or a combination thereof, at the election of the Participant; provided, however, that such exercise method does not then violate any applicable law: by cash, check or wire transfer.

SECTION 5. RESTRICTIONS ON EXERCISE.

(a) The Option may not be exercised if the issuance of the Shares subject to the Option upon such exercise would constitute a violation of any applicable laws. If the exercise of the Option within the applicable time periods set forth in Sections 6, 7 and 8 of this Agreement is prevented by the provisions of this Section 5(a), the Option shall remain exercisable until one (1) month after the date the Participant is notified by the Company that the Option is exercisable, but in any event no later than the expiration date set forth in the Notice (the "**Expiration Date**").

(b) Notwithstanding any provision herein to the contrary, the Option shall not be exercisable until the earlier of a Liquidity Event with respect to such Option or an Incorporation unless otherwise determined by the Manager in its discretion. In the event the Participant's Continuous Service is terminated prior to an Incorporation or a Liquidity Event for any reason, including, but not limited to, voluntary resignation, termination without Cause, death or Disability, and unless otherwise determined by the Manager, there shall be no Post-Termination Exercise Period and the Option (including the vested portions of the Option) shall terminate concurrently with the termination of the Participant's Continuous Service.

SECTION 6. TERMINATION OR CHANGE OF CONTINUOUS SERVICE.

(a) Subject to Section 5, in the event the Participant's Continuous Service terminates, other than for Cause, the Participant may, but only during the Post-Termination Exercise Period set forth in the Notice, exercise the portion of the Option that was vested at the date of such termination (the "**Termination Date**") to the extent such portion is not forfeited in accordance with the terms of the Notice. The Post-Termination Exercise Period shall commence on the Termination Date. In the event of termination of the Participant's Continuous Service for Cause, the Participant's right to exercise the Option shall, except as otherwise determined by the Manager, terminate concurrently with the termination of the Participant's Continuous Service (also the "**Termination Date**"). In no event, however, shall the Option be exercised later than the Expiration Date set forth in the Notice. In the event of the Participant's change in status from Employee to Consultant or from Consultant to Employee, the Option shall remain in effect and the Option shall continue to vest in accordance with the Vesting Schedule set forth in the Notice. To the extent that the Option was unvested on the Termination Date, or if the Participant does not exercise the vested portion of the Option within the Post-Termination Exercise Period, the Option shall terminate.

(b) If the Participant commences working on a part-time basis, then the Manager may adjust the Vesting Schedule set forth in the Notice in accordance with the Company's part-time work policy or the terms of an agreement between the Participant and the Company pertaining to his or her part-time schedule. If the Participant goes on a leave of absence, then the Company may adjust the Vesting Schedule set forth in the Notice in accordance with the Company's leave of absence policy or the terms of such leave.

SECTION 7. DISABILITY OF PARTICIPANT.

Subject to Section 5, in the event the Participant's Continuous Service terminates as a result of his or her Disability, the Participant may, but only within twelve (12) months from the Termination Date and in no event later than the Expiration Date, exercise the portion of the Option that was vested on the Termination Date to the extent such portion is not forfeited in accordance with the terms of the Notice. To the extent that the Option was unvested on the Termination Date, or if the Participant does not exercise the vested portion of the Option within the time specified herein, the Option shall terminate. For purposes of this Agreement, "**Disability**" shall have the same meaning as defined under the long-term disability policy of the Company or the Related Entity to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Company or the Related Entity to which the

Participant provides service does not have a long-term disability plan in place, "**Disability**" means that the Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. The Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Manager in its discretion.

SECTION 8. DEATH OF PARTICIPANT.

Subject to Section 5, in the event of the termination of the Participant's Continuous Service as a result of his or her death, or in the event of the Participant's death during the Post-Termination Exercise Period or during the twelve (12) month period following the Participant's termination of Continuous Service as a result of his or her Disability, the person who acquired the right to exercise the Option pursuant to Section 9 may, within twelve (12) months following the date of the Participant's death but in no event later than the Expiration Date, exercise the portion of the Option that was vested on the Termination Date to the extent such portion is not forfeited in accordance with the terms of the Notice. To the extent that the Option was unvested on the date of death, or if the vested portion of the Option is not exercised within the time specified herein, the Option shall terminate.

SECTION 9. TRANSFERABILITY OF OPTION.

The Option may not be transferred in any manner other than by will or by the laws of descent and distribution; *provided*, *however*, that the Option may be transferred during the lifetime of the Participant to the extent and in the manner determined by the Manager in its sole discretion. Notwithstanding the foregoing, the Participant may designate one or more beneficiaries of the Participant's Option in the event of the Participant's death on a beneficiary designation form provided by the Manager. Following the death of the Participant, the Option, to the extent provided in Section 8, may be exercised (a) by the person or persons designated under the deceased Participant's beneficiary designation, or (b) in the absence of an effectively designated beneficiary, by the Participant's legal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution. The terms of the Option shall be binding upon the executors, administrators, heirs, successors and transferees of the Participant.

SECTION 10. TERM OF OPTION.

The Option must be exercised no later than the Expiration Date or such earlier date as otherwise provided herein. After the Expiration Date or such earlier date, the Option shall be of no further force or effect and may not be exercised.

SECTION 11. RESTRICTION ON TRANSFER OF SHARES.

(a) **General**. The Participant shall not transfer, assign, encumber or otherwise dispose of any Shares issued hereunder without the Manager's written consent, which may be granted or withheld in its sole discretion.

(b) **LLC Agreement**. Shares issued hereunder shall be subject to the transfer provisions of the LLC Agreement.

(c) **Market Stand-Off**. In connection with any underwritten public offering by the Company or the Company's successor in an acquisition or otherwise (collectively, the "**Successor Entity**") of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Successor Entity's initial public offering, the Participant or any holder of the Shares acquired under this Agreement shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under this Agreement (or other equity securities of the Successor Entity) without the prior written consent of the Successor Entity or its underwriters. Such restriction (the "**Market Stand-Off**") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Successor Entity or such underwriters. In no event, however, shall such period exceed 180 days. The Market Stand-Off shall in any event terminate two years after the date of the Successor Entity's initial public offering. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Successor Entity's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Shares subject to the Market Stand-Off, or into which such Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Successor Entity may impose stop-transfer instructions with respect to the Shares acquired under this Agreement until the end of the applicable stand-off period. The Successor Entity's underwriters shall be beneficiaries of the agreement set forth in this Subsection (c). This Subsection (c) shall not apply to Shares registered in the public offering under the Securities Act, and the Participant shall be subject to this Subsection (c) only if the directors and officers of the Successor Entity are subject to similar arrangements.

(d) **Securities Law Restrictions**. Regardless of whether the issuance of Shares hereunder have been registered under the Securities Act or have been registered or qualified under the securities laws of any state, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of the Shares (including the placement of appropriate legends on Share certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any state or any other law.

(e) **Rights of the Company**. The Company shall not be required to (i) transfer on its books any Shares that have been sold or transferred in contravention of this Agreement or the LLC Agreement or (ii) treat as a Member of the Company or as the owner of Shares, or otherwise to accord voting, distribution or liquidation rights to, any transferee to whom Shares have been transferred in contravention of this Agreement or the LLC Agreement.

(f) **Administration**. Any determination by the Company and its counsel in connection with any of the matters set forth in this Section 11 shall be conclusive and binding on the Participant and all other persons.

SECTION 12. COMPANY'S REPURCHASE RIGHT.

(a) **Grant of Repurchase Right**. The Company is hereby granted the right (the "**Repurchase Right**"), exercisable at any time (i) during the nine (9) month period following the Termination Date, or (ii) during the nine (9) month period following an exercise of the Option that occurs after the Termination Date, to repurchase all or any portion of any Shares issued hereunder (the "**Share Repurchase Period**"). The Company shall be entitled to exercise such Repurchase Right regardless of the reason for termination of the Participant's Continuous Service, whether such termination occurs for Cause, for Good Reason, without Cause or as a result of the death or Disability of the Participant.

(b) **Exercise of the Repurchase Right**. The Repurchase Right shall be exercisable by written notice delivered to each holder of the Shares prior to the expiration of the Share Repurchase Period. The notice shall indicate the number of Shares to be repurchased and the date on which the repurchase is to be effected, such date to be not later than the last day of the Share Repurchase Period. On the date on which the repurchase is to be effected, the Company and/or its assigns shall pay to the holder in cash or cash equivalents (including the cancellation of any purchase-money indebtedness) an amount equal to the Repurchase Price on the date on which the repurchase is to be effected of the Shares which are to be repurchased from the holder. Upon such payment or deposit into escrow for the benefit of the holder, the Company and/or its assigns shall become the legal and beneficial owner of the Shares being repurchased and all rights and interest thereon or related thereto, and the Company shall have the right to transfer to its own name or its assigns the number of Shares being repurchased, without further action by the holder.

(c) **Assignment**. Whenever the Company shall have the right to purchase Shares under this Repurchase Right, the Company may designate and assign one or more Employees, Officers or Members of the Company or other persons or organizations, to exercise all or a part of the Company's Repurchase Right.

(d) **Termination of the Repurchase Right**. The Repurchase Right shall terminate with respect to any Shares for which it is not timely exercised and upon the effective date of a registration statement of the Company filed under the Securities Act of 1933, as amended ("**IPO**").

(e) **Additional Shares or Substituted Securities**. In the event of an Incorporation or any Liquidity Event, any new, substituted or additional securities or other property which is by reason of any such transaction distributed with respect to the Shares shall be immediately subject to the Repurchase Right, but only to the extent the Shares are at the time covered by such right. The Repurchase Price for such securities shall be appropriately adjusted to take into account the terms of such Incorporation or Liquidity Event as determined by the Manager in its reasonable discretion.

(f) **Repurchase Price**. For purposes of this Agreement, the "**Repurchase Price**" with respect to a Share shall be:

(i) In the case of a termination of Continuous Service for Cause, $0.

(ii) In the case of a termination of Continuous Service without Cause, the greater of (i) the amount paid by the Participant (or the Participant's successor) to acquire such Share and (ii) the Book Value Attributable to such Share. For this purpose, "**Book Value**" shall mean the aggregate cost basis of the assets of the Company (as adjusted for depreciation and amortization) less the Company's liabilities as reflected in the Company's books and records, and the "**Book Value Attributable to a Share**" shall mean a Share's proportionate interest in the Book Value of the Company under the LLC Agreement, taking into account the distribution provisions thereunder and any applicable Profits Interest Threshold Amounts, in each case as determined by the Manager in its reasonable discretion.

SECTION 13. ADJUSTMENT OF OPTIONS AND SHARES.

In the event of any transaction described in Section 6(a) of the Plan, the number and kind of Shares for which the Option is exercisable shall be adjusted as set forth in Section 6 of the Plan. In the event that the Company engages in a Liquidity Event as described in Section 6(c) of the Plan, the Option shall be subject to the agreement governing such Liquidity Event and the LLC Agreement.

SECTION 14. TAX CONSEQUENCES.

(a) The Participant may incur tax liability as a result of the Participant's purchase or disposition of the Shares. THE PARTICIPANT SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.

(b) Notwithstanding the Company's good faith determination of the Fair Market Value of the Shares for purposes of determining the Exercise Price Per Share of the Option as set forth in the Notice, the taxing authorities may assert that the Fair Market Value of the Shares on the Date of Award was greater than the Exercise Price Per Share. Under Section 409A of the Code, if the Exercise Price Per Share of the Option is less than the Fair Market Value of the Shares on the Date of Award, the Option may be treated as a form of deferred compensation and the Participant may be subject to an acceleration of income recognition, an additional 20% tax (plus any additional state tax penalty), plus interest and possible penalties. The Company makes no representation that the Option will comply with Section 409A of the Code and makes no undertaking to prevent Section 409A of the Code from applying to the Option or to mitigate its effects on any deferrals or payments made in respect of the Option. The Participant is encouraged to consult a tax adviser regarding the potential impact of Section 409A of the Code.

SECTION 15. ENTIRE AGREEMENT; GOVERNING LAW.

The Notice, the Plan, this Agreement and the LLC Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety

all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and the Participant. Nothing in the Notice, the Plan, the LLC Agreement and this Agreement (except as expressly provided therein) is intended to confer any rights or remedies on any persons other than the parties. The Notice, the Plan, the LLC Agreement and this Agreement are to be construed in accordance with and governed by the internal laws of the State of California without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of California to the rights and duties of the parties. Should any provision of the Notice, the Plan, the LLC Agreement or this Agreement be determined to be illegal or unenforceable, such provision shall be enforced to the fullest extent allowed by law and the other provisions shall nevertheless remain effective and shall remain enforceable.

SECTION 16. CONSTRUCTION.

The captions used in the Notice and this Agreement are inserted for convenience and shall not be deemed a part of the Option for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

SECTION 17. ADMINISTRATION AND INTERPRETATION.

Any question or dispute regarding the administration or interpretation of the Notice, the Plan or this Agreement shall be submitted by the Participant or by the Company to the Manager. The resolution of such question or dispute by the Manager shall be final and binding on all persons.

SECTION 18. VENUE.

The Company, the Participant, and the Participant's assignees pursuant to Section 9 (the "**Parties**") agree that any suit, action, or proceeding arising out of or relating to the Notice, the Plan or this Agreement shall be brought in the United States District Court for the District of Southern California (or should such court lack jurisdiction to hear such action, suit or proceeding, in a California state court in the County of Los Angeles) and that the Parties shall submit to the jurisdiction of such court. The Parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. If any one or more provisions of this Section 18 shall for any reason be held invalid or unenforceable, it is the specific intent of the Parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

SECTION 19. NOTICES.

Any notice required by the terms of this Agreement shall be given in writing, which shall include electronic communications. Notice shall be addressed to the Company at its principal executive office and to the Participant at the address that he or she most recently provided to the Company.

SECTION 20. LIQUIDITY EVENT.

In the event of a Liquidity Event, which for purposes of clarification shall not include an IPO, and irrespective of whether the Option is Assumed or Replaced, the Option automatically shall become fully vested and exercisable immediately prior to the specified effective date of such Liquidity Event, for all of the Shares at the time represented by the Option, provided that the Participant's Continuous Service has not terminated prior to such date.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

PARTICIPANT:

[●]

FULGENT THERAPEUTICS LLC

By: [●]
Title: [●]

IN EXECUTING THIS AGREEMENT, THE PARTICIPANT ACKNOWLEDGES RECEIPT OF A COPY OF THE PLAN, THE NOTICE AND THE LLC AGREEMENT IN ADDITION TO THIS AGREEMENT AND REPRESENTS THAT HE OR SHE IS FAMILIAR WITH THE TERMS AND PROVISIONS THEREOF, AND HEREBY ACCEPTS THE AWARD SUBJECT TO ALL OF THE TERMS AND PROVISIONS HEREOF AND THEREOF. THE PARTICIPANT HAS REVIEWED THIS AGREEMENT, THE PLAN, THE LLC AGREEMENT AND THE NOTICE IN THEIR ENTIRETY, HAS HAD AN OPPORTUNITY TO OBTAIN THE ADVICE OF COUNSEL PRIOR TO EXECUTING THIS AGREEMENT, AND FULLY UNDERSTANDS ALL PROVISIONS OF THIS AGREEMENT, THE LLC AGREEMENT, THE NOTICE AND THE PLAN. THE PARTICIPANT HEREBY AGREES THAT ALL QUESTIONS OF INTERPRETATION AND ADMINISTRATION RELATING TO THIS AGREEMENT, THE NOTICE, THE PLAN AND THE LLC AGREEMENT SHALL BE RESOLVED BY THE MANAGER.

Exhibit 10.4

FULGENT THERAPEUTICS LLC

AMENDED AND RESTATED

2015 EQUITY INCENTIVE PLAN

NOTICE OF PROFITS INTEREST GRANT

You have been granted Shares of Fulgent Therapeutics LLC (the "**Company**") pursuant to the terms of this Notice of Profits Interest Grant (the "**Notice**"), the Fulgent Therapeutics LLC Amended and Restated 2015 Equity Incentive Plan, as amended from time to time (the "**Plan**") and the attached Profits Interest Agreement, as follows. Unless otherwise defined herein, the terms defined in the Plan, the Profits Interest Agreement and the LLC Agreement shall have the same defined meanings in this Notice.

Name of Participant:	[●]
Class of Shares:	Class D Non-Voting Common
Total Number of Shares:	[●]
Date of Grant:	[●]
Vesting Schedule:	All Shares shall vest on the Date of Grant.
Class Liquidation Value:	$[●]
Profits Interest Threshold Amount:	$[●]

By your signature and the signature of the Company's representative on the Profits Interest Agreement, you and the Company agree that the Shares are granted under and governed by the terms and conditions of this Notice and the Plan, the Profits Interest Agreement and the LLC Agreement, each of which are attached to and made a part of this document.

THE SHARES GRANTED PURSUANT TO THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED. THE PARTICIPANT HEREBY AGREES THAT ALL PROFITS INTEREST SHARES ACQUIRED PURSUANT TO THIS AGREEMENT SHALL BE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE LLC AGREEMENT.

FULGENT THERAPEUTICS LLC
AMENDED AND RESTATED
2015 EQUITY INCENTIVE PLAN:
PROFITS INTEREST AGREEMENT

THIS PROFITS INTEREST AGREEMENT (the "**Agreement**") is entered into as of [●], by Fulgent Therapeutics LLC, a California limited liability company (the "**Company**"), and [●] (the "**Participant**"). Unless otherwise defined herein, the terms defined in the Plan, the LLC Agreement and the Notice shall have the same defined meanings in this Agreement.

SECTION 1. GRANT OF PROFITS INTEREST.

(a) **Profits Interest**. On the terms and conditions set forth in the Notice (the "**Notice**") and this Agreement, the Company grants to the Participant on the Date of Grant the number of Shares issued as a Profits Interest (the "**Profits Interest Shares**") set forth in the Notice. The Profits Interest Shares granted under this Agreement are intended to meet the definition of a "profits interest" in IRS Revenue Procedure 93-27, 1993-2 C.B. 343, and IRS Revenue Procedure 2001-43, 2001-2 C.B. 191. Accordingly, at the time the Profits Interest Shares are granted, such Profits Interest Shares will not give the Participant a share of the proceeds if the Company's assets were sold at fair market value and the proceeds of such disposition were distributed in complete liquidation of the Company, but will give the holder a right to share in the appreciation in the value of the Company from the date of grant forward, as specifically provided in the LLC Agreement. For this purpose, the Class Liquidation Value (the "**Class Liquidation Value**") set forth in the Notice shall be used as the deemed fair market value, as of the time of grant, of the portion of the Company to which the Profits Interest Shares relate and the Profits Interest Threshold Amount applicable to each Profits Interest Share shall be derived from such Class Liquidation Value based on the distribution provisions of the LLC Agreement. The Manager may adjust the Class Liquidation Value and the Profits Interest Threshold Amount in its reasonable discretion to take into account Capital Contributions, Share issuances, splits, reclassifications, recapitalizations, exercises of options or warrants and similar events and to otherwise preserve the treatment of the Profits Interest Shares as "profits interests" for U.S. federal income tax purposes.

(b) **Member of the Company**. Upon the Date of Grant set forth in the Notice, the Participant shall be admitted as a Member of the Company, subject to the terms of the LLC Agreement.

(c) **Equity Plan and LLC Agreement**. The Profits Interest Shares are granted pursuant to the Plan and pursuant to the LLC Agreement, a copy of each of which the Participant acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. By executing this Agreement, the Participant shall be deemed to have executed a copy of the LLC Agreement. Participant acknowledges that he or she (i) has read the LLC Agreement, the Plan and this Agreement, (ii) accepts and agrees to be bound by the terms of the LLC Agreement, the Plan and this Agreement, and (iii) assumes all of the rights and obligations of a Member of the Company. Schedule D to the LLC Agreement shall be amended to reflect the issuance of Profits Interest Shares to Participant pursuant to the Plan and this Agreement.

SECTION 2. WITHHOLDING TAXES. The Participant shall make such arrangements as the Manager may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the grant of Profits Interest Shares under this Agreement or distributions or allocations with respect to such Profits Interest Shares. The Participant shall also make such arrangements as the Manager may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the disposition of the Profits Interest Shares.

SECTION 3. IRS FORM W-8 OR W-9. The Participant shall deliver to the Company a duly completed and properly executed Form W-8 (in the case of non-U.S. residents) or Form W-9 (in the case of U.S. citizens or residents) and such other forms as the Manager may reasonably request.

SECTION 4. DISTRIBUTIONS AND ALLOCATIONS.

(a) **Distributions.** Distributions to the Participant with respect to his or her Profits Interest Shares shall be governed by the LLC Agreement.

(b) **Allocations.** Allocations of income, gain, deduction, loss or credit to the Participant with respect to his or her Profits Interest Shares shall be governed by the LLC Agreement.

SECTION 5. NO REGISTRATION RIGHTS.

The Company may, but shall not be obligated to, register or qualify the sale of Profits Interest Shares under the Securities Act or any other applicable law. The Company shall not be obligated to take any affirmative action in order to cause the sale of Profits Interest Shares under this Agreement to comply with any law.

SECTION 6. RESTRICTIONS ON TRANSFER.

(a) **General**. In addition to any restrictions set forth on the LLC Agreement, the Participant shall not transfer, assign, encumber or otherwise dispose of any Profits Interest Shares without the Manager's written consent, which may be granted or withheld in its sole discretion.

(b) **LLC Agreement**. Profits Interest Shares acquired under this Agreement shall be subject to the transfer provisions of the LLC Agreement.

(c) **Market Stand-Off**. In connection with any underwritten public offering by the Company or the Company's successor in an acquisition or otherwise (collectively, the "**Successor Entity**") of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Successor Entity's initial public offering, the Participant or any holder of the Profits Interest Shares acquired under this Agreement shall not directly or indirectly sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Profits Interest Shares acquired under this Agreement (or other equity securities of the Successor Entity) without the prior written consent of the Successor Entity or its underwriters. Such restriction (the "**Market Stand-Off**") shall be in effect for such period of time following the date of the final prospectus for the offering as may be requested by the Successor Entity or such underwriters. In no event, however, shall such period exceed 180 days. The Market Stand-Off shall in any event terminate two years after the date of the Successor Entity's initial public offering. In the event of the declaration of a stock dividend, a spin-off, a stock split, an adjustment in conversion ratio, a recapitalization or a similar transaction affecting the Successor Entity's outstanding securities without receipt of consideration, any new, substituted or additional securities which are by reason of such transaction distributed with respect to any Profits Interest Shares subject to the Market Stand-Off, or into which such Profits Interest Shares thereby become convertible, shall immediately be subject to the Market Stand-Off. In order to enforce the Market Stand-Off, the Successor Entity may impose stop-transfer instructions with respect to the Profits Interest Shares acquired under this Agreement until the end of the applicable stand-off period. The Successor Entity's underwriters shall be beneficiaries of the agreement set forth in this Subsection (c). This Subsection (c) shall not apply to Profits Interest Shares registered in the public offering under the Securities Act, and the Participant shall be subject to this Subsection (c) only if the directors and officers of the Successor Entity are subject to similar arrangements.

(d) **Securities Law Restrictions**. Regardless of whether the offering and issuance of Profits Interest Shares under this Agreement have been registered under the Securities Act or have been registered or qualified under the securities laws of any state, the Company at its discretion may impose restrictions upon the sale, pledge or other transfer of the Profits Interest Shares (including the placement of appropriate legends on Profits Interest Share certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the securities laws of any state or any other law.

(e) **Rights of the Company**. The Company shall not be required to (i) transfer on its books any Profits Interest Shares that have been sold or transferred in contravention of this Agreement or the LLC Agreement or (ii) treat as a Member of the Company or as the owner of Profits Interest Shares, or otherwise to accord voting, distribution or liquidation rights to, any transferee to whom Profits Interest Shares have been transferred in contravention of this Agreement or the LLC Agreement.

(f) **Administration**. Any determination by the Manager in connection with any of the matters set forth in this Section 6 shall be conclusive and binding on the Participant and all other persons.

SECTION 7. COMPANY'S REPURCHASE RIGHT.

(a) **Grant of Repurchase Right**. The Company is hereby granted the right (the "**Repurchase Right**"), exercisable at any time during the nine (9) month period following the termination of a Participant's Continuous Service, to repurchase all or any portion of any Shares issued hereunder (the "**Share Repurchase Period**"). The Company shall be entitled to exercise such Repurchase Right regardless of the reason for termination of the Participant's Continuous Service, whether such termination occurs for Cause, for Good Reason, without Cause or as a result of the death or disability of the Participant.

(b) **Exercise of the Repurchase Right**. The Repurchase Right shall be exercisable by written notice delivered to each holder of the Shares prior to the expiration of the Share Repurchase Period. The notice shall indicate the number of Shares to be repurchased and the date on which the repurchase is to be effected, such date to be not later than the last day of the Share Repurchase Period. On the date on which the repurchase is to be effected, the Company and/or its assigns shall pay to the holder in cash or cash equivalents (including the cancellation of any purchase-money indebtedness) an amount equal to the Repurchase Price on the date on which the repurchase is to be effected of the Shares which are to be repurchased from the holder. Upon such payment or deposit into escrow for the benefit of the holder, the Company and/or its assigns shall become the legal and beneficial owner of the Shares being repurchased and all rights and interest thereon or related thereto, and the Company shall have the right to transfer to its own name or its assigns the number of Shares being repurchased, without further action by the holder.

(c) **Assignment**. Whenever the Company shall have the right to purchase Shares under this Repurchase Right, the Company may designate and assign one or more Employees, Officers or Members of the Company or other persons or organizations, to exercise all or a part of the Company's Repurchase Right.

(d) **Termination of the Repurchase Right**. The Repurchase Right shall terminate with respect to any Shares for which it is not timely exercised and upon the effective date of a registration statement of the Company filed under the Securities Act of 1933, as amended.

(e) **Additional Shares or Substituted Securities**. In the event of any transaction described in Section 6(a) of the Plan or any Liquidity Event, any new, substituted or

additional securities or other property which is by reason of any such transaction distributed with respect to the Shares shall be immediately subject to the Repurchase Right, but only to the extent the Shares are at the time covered by such right. The Repurchase Price for such securities shall be appropriately adjusted to take into account the terms of such transaction or Liquidity Event as determined by the Manager in its reasonable discretion.

(f) **Repurchase Price**. For purposes of this Agreement, the "**Repurchase Price**" with respect to a Share shall be:

(i) In the case of a termination of Continuous Service for Cause, $0.

(ii) In the case of a termination of Continuous Service without Cause, the Fair Market Value of such Share, taking into account the distribution provisions of the LLC Agreement and any applicable Profits Interest Threshold Amounts, and as determined by the Manager in its discretion.

SECTION 8. ADJUSTMENT OF PROFITS INTEREST SHARES.

In the event of any transaction described in Section 6(a) of the Plan, the number and kind of Profits Interest Shares shall be adjusted as set forth in Section 6 of the Plan. In the event that the Company engages in a Liquidity Event as described in Section 6(b) of the Plan, the Profits Interest Shares shall be subject to the agreement governing such Liquidity Event and the LLC Agreement.

SECTION 9. SUCCESSORS AND ASSIGNS.

Except as otherwise expressly provided to the contrary, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and be binding upon the Participant and the Participant's legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person has become a party to this Agreement or the LLC Agreement or has agreed in writing to join herein and to be bound by the terms, conditions and restrictions hereof or of the LLC Agreement.

SECTION 10. NO RETENTION RIGHTS.

Nothing in this Agreement shall confer upon the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Related Entity employing or retaining the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate his or her Service at any time and for any reason, with or without cause.

SECTION 11. TAX ELECTION.

The acquisition of the Profits Interest Shares may result in adverse tax consequences that may be avoided or mitigated by filing an election under Code Section 83(b). Such election may be filed only within 30 days after the date of grant. The form for making the Code Section 83(b) election is attached to this Agreement as Exhibit I. **The Participant should**

consult with his or her tax advisor to determine the tax consequences of acquiring the Profits Interest Shares and the advantages and disadvantages of filing the Code Section 83(b) election. The Participant acknowledges that it is his or her sole responsibility, and not the Company's, to file a timely election under Code Section 83(b), even if the Participant requests that the Company or its representatives make this filing on his or her behalf.

SECTION 12. LEGENDS.

All certificates (if any) evidencing Profits Interest Shares shall bear the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED, SOLD, PLEDGED, HYPOTHECATED, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT IN ACCORDANCE WITH THE REQUIREMENTS OF ACT. THE SHARES REPRESENTED BY THIS CERTIFICATE ALSO ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND RIGHTS OF FIRST REFUSAL HELD BY THE COMPANY OR ITS ASSIGNEE(S), AND OTHER CONDITIONS AND RESTRICTIONS, AS SET FORTH IN THAT CERTAIN THIRD AMENDED AND RESTATED OPERATING AGREEMENT FOR FULGENT THERAPEUTICS LLC, DATED AS OF [●], AS THE SAME MAY BE AMENDED, A COPY OF WHICH WILL BE FURNISHED BY THE COMPANY, WITHOUT CHARGE, TO THE HOLDER OF THIS CERTIFICATE UPON WRITTEN REQUEST THEREFOR. SUCH RIGHTS AND RESTRICTIONS ARE BINDING ON TRANSFEREES OF THE PROFITS INTEREST SHARES."

If required by the authorities of any state in connection with the issuance of the Profits Interest Shares, the legend or legends required by such state authorities shall also be endorsed on all such certificates.

SECTION 13. NOTICE.

Any notice required by the terms of this Agreement shall be given in writing, which shall include electronic communications. Notice shall be addressed to the Company at its principal executive office and to the Participant at the address that he or she most recently provided to the Company.

SECTION 14. ENTIRE AGREEMENT.

The Notice, this Agreement, the Plan, and the LLC Agreement constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

SECTION 15. CHOICE OF LAW.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, as such laws are applied to contracts entered into and performed in such State.

SECTION 16. PARTICIPANT REPRESENTATIONS.

In connection with the issuance and acquisition of the Profits Interest Shares under this Agreement, the Participant hereby represents and warrants to the company as follows:

(a) The Participant is acquiring and will hold the Profits Interest Shares for investment for his or her account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act.

(b) The Participant understands that the Profits Interest Shares have not been registered under the Securities Act by reason of a specific exemption therefrom and that the Profits Interest Shares must be held indefinitely, unless they are subsequently registered under the Securities Act or the Participant obtains an opinion of counsel, in form and substance satisfactory to the Company and its counsel, that such registration is not required. The Participant further acknowledges and understands that the Company is under no obligation to register the Profits Interest Shares.

(c) The Participant is aware of the adoption of Rule 144 by the Securities and Exchange Commission under the Securities Act, which permits limited public resales of securities acquired in a non-public offering, subject to the satisfaction of certain conditions, including (without limitation) the availability of certain current public information about the issuer, the resale occurring only after the holding period required by Rule 144 has been satisfied, the sale occurring through an unsolicited "broker's transaction," and the amount of securities being sold during any three-month period not exceeding specified limitations. The Participant acknowledges and understands that the conditions for resale set forth in Rule 144 have not been satisfied and that the Company has no plans to satisfy these conditions in the foreseeable future.

(d) The Participant will not sell, transfer or otherwise dispose of the Profits Interest Shares in violation of the Securities Act, the Securities Exchange Act of 1934, or the rules promulgated thereunder, including Rule 144 under the Securities Act. The Participant agrees that he or she will not dispose of the Profits Interest Shares unless and until he or she has complied with all requirements of this Agreement applicable to the disposition of Profits Interest Shares and he or she has provided the Company with written assurances, in substance and form satisfactory to the Company, that (A) the proposed disposition does not require registration of the Profits Interest Shares under the Securities Act or all appropriate action necessary for compliance with the registration requirements of the Securities Act or with any exemption from registration available under the Securities Act (including Rule 144) has been taken and (B) the proposed disposition will not result in the contravention of any transfer restrictions applicable to the Profits Interest Shares under the securities laws or regulations of any State.

(e) The Participant has been furnished with, and has had access to, such information as he or she considers necessary or appropriate for deciding whether to invest in the

Profits Interest Shares, and the Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Profits Interest Shares.

(f) The Participant is aware that his or her investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. The Participant is able, without impairing his or her financial condition, to hold the Profits Interest Shares for an indefinite period and to suffer a complete loss of his or her investment in the Profits Interest Shares.

Signature Page Follows

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

PARTICIPANT:

FULGENT THERAPEUTICS LLC

By: [●]

Title: [●]

IN EXECUTING THIS AGREEMENT, THE PARTICIPANT ACKNOWLEDGES RECEIPT OF A COPY OF THE PLAN, THE NOTICE AND THE LLC AGREEMENT IN ADDITION TO THIS AGREEMENT AND REPRESENTS THAT HE OR SHE IS FAMILIAR WITH THE TERMS AND PROVISIONS THEREOF, AND HEREBY ACCEPTS THE AWARD SUBJECT TO ALL OF THE TERMS AND PROVISIONS HEREOF AND THEREOF. THE PARTICIPANT HAS REVIEWED THIS AGREEMENT, THE PLAN, THE LLC AGREEMENT AND THE NOTICE IN THEIR ENTIRETY, HAS HAD AN OPPORTUNITY TO OBTAIN THE ADVICE OF COUNSEL PRIOR TO EXECUTING THIS AGREEMENT, AND FULLY UNDERSTANDS ALL PROVISIONS OF THIS AGREEMENT, THE LLC AGREEMENT, THE NOTICE AND THE PLAN. THE PARTICIPANT HEREBY AGREES THAT ALL QUESTIONS OF INTERPRETATION AND ADMINISTRATION RELATING TO THIS AGREEMENT, THE NOTICE, THE PLAN AND THE LLC AGREEMENT SHALL BE RESOLVED BY THE MANAGER.

EXHIBIT I

SECTION 83(b) ELECTION

This statement is made under Section 83(b) of the Internal Revenue Code of 1986, as amended, pursuant to Treasury Regulations Section 1.83-2.

(1) The taxpayer who performed the services is:

Name: [●]

Address: [●]
[●]

Social Security No.: _____

(2) The property with respect to which the election is made is [●] Class D Shares of Fulgent Therapeutics LLC.

(3) The property was transferred on [●].

(4) The taxable year for which the election is made is the calendar year [●].

(5) The property is subject to a repurchase right in favor of the issuer, exercisable if the taxpayer's service with the issuer is terminated.

(6) The fair market value of such property at the time of transfer (determined without regard to any restriction other than a restriction that, by its terms, will never lapse) is $0 per Share.

(7) The amount paid for such property is $[●] per Share.

(8) A copy of this statement was furnished to Fulgent Therapeutics LLC, for whom taxpayer rendered the services underlying the transfer of such property.

(9) This statement is executed on , [●].

_____ _____

Signature of Spouse (if any) Signature of Taxpayer

Within 30 days after the date of grant, this election must be filed with the Internal Revenue Service Center where the Participant files his or her federal income tax returns. The filing should be made by registered or certified mail, return receipt requested. The Participant must (a) file a copy of the completed form with his or her federal tax return for the current tax year and (b) deliver an additional copy to the Company.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), dated May 25, 2016, is by and among Fulgent Therapeutics LLC, a California limited liability company (the "Company"), Fulgent Diagnostics, Inc., a Delaware corporation ("HoldCo") and Ming Hsieh ("Executive").

1. POSITION AND RESPONSIBILITIES

(a) Position. Executive is employed by the Company to render services to the Company in the position of President and Chief Executive Officer and HoldCo in the position of President and Chief Executive Officer. Executive shall perform such duties and responsibilities as are normally related to such positions in accordance with the standards of the industry and any additional duties now or hereafter assigned to Executive by the Company or HoldCo, as applicable. Executive shall abide by the rules, regulations, policies, procedures and practices as adopted or modified from time to time in the Company's or HoldCo's, as applicable, sole discretion.

(b) No Conflict. Executive represents and warrants that Executive's execution of this Agreement, Executive's employment with the Company and HoldCo, and the performance of Executive's proposed duties under this Agreement shall not violate any obligations Executive may have to any other employer, person or entity, including any obligations with respect to proprietary or confidential information of any other person or entity.

2. COMPENSATION AND BENEFITS

(a) Base Salary. In consideration of the services to be rendered under this Agreement, the Company shall pay Executive a salary at the rate of Zero Dollars ($0) per year ("Base Salary"). Upon completion of an initial public offering of HoldCo's shares under an effective registration statement filed under the Securities Act of 1933, as amended, Executive's Base Salary shall be Two Hundred Forty Thousand Dollars ($240,000) per year. The Base Salary shall be paid in accordance with the Company's regularly established payroll practice. Executive's Base Salary will be reviewed from time to time in accordance with the established procedures of the Company for adjusting salaries for similarly-situated employees and may be adjusted in the sole discretion of the Company.

(b) Benefits. Executive shall be eligible to participate in the benefits made generally available by the Company to similarly-situated employees, in accordance with the benefit plans established by the Company, and as may be amended from time to time in the Company's sole discretion.

(c) Bonus and Equity Compensation. Executive may be eligible for an annual cash bonus or equity compensation. Any such bonus or equity compensation, including applicable terms and conditions, shall be determined by the Manager of the Company in its sole discretion or the Board of Directors or the Compensation Committee of HoldCo in their sole discretion, as applicable. Executive must remain employed by the Company or HoldCo, as applicable, for the full fiscal year in order to be eligible for a bonus for that fiscal year.

(d) Expenses. The Company or HoldCo, as applicable, shall reimburse Executive for reasonable business expenses incurred in the performance of Executive's duties hereunder in accordance with the Company's or HoldCo's, as applicable, expense reimbursement guidelines.

3. AT-WILL EMPLOYMENT

(a) At-Will Termination by Company and HoldCo. Executive's employment with the Company and HoldCo shall be "at-will" at all times. The Company or HoldCo may terminate Executive's employment with the Company or HoldCo, as applicable, at any time, without any advance notice, for any reason or no reason at all, notwithstanding anything to the contrary contained in or arising from any statements, policies, procedures or practices of the Company or HoldCo, as applicable, relating to the employment, discipline or termination of its employees. Upon and after such termination, all obligations of the Company or HoldCo, as applicable, under this Agreement shall cease, except as otherwise provided herein.

(b) At-Will Termination by Executive. Executive may terminate employment with the Company and HoldCo at any time for any reason or no reason at all, upon written notice. Thereafter all obligations of the Company shall cease.

(c) Payment. Upon termination of Executive's employment, the Company shall pay to Executive all compensation to which Executive is entitled up through the date of termination, subject to any other rights or remedies of the Company or HoldCo, as applicable, under law; and thereafter all of the obligations of the Company or HoldCo, as applicable, under this Agreement shall cease.

4. TERMINATION OBLIGATIONS

(a) Return of Property. Executive agrees that all property (including without limitation all equipment, tangible proprietary information, documents, records, notes, contracts and computer-generated materials) furnished to or created or prepared by Executive incident to Executive's employment belongs to the Company or HoldCo, as applicable, and shall be promptly returned to the Company or HoldCo, as applicable, upon termination of Executive's employment.

(b) Resignation and Cooperation. Unless otherwise agreed in writing, upon termination of Executive's employment, Executive shall be deemed to have resigned from all offices and directorships then held with the Company or HoldCo, as applicable. Following any termination of employment, Executive shall cooperate with the Company or HoldCo, as applicable, in the winding up of pending work on behalf of the Company or HoldCo, as applicable, and the orderly transfer of work to other employees. Executive shall also cooperate with the Company or HoldCo, as applicable, in the defense of any action brought by any third party against the Company or HoldCo, as applicable, that relates to Executive's employment by the Company or HoldCo, as applicable.

(c) Continuing Obligations. Executive understands and agrees that Executive's obligations under Sections 4 and 5 (including the Proprietary Information Agreement (as defined below)) shall survive the termination of Executive's employment for any reason and the termination of this Agreement.

5. INVENTIONS AND PROPRIETARY INFORMATION; PROHIBITION ON THIRD PARTY INFORMATION

(a) Proprietary Information Agreement. Prior to the date hereof, Executive has signed the Company's Proprietary Information and Invention Assignment Agreement ("Proprietary Information Agreement") and delivered such signed Proprietary Information Agreement to the Company.

(b) Non-Disclosure of Third Party Information. Executive represents and warrants and covenants that Executive shall not disclose to the Company or HoldCo, as applicable, or use, or induce the Company or HoldCo, as applicable, to use, any proprietary information or trade secrets of others at any time, including but not limited to any proprietary information or trade secrets of any former employer, if any; and Executive acknowledges and agrees that any violation of this provision shall be grounds for Executive's immediate termination and could subject Executive to substantial civil liabilities and criminal penalties. Executive further specifically and expressly acknowledges that no officer or other employee or representative of the Company or HoldCo has requested or instructed Executive to disclose or use any such third party proprietary information or trade secrets.

6. AMENDMENTS; WAIVERS; REMEDIES

This Agreement may not be amended or waived except by a writing signed by Executive and by a duly authorized representative of the Company and HoldCo other than Executive. Failure to exercise any right under this Agreement shall not constitute a waiver of such right. Any waiver of any breach of this Agreement shall not operate as a waiver of any subsequent breaches. All rights or remedies specified for a party herein shall be cumulative and in addition to all other rights and remedies of the party hereunder or under applicable law.

7. ASSIGNMENT; BINDING EFFECT

(a) Assignment. The performance of Executive is personal hereunder, and Executive agrees that Executive shall have no right to assign and shall not assign or purport to assign any rights or obligations under this Agreement. This Agreement may be assigned or transferred by the Company or HoldCo, as applicable; and nothing in this Agreement shall prevent the consolidation, merger or sale of the Company or HoldCo, as applicable, or a sale of any or all or substantially all of its or their assets.

(b) Binding Effect. Subject to the foregoing restriction on assignment by Executive, this Agreement shall inure to the benefit of and be binding upon each of the parties; the affiliates, officers, directors, agents, successors and assigns of the Company and HoldCo; and the heirs, devisees, spouses, legal representatives and successors of Executive.

8. SEVERABILITY

If any provision of this Agreement shall be held by a court or arbitrator to be invalid, unenforceable, or void, such provision shall be enforced to the fullest extent permitted by law, and the remainder of this Agreement shall remain in full force and effect.

9. TAXES

All amounts paid under this Agreement (including, without limitation, Base Salary) shall be paid less all applicable state and federal tax withholdings and any other withholdings required by any applicable jurisdiction or authorized by Executive. Notwithstanding any other provision of this Agreement whatsoever, the Company or HoldCo, as applicable, in its sole discretion, shall have the right to provide for the application and effects of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") (relating to deferred compensation arrangements), and any related administrative guidance issued by the Internal Revenue Service. The Company or HoldCo, as applicable, shall have the authority to delay the payment of any amounts under this Agreement to the extent it deems necessary or appropriate to comply with Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain "key employees" of publicly-traded companies); in such event, the payment(s) at issue may not be made before the date which is six (6) months after the date of Executive's separation from service, or, if earlier, the date of death.

10. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

11. INTERPRETATION

This Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. Sections and section headings contained in this Agreement are for reference purposes only, and shall not affect in any manner the meaning or interpretation of this Agreement. Whenever the context requires, references to the singular shall include the plural and the plural the singular.

12. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement, but all of which together shall constitute one and the same instrument.

13. AUTHORITY

Each party represents and warrants that such party has the right, power and authority to enter into and execute this Agreement and to perform and discharge all of the obligations hereunder; and that this Agreement constitutes the valid and legally binding agreement and obligation of such party and is enforceable in accordance with its terms.

14. ENTIRE AGREEMENT

This Agreement is intended to be the final, complete, and exclusive statement of the terms of Executive's employment by the Company or HoldCo, as applicable, and may not be contradicted by evidence of any prior or contemporaneous statements or agreements, except for agreements specifically referenced herein (including the Proprietary Information Agreement). To the extent that the practices, policies or procedures of the Company or HoldCo, as applicable, now or in the future, apply to Executive and are inconsistent with the terms of this Agreement, the provisions of this Agreement shall control. Any subsequent change in Executive's duties, position, or compensation will not affect the validity or scope of this Agreement.

15. EXECUTIVE ACKNOWLEDGEMENT

EXECUTIVE ACKNOWLEDGES EXECUTIVE HAS HAD THE OPPORTUNITY TO CONSULT LEGAL COUNSEL CONCERNING THIS AGREEMENT, THAT EXECUTIVE HAS READ AND UNDERSTANDS THE AGREEMENT, THAT EXECUTIVE IS FULLY AWARE OF ITS LEGAL EFFECT, AND THAT EXECUTIVE HAS ENTERED INTO IT FREELY BASED ON EXECUTIVE'S OWN JUDGMENT AND NOT ON ANY REPRESENTATIONS OR PROMISES OTHER THAN THOSE CONTAINED IN THIS AGREEMENT.

(*Signature Page Follows*)

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

FULGENT THERAPEUTICS LLC:

By: */s/ Paul Kim*

Name: Paul Kim

Title: Chief Financial Officer

MING HSIEH:

/s/ Ming Hsieh

FULGENT DIAGNOSTICS, INC.:

By: */s/ Paul Kim*

Name: Paul Kim

Title: Chief Financial Officer

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), dated May 25, 2016, is by and among Fulgent Therapeutics LLC, a California limited liability company (the "Company"), Fulgent Diagnostics, Inc., a Delaware corporation ("HoldCo") and Paul Kim ("Executive").

1. POSITION AND RESPONSIBILITIES

(a) Position. Executive is employed by the Company to render services to the Company in the position of Chief Financial Officer and HoldCo in the position of Chief Financial Officer. Executive shall perform such duties and responsibilities as are normally related to such positions in accordance with the standards of the industry and any additional duties now or hereafter assigned to Executive by the Company or HoldCo, as applicable. Executive shall abide by the rules, regulations, policies, procedures and practices as adopted or modified from time to time in the Company's or HoldCo's, as applicable, sole discretion.

(b) Other Activities. Except upon the prior written consent of the Company and HoldCo, Executive will not, during the term of this Agreement, (i) accept any other employment, or (ii) engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that might interfere with Executive's duties and responsibilities hereunder or create a conflict of interest with the Company or HoldCo.

(c) No Conflict. Executive represents and warrants that Executive's execution of this Agreement, Executive's employment with the Company and HoldCo, and the performance of Executive's proposed duties under this Agreement shall not violate any obligations Executive may have to any other employer, person or entity, including any obligations with respect to proprietary or confidential information of any other person or entity.

2. COMPENSATION AND BENEFITS

(a) Base Salary. In consideration of the services to be rendered under this Agreement, the Company shall pay Executive a salary at the rate of One Hundred Sixty Thousand Dollars ($160,000) per year ("Base Salary"). Upon completion of an initial public offering of HoldCo's shares under an effective registration statement filed under the Securities Act of 1933, as amended, Executive's Base Salary shall be Two Hundred Ten Thousand Dollars ($210,000) per year. The Base Salary shall be paid in accordance with the Company's regularly established payroll practice. Executive's Base Salary will be reviewed from time to time in accordance with the established procedures of the Company for adjusting salaries for similarly-situated employees and may be adjusted in the sole discretion of the Company.

(b) Benefits. Executive shall be eligible to participate in the benefits made generally available by the Company to similarly-situated employees, in accordance with the benefit plans established by the Company, and as may be amended from time to time in the Company's sole discretion.

(c) Bonus and Equity Compensation. Executive may be eligible for an annual cash bonus or equity compensation. Any such bonus or equity compensation, including applicable terms and conditions, shall be determined by the Manager of the Company in its sole

discretion or the Board of Directors or the Compensation Committee of HoldCo in their sole discretion, as applicable. Executive must remain employed by the Company or HoldCo, as applicable, for the full fiscal year in order to be eligible for a bonus for that fiscal year.

(d) Expenses. The Company or HoldCo, as applicable, shall reimburse Executive for reasonable business expenses incurred in the performance of Executive's duties hereunder in accordance with the Company's or HoldCo's, as applicable, expense reimbursement guidelines. The Company shall reimburse Executive for the reasonable rent of an apartment near the Company's facility in Temple City, California, during the term of Executive's employment.

3. AT-WILL EMPLOYMENT

(a) At-Will Termination by Company and HoldCo. Executive's employment with the Company and HoldCo shall be "at-will" at all times. The Company or HoldCo may terminate Executive's employment with the Company or HoldCo, as applicable, at any time, without any advance notice, for any reason or no reason at all, notwithstanding anything to the contrary contained in or arising from any statements, policies, procedures or practices of the Company or HoldCo, as applicable, relating to the employment, discipline or termination of its employees. Upon and after such termination, all obligations of the Company or HoldCo, as applicable, under this Agreement shall cease, except as otherwise provided herein.

(b) At-Will Termination by Executive. Executive may terminate employment with the Company and HoldCo at any time for any reason or no reason at all, upon written notice. Thereafter all obligations of the Company shall cease.

(c) Payment. Upon termination of Executive's employment, the Company shall pay to Executive all compensation to which Executive is entitled up through the date of termination, subject to any other rights or remedies of the Company or HoldCo, as applicable, under law; and thereafter all of the obligations of the Company or HoldCo, as applicable, under this Agreement shall cease.

4. TERMINATION OBLIGATIONS

(a) Return of Property. Executive agrees that all property (including without limitation all equipment, tangible proprietary information, documents, records, notes, contracts and computer-generated materials) furnished to or created or prepared by Executive incident to Executive's employment belongs to the Company or HoldCo, as applicable, and shall be promptly returned to the Company or HoldCo, as applicable, upon termination of Executive's employment.

(b) Resignation and Cooperation. Unless otherwise agreed in writing, upon termination of Executive's employment, Executive shall be deemed to have resigned from all offices and directorships then held with the Company or HoldCo, as applicable. Following any termination of employment, Executive shall cooperate with the Company or HoldCo, as applicable, in the winding up of pending work on behalf of the Company or HoldCo, as applicable, and the orderly transfer of work to other employees. Executive shall also cooperate with the Company or HoldCo, as applicable, in the defense of any action brought by any third party against the Company or HoldCo, as applicable, that relates to Executive's employment by the Company or HoldCo, as applicable.

(c) Continuing Obligations. Executive understands and agrees that Executive's obligations under Sections 4 and 5 (including the Proprietary Information Agreement (as defined below)) shall survive the termination of Executive's employment for any reason and the termination of this Agreement.

5. INVENTIONS AND PROPRIETARY INFORMATION; PROHIBITION ON THIRD PARTY INFORMATION

(a) Proprietary Information Agreement. Prior to the date hereof, Executive has signed the Company's Proprietary Information and Invention Assignment Agreement ("Proprietary Information Agreement") and delivered such signed Proprietary Information Agreement to the Company.

(b) Non-Disclosure of Third Party Information. Executive represents and warrants and covenants that Executive shall not disclose to the Company or HoldCo, as applicable, or use, or induce the Company or HoldCo, as applicable, to use, any proprietary information or trade secrets of others at any time, including but not limited to any proprietary information or trade secrets of any former employer, if any; and Executive acknowledges and agrees that any violation of this provision shall be grounds for Executive's immediate termination and could subject Executive to substantial civil liabilities and criminal penalties. Executive further specifically and expressly acknowledges that no officer or other employee or representative of the Company or HoldCo has requested or instructed Executive to disclose or use any such third party proprietary information or trade secrets.

6. AMENDMENTS; WAIVERS; REMEDIES

This Agreement may not be amended or waived except by a writing signed by Executive and by a duly authorized representative of the Company and HoldCo other than Executive. Failure to exercise any right under this Agreement shall not constitute a waiver of such right. Any waiver of any breach of this Agreement shall not operate as a waiver of any subsequent breaches. All rights or remedies specified for a party herein shall be cumulative and in addition to all other rights and remedies of the party hereunder or under applicable law.

7. ASSIGNMENT; BINDING EFFECT

(a) Assignment. The performance of Executive is personal hereunder, and Executive agrees that Executive shall have no right to assign and shall not assign or purport to assign any rights or obligations under this Agreement. This Agreement may be assigned or transferred by the Company or HoldCo, as applicable; and nothing in this Agreement shall prevent the consolidation, merger or sale of the Company or HoldCo, as applicable, or a sale of any or all or substantially all of its or their assets.

(b) Binding Effect. Subject to the foregoing restriction on assignment by Executive, this Agreement shall inure to the benefit of and be binding upon each of the parties; the affiliates, officers, directors, agents, successors and assigns of the Company and HoldCo; and the heirs, devisees, spouses, legal representatives and successors of Executive.

8. SEVERABILITY

If any provision of this Agreement shall be held by a court or arbitrator to be invalid, unenforceable, or void, such provision shall be enforced to the fullest extent permitted by law, and the remainder of this Agreement shall remain in full force and effect.

9. TAXES

All amounts paid under this Agreement (including, without limitation, Base Salary) shall be paid less all applicable state and federal tax withholdings and any other withholdings required by any applicable jurisdiction or authorized by Executive. Notwithstanding any other provision of this Agreement whatsoever, the Company or HoldCo, as applicable, in its sole discretion, shall have the right to provide for the application and effects of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") (relating to deferred compensation arrangements), and any related administrative guidance issued by the Internal Revenue Service. The Company or HoldCo, as applicable, shall have the authority to delay the payment of any amounts under this Agreement to the extent it deems necessary or appropriate to comply with Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain "key employees" of publicly-traded companies); in such event, the payment(s) at issue may not be made before the date which is six (6) months after the date of Executive's separation from service, or, if earlier, the date of death.

10. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

11. INTERPRETATION

This Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. Sections and section headings contained in this Agreement are for reference purposes only, and shall not affect in any manner the meaning or interpretation of this Agreement. Whenever the context requires, references to the singular shall include the plural and the plural the singular.

12. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement, but all of which together shall constitute one and the same instrument.

13. AUTHORITY

Each party represents and warrants that such party has the right, power and authority to enter into and execute this Agreement and to perform and discharge all of the obligations hereunder; and that this Agreement constitutes the valid and legally binding agreement and obligation of such party and is enforceable in accordance with its terms.

14. ENTIRE AGREEMENT

This Agreement is intended to be the final, complete, and exclusive statement of the terms of Executive's employment by the Company or HoldCo, as applicable, and may not be contradicted by evidence of any prior or contemporaneous statements or agreements, except for agreements specifically referenced herein (including the Proprietary Information Agreement). To the extent that the practices, policies or procedures of the Company or HoldCo, as applicable, now or in the future, apply to Executive and are inconsistent with the terms of this Agreement, the provisions of this Agreement shall control. Any subsequent change in Executive's duties, position, or compensation will not affect the validity or scope of this Agreement.

15. EXECUTIVE ACKNOWLEDGEMENT

EXECUTIVE ACKNOWLEDGES EXECUTIVE HAS HAD THE OPPORTUNITY TO CONSULT LEGAL COUNSEL CONCERNING THIS AGREEMENT, THAT EXECUTIVE HAS READ AND UNDERSTANDS THE AGREEMENT, THAT EXECUTIVE IS FULLY AWARE OF ITS LEGAL EFFECT, AND THAT EXECUTIVE HAS ENTERED INTO IT FREELY BASED ON EXECUTIVE'S OWN JUDGMENT AND NOT ON ANY REPRESENTATIONS OR PROMISES OTHER THAN THOSE CONTAINED IN THIS AGREEMENT.

(*Signature Page Follows*)

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

FULGENT THERAPEUTICS LLC:

By: */s/ Ming Hsieh*

Name: Ming Hsieh

Title: Manager

FULGENT DIAGNOSTICS, INC.:

By: */s/ Ming Hsieh*

Name: Ming Hsieh

Title: President

PAUL KIM:

/s/ Paul Kim

Exhibit 10.10

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement"), dated May 25, 2016, is by and among Fulgent Therapeutics LLC, a California limited liability company (the "Company"), Fulgent Diagnostics, Inc., a Delaware corporation ("HoldCo") and Hanlin Gao ("Executive").

WHEREAS, the Company and Executive previously entered into that certain Employment Agreement, dated as of March 31, 2013 ("Original Agreement"); and

WHEREAS, the Company, HoldCo and Executive desire to amend and restate the Original Agreement as further set forth herein.

1. POSITION AND RESPONSIBILITIES

(a) Position. Executive is employed by the Company to render services to the Company in the position of Chief Scientific Officer and Lab Director. Executive shall perform such duties and responsibilities as are normally related to such positions in accordance with the standards of the industry and any additional duties now or hereafter assigned to Executive by the Company. Executive shall abide by the rules, regulations, policies, procedures and practices as adopted or modified from time to time in the Company's sole discretion.

(b) Other Activities. Except upon the prior written consent of the Company, Executive will not, during the term of this Agreement, (i) accept any other employment, or (ii) engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that might interfere with Executive's duties and responsibilities hereunder or create a conflict of interest with the Company. Notwithstanding the foregoing, Executive may continue to serve as a lab inspector for the College of American Pathologists, provided that Executive's scope of duties in such capacity does not increase beyond Executive's scope of duties in such capacity as of the date hereof.

(c) No Conflict. Executive represents and warrants that Executive's execution of this Agreement, Executive's employment with the Company, and the performance of Executive's proposed duties under this Agreement shall not violate any obligations Executive may have to any other employer, person or entity, including any obligations with respect to proprietary or confidential information of any other person or entity.

2. COMPENSATION AND BENEFITS

(a) Base Salary. In consideration of the services to be rendered under this Agreement, the Company shall pay Executive a salary at the rate of One Hundred Eighty Thousand Dollars ($180,000) per year ("Base Salary"). Upon completion of an initial public offering of HoldCo's shares under an effective registration statement filed under the Securities Act of 1933, as amended, Executive's Base Salary shall be Two Hundred Ten Thousand Dollars ($210,000) per year. The Base Salary shall be paid in accordance with the Company's regularly established payroll practice. Executive's Base Salary will be reviewed from time to time in accordance with the established procedures of the Company for adjusting salaries for similarly-situated employees and may be adjusted in the sole discretion of the Company.

(b) Benefits. Executive shall be eligible to participate in the benefits made generally available by the Company to similarly-situated employees, in accordance with the benefit plans established by the Company, and as may be amended from time to time in the Company's sole discretion.

(c) Bonus and Equity Compensation. Executive may be eligible for an annual cash bonus or equity compensation. Any such bonus or equity compensation, including applicable terms and conditions, shall be determined by the Manager of the Company in its sole discretion. Executive must remain employed by the Company for the full fiscal year in order to be eligible for a bonus for that fiscal year.

(d) Expenses. The Company shall reimburse Executive for reasonable business expenses incurred in the performance of Executive's duties hereunder in accordance with the Company's expense reimbursement guidelines.

3. AT-WILL EMPLOYMENT

(a) At-Will Termination by Company. Executive's employment with the Company shall be "at-will" at all times. The Company may terminate Executive's employment with the Company at any time, without any advance notice, for any reason or no reason at all, notwithstanding anything to the contrary contained in or arising from any statements, policies, procedures or practices of the Company relating to the employment, discipline or termination of its employees. Upon and after such termination, all obligations of the Company under this Agreement shall cease, except as otherwise provided herein.

(b) At-Will Termination by Executive. Executive may terminate employment with the Company at any time for any reason or no reason at all, upon written notice. Thereafter all obligations of the Company shall cease.

(c) Payment. Upon termination of Executive's employment, the Company shall pay to Executive all compensation to which Executive is entitled up through the date of termination, subject to any other rights or remedies of the Company under law; and thereafter all of the obligations of the Company under this Agreement shall cease.

4. TERMINATION OBLIGATIONS

(a) Return of Property. Executive agrees that all property (including without limitation all equipment, tangible proprietary information, documents, records, notes, contracts and computer-generated materials) furnished to or created or prepared by Executive incident to Executive's employment belongs to the Company and shall be promptly returned to the Company upon termination of Executive's employment.

(b) Resignation and Cooperation. Unless otherwise agreed in writing, upon termination of Executive's employment, Executive shall be deemed to have resigned from all offices and directorships then held with the Company. Following any termination of employment, Executive shall cooperate with the Company in the winding up of pending work on behalf of the Company and the orderly transfer of work to other employees. Executive shall also cooperate with the Company in the defense of any action brought by any third party against the Company that relates to Executive's employment by the Company.

(c) Continuing Obligations. Executive understands and agrees that Executive's obligations under Sections 4 and 5 (including the Proprietary Information Agreement (as defined below)) shall survive the termination of Executive's employment for any reason and the termination of this Agreement.

5. INVENTIONS AND PROPRIETARY INFORMATION; PROHIBITION ON THIRD PARTY INFORMATION

(a) Proprietary Information Agreement. Prior to the date hereof, Executive has signed the Company's Proprietary Information and Invention Assignment Agreement ("Proprietary Information Agreement") and delivered such signed Proprietary Information Agreement to the Company.

(b) Non-Disclosure of Third Party Information. Executive represents and warrants and covenants that Executive shall not disclose to the Company, or use, or induce the Company to use, any proprietary information or trade secrets of others at any time, including but not limited to any proprietary information or trade secrets of any former employer, if any; and Executive acknowledges and agrees that any violation of this provision shall be grounds for Executive's immediate termination and could subject Executive to substantial civil liabilities and criminal penalties. Executive further specifically and expressly acknowledges that no officer or other employee or representative of the Company has requested or instructed Executive to disclose or use any such third party proprietary information or trade secrets.

6. AMENDMENTS; WAIVERS; REMEDIES

This Agreement may not be amended or waived except by a writing signed by Executive and by a duly authorized representative of the Company other than Executive. Failure to exercise any right under this Agreement shall not constitute a waiver of such right. Any waiver of any breach of this Agreement shall not operate as a waiver of any subsequent breaches. All rights or remedies specified for a party herein shall be cumulative and in addition to all other rights and remedies of the party hereunder or under applicable law.

7. ASSIGNMENT; BINDING EFFECT

(a) Assignment. The performance of Executive is personal hereunder, and Executive agrees that Executive shall have no right to assign and shall not assign or purport to assign any rights or obligations under this Agreement. This Agreement may be assigned or transferred by the Company; and nothing in this Agreement shall prevent the consolidation, merger or sale of the Company or a sale of any or all or substantially all of its assets.

(b) Binding Effect. Subject to the foregoing restriction on assignment by Executive, this Agreement shall inure to the benefit of and be binding upon each of the parties; the affiliates, officers, directors, agents, successors and assigns of the Company; and the heirs, devisees, spouses, legal representatives and successors of Executive.

8. SEVERABILITY

If any provision of this Agreement shall be held by a court or arbitrator to be invalid, unenforceable, or void, such provision shall be enforced to the fullest extent permitted by law, and the remainder of this Agreement shall remain in full force and effect.

9. TAXES

All amounts paid under this Agreement (including, without limitation, Base Salary) shall be paid less all applicable state and federal tax withholdings and any other withholdings required by any applicable jurisdiction or authorized by Executive. Notwithstanding any other provision of this Agreement whatsoever, the Company, in its sole discretion, shall have the right to provide for the application and effects of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") (relating to deferred compensation arrangements), and any related administrative guidance issued by the Internal Revenue Service. The Company shall have the authority to delay the payment of any amounts under this Agreement to the extent it deems necessary or appropriate to comply with Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain "key employees" of publicly-traded companies); in such event, the payment(s) at issue may not be made before the date which is six (6) months after the date of Executive's separation from service, or, if earlier, the date of death.

10. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

11. INTERPRETATION

This Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. Sections and section headings contained in this Agreement are for reference purposes only, and shall not affect in any manner the meaning or interpretation of this Agreement. Whenever the context requires, references to the singular shall include the plural and the plural the singular.

12. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement, but all of which together shall constitute one and the same instrument.

13. AUTHORITY

Each party represents and warrants that such party has the right, power and authority to enter into and execute this Agreement and to perform and discharge all of the obligations hereunder; and that this Agreement constitutes the valid and legally binding agreement and obligation of such party and is enforceable in accordance with its terms.

14. ENTIRE AGREEMENT

This Agreement amends and restates the Original Agreement in its entirety. This Agreement is intended to be the final, complete, and exclusive statement of the terms of Executive's employment by the Company and may not be contradicted by evidence of any prior or contemporaneous statements or agreements, except for agreements specifically referenced herein (including the Proprietary Information Agreement). To the extent that the practices, policies or procedures of the Company, now or in the future, apply to Executive and are inconsistent with the terms of this Agreement, the provisions of this Agreement shall control. Any subsequent change in Executive's duties, position, or compensation will not affect the validity or scope of this Agreement.

15. EXECUTIVE ACKNOWLEDGEMENT

EXECUTIVE ACKNOWLEDGES EXECUTIVE HAS HAD THE OPPORTUNITY TO CONSULT LEGAL COUNSEL CONCERNING THIS AGREEMENT, THAT EXECUTIVE HAS READ AND UNDERSTANDS THE AGREEMENT, THAT EXECUTIVE IS FULLY AWARE OF ITS LEGAL EFFECT, AND THAT EXECUTIVE HAS ENTERED INTO IT FREELY BASED ON EXECUTIVE'S OWN JUDGMENT AND NOT ON ANY REPRESENTATIONS OR PROMISES OTHER THAN THOSE CONTAINED IN THIS AGREEMENT.

(*Signature Page Follows*)

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

FULGENT THERAPEUTICS LLC:

By: */s/ Ming Hsieh*

Name: Ming Hsieh

Title: Manager

HANLIN GAO:

/s/ Hanlin Gao

FULGENT DIAGNOSTICS, INC.:

By: */s/ Ming Hsieh*

Name: Ming Hsieh

Title: President

CONTRIBUTION AND ALLOCATION AGREEMENT

This **CONTRIBUTION AND ALLOCATION AGREEMENT** (this "Agreement") is dated as of May 19, 2016, by and among Ming Hsieh (the "Contributor"), Fulgent Pharma LLC, a California limited liability company ("Pharma") and Fulgent Therapeutics LLC, a California limited liability company (the "Company"). Contributor, Pharma and the Company are sometimes hereinafter collectively referred to as the "Parties" and individually as a "Party."

RECITALS

A. WHEREAS, Contributor previously contributed $15,500,000.00 to the Company (the "Contribution Amount") as a series of Capital Contributions (as such term is defined in the Company's Amended and Restated Operating Agreement, dated as of October 16, 2015, as the same may be amended and/or restated from time to time (the "Company Operating Agreement")), as reflected from time to time in the schedules to the Company Operating Agreement;

B. WHEREAS, Contributor and the Company previously entered into: a Promissory Note, dated February 11, 2013, in the original principal amount of $2,000,000.00, a copy of which is attached hereto as Exhibit A; a Promissory Note, dated September 11, 2013, in the original principal amount of $1,000,000.00, a copy of which is attached hereto as Exhibit B; a Promissory Note, dated December 27, 2013, in the original principal amount of $1,000,000.00, a copy of which is attached hereto as Exhibit C; a Promissory Note, dated February 10, 2014, in the original principal amount of $2,000,000.00, a copy of which is attached hereto as Exhibit D; a Promissory Note, dated August 15, 2014, in the original principal amount of $500,000.00, a copy of which is attached hereto as Exhibit E; a Promissory Note, dated August 18, 2014, in the original principal amount of $500,000.00, a copy of which is attached hereto as Exhibit F; a Promissory Note, dated November 12, 2014, in the original principal amount of $1,000,000.00, a copy of which is attached hereto as Exhibit G; a Promissory Note, dated January 28, 2015, in the original principal amount of 500,000.00, a copy of which is attached hereto as Exhibit H; a Promissory Note, dated April 7, 2015, in the original principal amount of $500,000.00, a copy of which is attached hereto as Exhibit I; a Promissory Note, dated May 12, 2015, in the original principal amount of $500,000.00, a copy of which is attached hereto as Exhibit J; and a Promissory Note, dated August 24, 2015, in the original principal amount of $2,000,000.00, a copy of which is attached hereto as Exhibit K (collectively, the "Promissory Notes", and the aggregate principal amount of such Promissory Notes, the "Promissory Note Amount");

C. WHEREAS, (i) the Contribution Amount and the Promissory Note Amount reflect the same transfers of cash to the Company by the Contributor, (ii) the Parties believe such amounts were properly characterized as Capital Contributions and the Promissory Notes were entered into in error and (iii) the Parties desire to memorialize such understanding and clarify such characterization;

D. WHEREAS, prior to April 4, 2016, the Company had two lines of business: the genetics diagnostics business (the "Diagnostics Business"), which was conducted directly by the Company, and the pharmaceutical business (the "Pharma Business"), which was conducted through Pharma;

E. WHEREAS, on April 4, 2016, the Company separated the Pharma Business from the Diagnostics Business (the "Pharma Split-Off') by redeeming all its Class P Shares (as defined in the Company Operating Agreement) in exchange for Preferred Shares of Pharma (as defined in the Amended and Restated Operating Agreement of Pharma (the "Pharma Operating Agreement")), causing Pharma to assume all then-outstanding options to purchase Class P Shares and allocating the Contribution Amount between the Company and Pharma in proportion to the use of such Contribution Amount in the Diagnostics Business and the Pharma Business, respectively (the "Allocation"); and

F. WHEREAS, the amounts allocable pursuant to the Allocation were not determinable at the time of the Pharma Split-Off and the Parties desire to agree on the Allocation as further set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

AGREEMENT

1. Contribution of Contribution Amount. The Parties acknowledge and agree the Contributor contributed the Contribution Amount to the Company as a series of Capital Contributions to the Company.

2. Contribution Amount Consideration. In consideration for Contributor's contribution of the Contribution Amount, the Company issued to the Contributor 510 Class A Shares, which subsequently were recapitalized into an aggregate of 56,000,000 Class D Preferred Shares and 51,000,000 Class P Preferred Shares, which Class D Preferred Shares subsequently were recapitalized into Class D-1 Preferred Shares and which Class P Preferred Shares subsequently were redeemed in exchange for Preferred Shares of Pharma.

3. Promissory Notes. The Parties acknowledge and agree the Promissory Notes improperly characterized the Contribution Amount and were void *ab initio.* In the event the Promissory Notes are deemed not void *ab initio*, such Promissory Notes shall be deemed cancelled effective immediately prior to the Pharma Split-Off, the principal amounts due thereunder shall be deemed contributed to the capital of the Company as a Capital Contribution, thereby becoming the Contribution Amount, and any interest accrued on such principal amounts shall be deemed cancelled.

4. Allocation. Effective as of the Pharma Split-Off, $4,592,488.82 of the Contribution Amount shall have been allocated to the Company and $10,907,511.18 of the Contribution Amount shall have been allocated to Pharma.

5. Amendments to Operating Agreements.

(a) For purposes of the Company Operating Agreement, the Contributor and the Ming Hsieh Annuity Trust shall be deemed to have Capital Contributions equal to, in the aggregate, $4,592,488.82, such that, among other things, the aggregate amount of their entitlement to distributions pursuant to Section 4.3(a)(i)(1) of the Company Operating Agreement shall equal $4,592,488.82. For the avoidance of doubt, the Contributor and the

Ming Hsieh Annuity Trust shall be deemed to have such aggregate amount of Capital Contributions and an entitlement to such aggregate amount of distributions notwithstanding any actual or deemed transfer of Class D-1 Preferred Shares pursuant to that certain Share Purchase Agreement, dated as of May 11, 2016.

(b) For purposes of the Pharma Operating Agreement, the Contributor shall be deemed to have Capital Contributions equal to, in the aggregate, $10,907,511.18, such that, among other things, the aggregate amount of his entitlement to distributions pursuant to Section 4.3(a)(i)(1) of the Pharma Operating Agreement shall equal $10,907,511.18.

(c) The Company Operating Agreement and the Pharma Operating Agreement, including any schedules thereto, shall be deemed amended to the extent necessary to reflect the terms of this Section 5.

6. Miscellaneous.

(a) Entire Agreement. This Agreement shall constitute the entire agreement and understanding of the Parties relating to the subject matter hereof and shall supersede all agreements and understandings that have an effective date prior to this Agreement.

(b) Further Assurances. The Parties shall execute and deliver any and all further materials, documents and instruments of conveyance, transfer or assignment, or take any other action, as may reasonably be requested by the Company and Pharma, to effect, record or verify the transfer to, and vesting in, the Company and Pharma, as applicable, of the Contribution Amount.

(c) No Third-Party Beneficiaries. Nothing in this Agreement will be construed as giving any person, other than the Parties and their successors and permitted assigns, any right, remedy, or claim under or in respect of this Agreement.

(d) Successors and Assigns. This Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective successors, heirs, administrators and assigns.

(e) Relationship Among Parties. This Agreement shall not constitute any Party as an agent or legal representative of any other Party, nor shall a Party have the right or authority to assume, create, or incur any liability of any kind, expressed or implied, against or in the name or on behalf of the other Parties. Nothing contained in this Agreement is intended to, or shall be deemed to, create a partnership or joint venture relationship among the Parties.

(f) Amendment; Waiver. This Agreement cannot be amended or changed, nor any performance, term, or condition waived in whole or in part, except by a writing signed by the Party against whom enforcement of the change or waiver is sought. Any term or condition of this Agreement may be waived at any time by the Party hereto entitled to the benefit thereof, and any such term or condition may be modified at any time by an agreement in writing executed by each of the Parties hereto entitled to the benefit thereof. No delay or failure on the part of any Party in exercising any rights hereunder, and no partial or single exercise thereof, will constitute a waiver of such rights or of any other rights hereunder.

(g) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

(h) Severability. If any provision of this Agreement, or the application thereof to any person, place, or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provision as applied to other persons, places and circumstances shall remain in full force and effect.

(i) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

CONTRIBUTOR

MING HSIEH

/s/ Ming Hsieh

COMPANY

FULGENT THERAPEUTICS LLC,
a California limited liability company

By: /s/ Ming Hsieh
Name: Ming Hsieh
Title: Manager

PHARMA

FULGENT PHARMA LLC,
a California limited liability company

By: /s/ Ming Hsieh
Name: Ming Hsieh
Title: Manager

Exhibit A

Promissory Note, dated February 11, 2013

PROMISSORY NOTE

Amount $2,000,000.00 Date February 11th, 2013

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH,** ("Lender"), the principal sum of $2,000,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on February 10th, 2016. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on February 10th, 2016.

INTEREST. This Note shall bear simple interest at 0.21 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, ***Borrower*** has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2013-3 TABLE 1

Applicable Federal Rates (AFR) for February 2013

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.21%	.21%	.21%	.21%
110% AFR	.23%	.23%	.23%	.23%
120% AFR	.25%	.25%	.25%	.25%
130% AFR	.27%	.27%	.27%	.27%
		Mid-term		
AFR	1.01%	1.01%	1.01%	1.01%
110% AFR	1.11%	1.11%	1.11%	1.11%
120% AFR	1.21%	1.21%	1.21%	1.21%
130% AFR	1.31%	1.31%	1.31%	1.31%
150% AFR	1.53%	1.52%	1.52%	1.52%
175% AFR	1.78%	1.77%	1.77%	1.76%
		Long-term		
AFR	2.52%	2.50%	2.49%	2.49%
110% AFR	2.77%	2.75%	2.74%	2.73%
120% AFR	3.02%	3.00%	2.99%	2.98%
130% AFR	3.28%	3.25%	3.24%	3.23%

Exhibit B

Promissory Note, dated September 11, 2013

PROMISSORY NOTE

Amount $1,000,000.00 Date September 11th, 2013

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH,** ("Lender"), the principal sum of $1,000,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on September 10th, 2016. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on September 10th, 2016.

INTEREST. This Note shall bear simple interest at 0.25 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, ***Borrower*** has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2013-18 TABLE 1

Applicable Federal Rates (AFR) for September 2013

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.25%	.25%	.25%	.25%
110% AFR	.28%	.28%	.28%	.28%
120% AFR	.30%	.30%	.30%	.30%
130% AFR	.33%	.33%	.33%	.33%
		Mid-term		
AFR	1.66%	1.65%	1.65%	1.64%
110% AFR	1.83%	1.82%	1.82%	1.81%
120% AFR	1.99%	1.98%	1.98%	1.97%
130% AFR	2.16%	2.15%	2.14%	2.14%
150% AFR	2.50%	2.48%	2.47%	2.47%
175% AFR	2.91%	2.89%	2.88%	2.87%
		Long-term		
AFR	3.28%	3.25%	3.24%	3.23%
110% AFR	3.61%	3.58%	3.56%	3.55%
120% AFR	3.94%	3.90%	3.88%	3.87%
130% AFR	4.27%	4.23%	4.21%	4.19%

Exhibit C

Promissory Note, dated December 27, 2013

PROMISSORY NOTE

Amount $1,000,000.00 Date December 27th, 2013

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH**, ("Lender"), the principal sum of $1,000,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on December 26th, 2016. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on December 26th, 2016.

INTEREST. This Note shall bear simple interest at 0.25 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, ***Borrower*** has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2013-26 TABLE 1

Applicable Federal Rates (AFR) for December 2013

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.25%	.25%	.25%	.25%
110% AFR	.28%	.28%	.28%	.28%
120% AFR	.30%	.30%	.30%	.30%
130% AFR	.33%	.33%	.33%	.33%
		Mid-term		
AFR	1.65%	1.64%	1.64%	1.63%
110% AFR	1.81%	1.80%	1.80%	1.79%
120% AFR	1.98%	1.97%	1.97%	1.96%
130% AFR	2.14%	2.13%	2.12%	2.12%
150% AFR	2.48%	2.46%	2.45%	2.45%
175% AFR	2.89%	2.87%	2.86%	2.85%
		Long-term		
AFR	3.32%	3.29%	3.28%	3.27%
110% AFR	3.65%	3.62%	3.60%	3.59%
120% AFR	3.99%	3.95%	3.93%	3.92%
130% AFR	4.33%	4.28%	4.26%	4.24%

Exhibit D

Promissory Note, dated February 10, 2014

PROMISSORY NOTE

Amount $2,000,000.00 Date February 10th, 2014

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH,** ("Lender"), the principal sum of $2,000,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on February 9th, 2017. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on February 9th, 2017.

INTEREST. This Note shall bear simple interest at 0.30 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, ***Borrower*** has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2014-6 TABLE 1

Applicable Federal Rates (AFR) for February 2014

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.30%	.30%	.30%	.30%
110% AFR	.33%	.33%	.33%	.33%
120% AFR	.36%	.36%	.36%	.36%
130% AFR	.39%	.39%	.39%	.39%
		Mid-term		
AFR	1.97%	1.96%	1.96%	1.95%
110% AFR	2.17%	2.16%	2.15%	2.15%
120% AFR	2.36%	2.35%	2.34%	2.34%
130% AFR	2.57%	2.55%	2.54%	2.54%
150% AFR	2.96%	2.94%	2.93%	2.92%
175% AFR	3.46%	3.43%	3.42%	3.41%
		Long-term		
AFR	3.56%	3.53%	3.51%	3.50%
110% AFR	3.92%	3.88%	3.86%	3.85%
120% AFR	4.28%	4.24%	4.22%	4.20%
130% AFR	4.64%	4.59%	4.56%	4.55%

Exhibit E

Promissory Note, dated August 15, 2014

PROMISSORY NOTE

Amount $500,000.00 Date August 15th, 2014

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH,** ("Lender"), the principal sum of $500,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on August 14th, 2017. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on August 14th, 2017.

INTEREST. This Note shall bear simple interest at 0.36 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, ***Borrower*** has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2014-19 TABLE 1

Applicable Federal Rates (AFR) for August 2014

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.36%	.36%	.36%	.36%
110% AFR	.40%	.40%	.40%	.40%
120% AFR	.43%	.43%	.43%	.43%
130% AFR	.47%	.47%	.47%	.47%
		Mid-term		
AFR	1.89%	1.88%	1.88%	1.87%
110% AFR	2.08%	2.07%	2.06%	2.06%
120% AFR	2.27%	2.26%	2.25%	2.25%
130% AFR	2.45%	2.44%	2.43%	2.43%
150% AFR	2.84%	2.82%	2.81%	2.80%
175% AFR	3.32%	3.29%	3.28%	3.27%
		Long-term		
AFR	3.09%	3.07%	3.06%	3.05%
110% AFR	3.41%	3.38%	3.37%	3.36%
120% AFR	3.71%	3.68%	3.66%	3.65%
130% AFR	4.03%	3.99%	3.97%	3.96%

Exhibit F

Promissory Note, dated August 18, 2014

PROMISSORY NOTE

Amount $500,000.00 Date August 18th, 2014

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH,** ("Lender"), the principal sum of $500,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on August 17th, 2017. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on August 17th, 2017.

INTEREST. This Note shall bear simple interest at 0.36 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, ***Borrower*** has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2014-19 TABLE 1

Applicable Federal Rates (AFR) for August 2014

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.36%	.36%	.36%	.36%
110% AFR	.40%	.40%	.40%	.40%
120% AFR	.43%	.43%	.43%	.43%
130% AFR	.47%	.47%	.47%	.47%
		Mid-term		
AFR	1.89%	1.88%	1.88%	1.87%
110% AFR	2.08%	2.07%	2.06%	2.06%
120% AFR	2.27%	2.26%	2.25%	2.25%
130% AFR	2.45%	2.44%	2.43%	2.43%
150% AFR	2.84%	2.82%	2.81%	2.80%
175% AFR	3.32%	3.29%	3.28%	3.27%
		Long-term		
AFR	3.09%	3.07%	3.06%	3.05%
110% AFR	3.41%	3.38%	3.37%	3.36%
120% AFR	3.71%	3.68%	3.66%	3.65%
130% AFR	4.03%	3.99%	3.97%	3.96%

Exhibit G

Promissory Note, dated November 12, 2014

PROMISSORY NOTE

Amount $1,000,000.00 Date November 12th, 2014

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH,** ("Lender"), the principal sum of $1,000,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on November 11th, 2017. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on November 11th, 2017.

INTEREST. This Note shall bear simple interest at 0.39 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, ***Borrower*** has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2014-28 TABLE 1

Applicable Federal Rates (AFR) for November 2014

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.39%	.39%	.39%	.39%
110% AFR	.43%	.43%	.43%	.43%
120% AFR	.47%	.47%	.47%	.47%
130% AFR	.51%	.51%	.51%	.51%
		Mid-term		
AFR	1.90%	1.89%	1.89%	1.88%
110% AFR	2.09%	2.08%	2.07%	2.07%
120% AFR	2.28%	2.27%	2.26%	2.26%
130% AFR	2.48%	2.46%	2.45%	2.45%
150% AFR	2.86%	2.84%	2.83%	2.82%
175% AFR	3.34%	3.31%	3.30%	3.29%
		Long-term		
AFR	2.91%	2.89%	2.88%	2.87%
110% AFR	3.21%	3.18%	3.17%	3.16%
120% AFR	3.50%	3.47%	3.46%	3.45%
130% AFR	3.80%	3.76%	3.74%	3.73%

Exhibit H

Promissory Note, dated January 28, 2015

PROMISSORY NOTE

Amount $500,000.00 Date January 28th, 2015

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH,** ("Lender"), the principal sum of $500,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on January 27th, 2018. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on January 27th, 2018.

INTEREST. This Note shall bear simple interest at 0.41 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, *Borrower* has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2015-1 TABLE 1

Applicable Federal Rates (AFR) for January 2015

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.41%	.41%	.41%	.41%
110% AFR	.45%	.45%	.45%	.45%
120% AFR	.49%	.49%	.49%	.49%
130% AFR	.53%	.53%	.53%	.53%
		Mid-term		
AFR	1.75%	1.74%	1.74%	1.73%
110% AFR	1.92%	1.91%	1.91%	1.90%
120% AFR	2.10%	2.09%	2.08%	2.08%
130% AFR	2.27%	2.26%	2.25%	2.25%
150% AFR	2.63%	2.61%	2.60%	2.60%
175% AFR	3.07%	3.05%	3.04%	3.03%
		Long-term		
AFR	2.67%	2.65%	2.64%	2.64%
110% AFR	2.94%	2.92%	2.91%	2.90%
120% AFR	3.21%	3.18%	3.17%	3.16%
130% AFR	3.48%	3.45%	3.44%	3.43%

Exhibit I

Promissory Note, dated April 7, 2015

PROMISSORY NOTE

Amount $500,000.00 Date April 7th, 2015

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH,** ("Lender"), the principal sum of $500,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on April 6th, 2018. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on April 6th, 2018.

INTEREST. This Note shall bear simple interest at 0.48 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, ***Borrower*** has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2015-7 TABLE 1

Applicable Federal Rates (AFR) for April 2015

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.48%	.48%	.48%	.48%
110% AFR	.53%	.53%	.53%	.53%
120% AFR	.58%	.58%	.58%	.58%
130% AFR	.62%	.62%	.62%	.62%
		Mid-term		
AFR	1.70%	1.69%	1.69%	1.68%
110% AFR	1.87%	1.86%	1.86%	1.85%
120% AFR	2.04%	2.03%	2.02%	2.02%
130% AFR	2.21%	2.20%	2.19%	2.19%
150% AFR	2.56%	2.54%	2.53%	2.53%
175% AFR	2.98%	2.96%	2.95%	2.94%
		Long-term		
AFR	2.47%	2.45%	2.44%	2.44%
110% AFR	2.72%	2.70%	2.69%	2.68%
120% AFR	2.96%	2.94%	2.93%	2.92%
130% AFR	3.22%	3.19%	3.18%	3.17%

Exhibit J

Promissory Note, dated May 12, 2015

PROMISSORY NOTE

Amount $500,000.00 Date May 12th, 2015

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH,** ("Lender"), the principal sum of $500,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on May 11th, 2018. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on May 11th, 2018.

INTEREST. This Note shall bear simple interest at 0.43 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, ***Borrower*** has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2015-8 TABLE 1

Applicable Federal Rates (AFR) for May 2015

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.43%	.43%	.43%	.43%
110% AFR	.47%	.47%	.47%	.47%
120% AFR	.52%	.52%	.52%	.52%
130% AFR	.56%	.56%	.56%	.56%
		Mid-term		
AFR	1.53%	1.52%	1.52%	1.52%
110% AFR	1.68%	1.67%	1.67%	1.66%
120% AFR	1.83%	1.82%	1.82%	1.81%
130% AFR	1.99%	1.98%	1.98%	1.97%
150% AFR	2.29%	2.28%	2.27%	2.27%
175% AFR	2.68%	2.66%	2.65%	2.65%
		Long-term		
AFR	2.30%	2.29%	2.28%	2.28%
110% AFR	2.54%	2.52%	2.51%	2.51%
120% AFR	2.77%	2.75%	2.74%	2.73%
130% AFR	3.00%	2.98%	2.97%	2.96%

Exhibit K

Promissory Note, dated August 24, 2015

PROMISSORY NOTE

Amount $2,000,000.00 Date August 24th, 2015

FOR VALUE RECEIVED, FULGENT THERAPEUTICS, LLC, (the "Borrower"), hereby promises to pay to the order of **MING HSIEH,** ("Lender"), the principal sum of $2,000,000.00 pursuant to the terms and conditions set forth herein.

PAYMENT OF PRINCIPAL. The principal amount of this Promissory Note and any accrued but unpaid interest shall be due and payable on August 23th, 2018. All payments under this Note shall be applied first to accrued but unpaid interest, and next to outstanding principal. If not sooner paid, the entire remaining indebtedness (including accrued interest) shall be due and payable on August 23th, 2018.

INTEREST. This Note shall bear simple interest at 0.48 percent.

PREPAYMENT. The Maker shall have the right at any time and from time to time to prepay this Note in whole or in part without premium or penalty.

REMEDIES. No delay or omission on part of the holder of this Note in exercising any right hereunder shall operate as a waiver of any such right or of any other right of such holder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The rights and remedies of the Payee shall be cumulative and may be pursued singly, successively, or together, in the sole discretion of the Payee.

IN WITNESS WHEREOF, *Borrower* has executed this Promissory Note as of the day and year first above written.

Borrower: /s/ Ming Hsieh
FULGENT THERAPEUTICS, LLC

Lender: /s/ Ming Hsieh
MING HSIEH

REV. RUL. 2015-16 TABLE 1

Applicable Federal Rates (AFR) for August 2015

	Period for Compounding			
	Annual	Semiannual	Quarterly	Monthly
		Short-term		
AFR	.48%	.48%	.48%	.48%
110% AFR	.53%	.53%	.53%	.53%
120% AFR	.58%	.58%	.58%	.58%
130% AFR	.62%	.62%	.62%	.62%
		Mid-term		
AFR	1.82%	1.81%	1.81%	1.80%
110% AFR	2.00%	1.99%	1.99%	1.98%
120% AFR	2.18%	2.17%	2.16%	2.16%
130% AFR	2.36%	2.35%	2.34%	2.34%
150% AFR	2.74%	2.72%	2.71%	2.70%
175% AFR	3.20%	3.17%	3.16%	3.15%
		Long-term		
AFR	2.82%	2.80%	2.79%	2.78%
110% AFR	3.10%	3.08%	3.07%	3.06%
120% AFR	3.39%	3.36%	3.35%	3.34%
130% AFR	3.67%	3.64%	3.62%	3.61%

Exhibit 10.12

COMMERCIAL LEASE

This Lease is made and entered into between **E & E Plaza LLC**, herein called Lessor, and **Fulgent Therapeutics Inc** herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situated in the City of **Temple City**, County of **Los Angeles**, State of CA, described as **4978 Santa Anita Ave. #101 & #102**, with approximately 1,350 square feet upon the following TERMS and CONDITIONS:

1. **Term and Rent.** Lessor demises the above premises for a term of three (3) years commencing on April 1, 2015 and terminating on March 31, 2018 or sooner as provided herein at the annual rental of Twenty Three Thousand Nine Hundred Seventy Six Dollars ($23,976.00) payable in equal monthly installments of $1,998.00 in advance on the first day of each month for that month's rent during the term of this lease. All rental payments shall be made to E & E Plaza LLC (Lessor) at the following address: **Ideal Management at 625 E. Main Street Alhambra, CA 91801**

2. **Late Charge.** In the event Tenant is more than Five (5) days late in paying any installment of rent due under this Lease, Tenant shall pay landlord a late charge equal to 10% of the delinquent installment of rent.

3. **Security Deposit.** Lessee shall deposit with Lessor on the signing of this lease the sum of **$1,998.00** as security for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease.

4. **Adjustment to the Rent.** The rent specified herein shall be increased on each Adjustment Date (April 1st) at 3% fixed annually starting 04/01/2016. Lessor agrees to provide to Lessee 3 months free rent which will be applied from 04/01/15 to 06/30/15. Lessee will be responsible to all tenant improvement expenses and costs in unit #101 & #102.

5. **Use.** Lessee shall use and occupy the premises for **Lab.** the premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.

6. **Care and Maintenance of Premises.** Lessee acknowledges that the premises are in good order and repair, unless otherwise indicated herein. Lessee shall, at his own expense and at all times, maintain the premises in good and safe condition, including plate glass, electrical wiring, plumbing and any other system or equipment exclusively used for that premises and shall surrender the same, at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, except the roof, exterior walls, and structural foundations, which shall be maintained by Lessor.

7. **Alterations.** Lessee shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.

8. **Ordinances and Statutes.** Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.

9. **Assignment and Subletting.** Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, Lessor, at his/her option, may terminate this lease.

10. **Utilities.** All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including those for electricity, and telephone services.

11. **Entry and Inspection.** Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purpose of inspecting the same, and will permit Lessor at any time within sixty (60) days prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

12. **Possession.** If Lessor is unable to deliver possession of the premises at the commencement hereof, Lessor shall not be liable for any damage caused thereby, nor shall this lease be void or voidable, but Lessee shall not be liable for any rent until possession is delivered. Lessee may terminate this lease if possession is not delivered within 30 days of the commencement of the term hereof.

13. **Indemnification of Lessor.** Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claims for damages, no matter how caused.

14. **Insurance.** Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows: $1,000,000.00 General Liability Insurance.

    Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of Cancellation or material change of coverage. To the maximum extent permitted by insurance policies, which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation, which might otherwise exist.

    Tenant shall indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use or occupancy of the premises or from the conduct of its business or from any activity, work, or things which may be permitted or suffered by tenant in or about the premises including all damages, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising there from. Except for Landlord's willful or grossly negligent conduct, Tenant hereby assumes all risk of damage to property or injury to person in or about the premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord.

Except for Landlord's willful or grossly negligent conduct, Tenant hereby agrees that Landlord shall not be liable for any injury to Tenant's business or loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant. Tenant's employees, invitees, customers or any other person in or about the premises: nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, or lighting fixtures, or from any other cause, weather such damage results from conditions arising upon the premises or upon other portions of the building in which the premises are a part, or from any other sources or places. Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant, if any, of the building in which the premises are located.

15. **Eminent Domain.** If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premises, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for any period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expense.

16. **Destruction of Premises.** In the event of a partial destruction of the premises during the term hereof, from any cause, Lessor shall forthwith repair the same, provided that such repairs can be made within sixty (60) days under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which the making of such repairs shall interfere with the business of Lessee on the premises. If such repairs cannot be made within said sixty (60) days, Lessor, at his option, may make the same within a reasonable time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made within sixty (60) days, this lease may be terminated at the option of either party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement costs, thereof, Lessor may elect to terminate this lease whether the demised premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

17. **Lessor's Remedies on Default.** If Lessee shall default in the payment when due of any installment of rent herein or in the performance of any other convenant or obligation of Lessee herein, Lessor shall forward written notice, as provided herein, of such default to Lessee, and failure of Lessee to cure such default within Three (3) days after the date of receipt of such notice with respect to a default in the payment of rent or within Thirty (30) days after the date of receipt of such notice with respect to any other default of Lessee (or, if such other default cannot be cured within such Thirty(30) day period, within such reasonable additional time as is necessary to cure such other default, provided that Lessee pursues cure diligently and in good faith), shall thereafter allow Lessor to pursue all remedies provided to Lessor pursuant to state law applicable.

18. **Tax Increase.** In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to **N/A %** of the increase in taxes upon the year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

19. **Common Area Expense.** In the event the demised premises are situated in a shopping center or in commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area. (N/A)

20. **Attorney's Fees.** In case suit should be brought for recovery of the premises, or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including a reasonable attorney's fee.

21. **Notices.** Any notice which either party may or is required to give, shall be given by mailing the same, postage prepaid, to Lessee at the premises, or Lessor at the address shown below, or at such other places as may be designated by the parties from time to time.

22. **Heirs, Assigns, Successors.** This lease is binding upon and insures to the benefit of the heirs, assigns and successors in interest to the parties.

23. **Options to Renew.** Provided that Lessee is not in default in the performance of this lease, Lessee shall have the option to renew the lease for None additional term of N/A years commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term. The option shall be exercised by written notice given to Lessor not less than 90 **days** prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire.

24. **Subordination.** This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

25. **Estoppels Certificate.** Each party, within (10) days after notice from the other party, shall execute and deliver to the other party a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating the modification. The certificate shall also state the amount of minimum monthly rent, the dates to which the rent has been paid in advance, and the amount of any security deposit or prepaid rent, if any, as well as acknowledging that there are not, to that party's knowledge, any uncured defaults on the part of the other party, or specifying such defaults, if any, which are claimed. Failure to deliver such a certificate within the ten (10) day period shall be conclusive upon the party failing to deliver the certificate to the benefit of the party requesting the certificate that this Lease is in full force and effect, that there are no uncured defaults hereunder, and has not been modified except as may be represented by the party requesting the certificate

26. Covenants and conditions. Each provision of this lease performable by Tenant shall be deemed both a covenant and a condition.

27. Choice of Law. The parties hereto agree that the laws of the State of California shall govern this Lease.

Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only by a writing signed by both parties.

Signed this 14th **Day of April, 2015**

By */s/ James Shi*
Lessor:
E & E Plaza LLC

04/14/2015

By */s/ Ming Hsieh*
Lessee:
Fulgent Therapeutics Inc

COMMERCIAL LEASE

This Lease is made and entered into between **E & E Plaza LLC**, herein called Lessor, and **Fulgent Therapeutics LLC** herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situated in the City of **Temple City**, County of **Los Angeles**, State of CA, described as **4978 Santa Anita Ave. #103**, with approximately 948 square feet upon the following TERMS and CONDITIONS:

1. **Term and Rent.** Lessor demises the above premises for a term of two (2) years commencing on April 1, 2016 and terminating on March 31, 2018 or sooner as provided herein at the annual rental of Eighteen Thousand Two Hundred One Dollars and 60/100 ($18,201.60) payable in equal monthly installments of $1,516.80 in advance on the first day of each month for that month's rent during the term of this lease. All rental payments shall be made to E & E Plaza LLC (Lessor) at the following address: **Ideal Management at 625 E. Main Street Alhambra, CA 91801**

2. **Late Charge.** In the event Tenant is more than Five (5) days late in paying any installment of rent due under this Lease, Tenant shall pay landlord a late charge equal to 10% of the delinquent installment of rent.

3. **Security Deposit.** Lessee shall deposit with Lessor on the signing of this lease the sum of **$1,516.80** as security for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease.

4. **Adjustment to the Rent.** The rent specified herein shall be increased on each Adjustment Date (April 1st) at 3% - 5% annually starting 04/01/2017. Lessee will be responsible to all tenant improvement expenses and costs in unit #103.

5. **Use.** Lessee shall use and occupy the premises for **Lab.** the premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.

6. **Care and Maintenance of Premises.** Lessee acknowledges that the premises are in good order and repair, unless otherwise indicated herein. Lessee shall, at his own expense and at all times, maintain the premises in good and safe condition, including plate glass, electrical wiring, plumbing and any other system or equipment exclusively used for that premises and shall surrender the same, at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, except the roof, exterior walls, and structural foundations, which shall be maintained by Lessor.

7. **Alterations.** Lessee shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.

8. **Ordinances and Statutes.** Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.

9. **Assignment and Subletting.** Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, Lessor, at his/her option, may terminate this lease.

10. **Utilities.** All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including those for electricity, and telephone services.

11. **Entry and Inspection.** Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purpose of inspecting the same, and will permit Lessor at any time within sixty (60) days prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

12. **Possession.** If Lessor is unable to deliver possession of the premises at the commencement hereof, Lessor shall not be liable for any damage caused thereby, nor shall this lease be void or voidable, but Lessee shall not be liable for any rent until possession is delivered. Lessee may terminate this lease if possession is not delivered within 30 days of the commencement of the term hereof.

13. **Indemnification of Lessor.** Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claims for damages, no matter how caused.

14. **Insurance.** Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows: $1,000,000.00 General Liability Insurance.

    Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of Cancellation or material change of coverage. To the maximum extent permitted by insurance policies, which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation, which might otherwise exist.

    Tenant shall indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use or occupancy of the premises or from the conduct of its business or from any activity, work, or things which may be permitted or suffered by tenant in or about the premises including all damages, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising there from. Except for Landlord's willful or grossly negligent conduct, Tenant hereby assumes all risk of damage to property or injury to person in or about the premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord.

Except for Landlord's willful or grossly negligent conduct, Tenant hereby agrees that Landlord shall not be liable for any injury to Tenant's business or loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant. Tenant's employees, invitees, customers or any other person in or about the premises: nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, or lighting fixtures, or from any other cause, weather such damage results from conditions arising upon the premises or upon other portions of the building in which the premises are a part, or from any other sources or places. Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant, if any, of the building in which the premises are located.

15. **Eminent Domain.** If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premises, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for any period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expense.

16. **Destruction of Premises.** In the event of a partial destruction of the premises during the term hereof, from any cause, Lessor shall forthwith repair the same, provided that such repairs can be made within sixty (60) days under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which the making of such repairs shall interfere with the business of Lessee on the premises. If such repairs cannot be made within said sixty (60) days. Lessor, at his option, may make the same within a reasonable time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made within sixty (60) days, this lease may be terminated at the option of cither party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement costs, thereof, Lessor may elect to terminate this lease whether the demised premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

17. **Lessor's Remedies on Default.** If Lessee shall default in the payment when due of any installment of rent herein or in the performance of any other convenant or obligation of Lessee herein, Lessor shall forward written notice, as provided herein, of such default to Lessee, and failure of Lessee to cure such default within Three (3) days after the date of receipt of such notice with respect to a default in the payment of rent or within Thirty (30) days after the date of receipt of such notice with respect to any other default of Lessee (or, if such other default cannot be cured within such Thirty(30) day period, within such reasonable additional time as is necessary to cure such other default, provided that Lessee pursues cure diligently and in good faith), shall thereafter allow Lessor to pursue all remedies provided to Lessor pursuant to state law applicable.

18. **Tax Increase.** In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to **N/A** % of the increase in taxes upon the year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

19. **Common Area Expense.** In the event the demised premises are situated in a shopping center or in commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area. (N/A)

20. **Attorney's Fees.** In case suit should be brought for recovery of the premises, or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including a reasonable attorney's fee.

21. **Notices.** Any notice which either party may or is required to give, shall be given by mailing the same, postage prepaid, to Lessee at the premises, or Lessor at the address shown below, or at such other places as may be designated by the parties from time to time.

22. **Heirs, Assigns, Successors.** This lease is binding upon and insures to the benefit of the heirs, assigns and successors in interest to the parties.

23. **Options to Renew.** Provided that Lessee is not in default in the performance of this lease. Lessee shall have the option to renew the lease for None additional term of N/A years commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term. The option shall be exercised by written notice given to Lessor not less than 90 **days** prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire.

24. **Subordination.** This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

25. **Estoppels Certificate.** Each party, within (10) days after notice from the other party, shall execute and deliver to the other party a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating the modification. The certificate shall also state the amount of minimum monthly rent, the dates to which the rent has been paid in advance, and the amount of any security deposit or prepaid rent, if any, as well as acknowledging that there are not, to that party's knowledge, any uncured defaults on the part of the other party, or specifying such defaults, if any, which are claimed. Failure to deliver such a certificate within the ten (10) day period shall be conclusive upon the party failing to deliver the certificate to the benefit of the party requesting the certificate that this Lease is in full force and effect, that there are no uncured defaults hereunder, and has not been modified except as may be represented by the party requesting the certificate

26. Covenants and conditions. Each provision of this lease performable by Tenant shall be deemed both a covenant and a condition.

27. Choice of Law. The parties hereto agree that the laws of the State of California shall govern this Lease.

Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only by a writing signed by both parties.

Signed this 24th **Day of March, 2016**

By */s/ James Shi*
Lessor:
E & E Plaza LLC

By */s/ Ming Hsieh*
Lessee:
Fulgent Therapeutics LLC

COMMERCIAL LEASE

This Lease is made and entered into between **E & E Plaza LLC**, herein called Lessor, and **Fulgent Therapeutics Inc** herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situated in the City of **Temple City**, County of **Los Angeles**, State of **CA**, described as **4978 Santa Anita Ave. #104**, with approximately 1,260 square feet upon the following TERMS and CONDITIONS:

1. **Term and Rent.** Lessor demises the above premises for a term of three (3) years commencing on April 1, 2015 and terminating on March 31, 2018 or sooner as provided herein at the annual rental of Twenty Two Thousand Three Hundred Seventy Seven Dollars and 60/100 Cents ($22,377.60) payable in equal monthly installments of $1,864.80 in advance on the first day of each month for that month's rent during the term of this lease. All rental payments shall be made to E & E Plaza LLC (Lessor) at the following address: **Ideal Management at 625 E. Main Street Alhambra, CA 91801**

2. **Late Charge.** In the event Tenant is more than Five (5) days late in paying any installment of rent due under this Lease, Tenant shall pay landlord a late charge equal to 10% of the delinquent installment of rent.

3. **Security Deposit.** Lessee shall deposit with Lessor on the signing of this lease the sum of **$1,864.80** as security for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease.

4. **Adjustment to the Rent.** The rent specified herein shall be increased on each Adjustment Date (April 1st) at 3% fixed annually starting 04/01/2016. Lessor agrees to provide to Lessee 3 months free rent which will be applied from 04/01/15 to 06/30/15. Lessee will be responsible to all tenant improvement expenses and costs in unit #104.

5. **Use.** Lessee shall use and occupy the premises for Lab, the premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.

6. **Care and Maintenance of Premises.** Lessee acknowledges that the premises are in good order and repair, unless otherwise indicated herein. Lessee shall, at his own expense and at all limes, maintain the premises in good and safe condition, including plate glass, electrical wiring, plumbing and any other system or equipment exclusively used for that premises and shall surrender the same, at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, except the roof, exterior walls, and structural foundations, which shall be maintained by Lessor.

7. **Alterations.** Lessee shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.

8. **Ordinances and Statutes.** Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.

9. **Assignment and Subletting.** Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, Lessor, at his/her option, may terminate this lease.

10. **Utilities.** All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including those for electricity, and telephone services.

11. **Entry and Inspection.** Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purpose of inspecting the same, and will permit Lessor at any time within sixty (60) days prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

12. **Possession.** If Lessor is unable to deliver possession of the premises at the commencement hereof, Lessor shall not be liable for any damage caused thereby, nor shall this lease be void or voidable, but Lessee shall not be liable for any rent until possession is delivered. Lessee may terminate this lease if possession is not delivered within 30 days of the commencement of the term hereof.

13. **Indemnification of Lessor.** Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claims for damages, no matter how caused.

14. **Insurance.** Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows: $1,000,000.00 General Liability Insurance.

    Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of Cancellation or material change of coverage. To the maximum extent permitted by insurance policies, which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation, which might otherwise exist.

    Tenant shall indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use or occupancy of the premises or from the conduct of its business or from any activity, work, or things which may be permitted or suffered by tenant in or about the premises including all damages, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising there from. Except for Landlord's willful or grossly negligent conduct, Tenant hereby assumes all risk of damage to property or injury to person in or about the premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord.

Except for Landlord's willful or grossly negligent conduct, Tenant hereby agrees that Landlord shall not be liable for any injury to Tenant's business or loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant. Tenant's employees, invitees, customers or any other person in or about the premises; nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, or lighting fixtures, or from any other cause, weather such damage results from conditions arising upon the premises or upon other portions of the building in which the premises are a part, or from any other sources or places. Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant, if any, of the building in which the premises are located.

15. **Eminent Domain.** If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premises, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for any period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expense.

16. **Destruction of Premises.** In the event of a partial destruction of the premises during the term hereof, from any cause, Lessor shall forthwith repair the same, provided that such repairs can be made within sixty (60) days under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which the making of such repairs shall interfere with the business of Lessee on the premises. If such repairs cannot be made within said sixty (60) days, Lessor, at his option, may make the same within a reasonable time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made within sixty (60) days, this lease may be terminated at the option of either party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement costs, thereof, Lessor may elect to terminate this lease whether the demised premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

17. **Lessor's Remedies on Default.** If Lessee shall default in the payment when due of any installment of rent herein or in the performance of any other convenant or obligation of Lessee herein, Lessor shall forward written notice, as provided herein, of such default to Lessee, and failure of Lessee to cure such default within Three (3) days after the date of receipt of such notice with respect to a default in the payment of rent or within Thirty (30) days after the date of receipt of such notice with respect to any other default of Lessee (or, if such other default cannot be cured within such Thirty(30) day period, within such reasonable additional time as is necessary to cure such other default, provided that Lessee pursues cure diligently and in good faith), shall thereafter allow Lessor to pursue all remedies provided to Lessor pursuant to state law applicable.

18. **Tax Increase.** In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to **N/A %** of the increase in taxes upon the year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

19. **Common Area Expense.** In the event the demised premises are situated in a shopping center or in commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area. (N/A)

20. **Attorney's Fees.** In case suit should be brought for recovery of the premises, or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including a reasonable attorney's fee.

21. **Notices.** Any notice which either party may or is required to give, shall be given by mailing the same, postage prepaid, to Lessee at the premises, or Lessor at the address shown below, or at such other places as may be designated by the parties from time to time.

22. **Heirs, Assigns, Successors.** This lease is binding upon and insures to the benefit of the heirs, assigns and successors in interest to the parties.

23. **Options to Renew.** Provided that Lessee is not in default in the performance of this lease, Lessee shall have the option to renew the lease for None additional term of N/A years commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term. The option shall be exercised by written notice given to Lessor not less than **90 days** prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire.

24. **Subordination.** This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

25. **Estoppels Certificate.** Each party, within (10) days after notice from the other party, shall execute and deliver to the other party a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating the modification. The certificate shall also state the amount of minimum monthly rent, the dates to which the rent has been paid in advance, and the amount of any security deposit or prepaid rent, if any, as well as acknowledging that there are not, to that party's knowledge, any uncured defaults on the part of the other party, or specifying such defaults, if any, which are claimed. Failure to deliver such a certificate within the ten (10) day period shall be conclusive upon the party failing to deliver the certificate to the benefit of the party requesting the certificate that this Lease is in full force and effect, that there are no uncured defaults hereunder, and has not been modified except as may be represented by the party requesting the certificate

26. Covenants and conditions. Each provision of this lease performable by Tenant shall be deemed both a covenant and a condition.

27. Choice of Law. The parties hereto agree that the laws of the State of California shall govern this Lease.

Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only by a writing signed by both parties.

Signed this 14th **Day of April, 2015** 04/14/2015

By */s/ James Shi*
Lessor:
E & E Plaza LLC

By */s/ Ming Hsieh*
Lessee:
Fulgent Therapeutics Inc

COMMERCIAL LEASE

This Lease is made and entered into between **E & E Plaza LLC**, herein called Lessor, and **Fulgent Therapeutics Inc** herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situated in the City of **Temple City**, County of **Los Angeles**, State of **CA**, described as **4978 Santa Anita Ave. #105**, with approximately 1,200 square feet upon the following TERMS and CONDITIONS:

1. **Term and Rent.** Lessor demises the above premises for a term of three (3) years commencing on April 1, 2015 and terminating on March 31, 2018 or sooner as provided herein at the annual rental of Twenty One Thousand Three Hundred Twelve Dollars ($21,312.00) payable in equal monthly installments of $1,776.00 in advance on the first day of each month for that month's rent during the term of this lease. All rental payments shall be made to E & E Plaza LLC (Lessor) at the following address: **Ideal Management at 625 E. Main Street Alhambra, CA 91801**

2. **Late Charge.** In the event Tenant is more than Five (5) days late in paying any installment of rent due under this Lease, Tenant shall pay landlord a late charge equal to 10% of the delinquent installment of rent.

3. **Security Deposit.** Lessee shall deposit with Lessor on the signing of this lease the sum of **$1,776.00** as security for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease.

4. **Adjustment to the Rent.** The rent specified herein shall be increased on each Adjustment Date (April 1st) at 3% fixed annually starting 04/01/2016. Lessor agrees to provide to Lessee 3 months free rent which will be applied from 04/01/15 to 06/30/15. Lessee will be responsible to all tenant improvement expenses and costs in unit #105.

5. **Use.** Lessee shall use and occupy the premises for **Lab.** the premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.

6. **Care and Maintenance of Premises.** Lessee acknowledges that the premises are in good order and repair, unless otherwise indicated herein. Lessee shall, at his own expense and at all times, maintain the premises in good and safe condition, including plate glass, electrical wiring, plumbing and any other system or equipment exclusively used for that premises and shall surrender the same, at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, except the roof, exterior walls, and structural foundations, which shall be maintained by Lessor.

7. **Alterations.** Lessee shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.

8. **Ordinances and Statutes.** Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.

9. **Assignment and Subletting.** Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, Lessor, at his/her option, may terminate this lease.

10. **Utilities.** All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including those for electricity, and telephone services.

11. **Entry and Inspection.** Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purpose of inspecting the same, and will permit Lessor at any time within sixty (60) days prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

12. **Possession.** If Lessor is unable to deliver possession of the premises at the commencement hereof, Lessor shall not be liable for any damage caused thereby, nor shall this lease be void or voidable, but Lessee shall not be liable for any rent until possession is delivered. Lessee may terminate this lease if possession is not delivered within 30 days of the commencement of the term hereof.

13. **Indemnification of Lessor.** Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claims for damages, no matter how caused.

14. **Insurance.** Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows: $1,000,000.00 General Liability Insurance.

    Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of Cancellation or material change of coverage. To the maximum extent permitted by insurance policies, which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation, which might otherwise exist.

    Tenant shall indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use or occupancy of the premises or from the conduct of its business or from any activity, work, or things which may be permitted or suffered by tenant in or about the premises including all damages, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising there from. Except for Landlord's willful or grossly negligent conduct, Tenant hereby assumes all risk of damage to property or injury to person in or about the premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord.

Except for Landlord's willful or grossly negligent conduct. Tenant hereby agrees that Landlord shall not be liable for any injury to Tenant's business or loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant. Tenant's employees, invitees, customers or any other person in or about the premises: nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, or lighting fixtures, or from any other cause, weather such damage results from conditions arising upon the premises or upon other portions of the building in which the premises are a part, or from any other sources or places, Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant, if any, of the building in which the premises are located.

15. **Eminent Domain.** If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premises, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for any period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expense.

16. **Destruction of Premises.** In the event of a partial destruction of the premises during the term hereof, from any cause, Lessor shall forthwith repair the same, provided that such repairs can be made within sixty (60) days under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which the making of such repairs shall interfere with the business of Lessee on the premises. If such repairs cannot be made within said sixty (60) days, Lessor, at his option, may make the same within a reasonable time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made within sixty (60) days, this lease may be terminated at the option of either party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement costs, thereof, Lessor may elect to terminate this lease whether the demised premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

17. **Lessor's Remedies on Default.** If Lessee shall default in the payment when due of any installment of rent herein or in the performance of any other convenant or obligation of Lessee herein, Lessor shall forward written notice, as provided herein, of such default to Lessee, and failure of Lessee to cure such default within Three (3) days after the date of receipt of such notice with respect to a default in the payment of rent or within Thirty (30) days after the date of receipt of such notice with respect to any other default of Lessee (or, if such other default cannot be cured within such Thirty(30) day period, within such reasonable additional time as is necessary to cure such other default, provided that Lessee pursues cure diligently and in good faith), shall thereafter allow Lessor to pursue all remedies provided to Lessor pursuant to state law applicable.

18. **Tax Increase.** In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to N/A % of the increase in taxes upon the year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

19. **Common Area Expense.** In the event the demised premises are situated in a shopping center or in commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area. (N/A)

20. **Attorney's Fees.** In case suit should be brought for recovery of the premises, or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including a reasonable attorney's fee.

21. **Notices.** Any notice which either party may or is required to give, shall be given by mailing the same, postage prepaid, to Lessee at the premises, or Lessor at the address shown below, or at such other places as may be designated by the parties from time to time.

22. **Heirs, Assigns, Successors.** This lease is binding upon and insures to the benefit of the heirs, assigns and successors in interest to the parties.

23. **Options to Renew.** Provided that Lessee is not in default in the performance of this lease, Lessee shall have the option to renew the lease for None additional term of N/A years commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term. The option shall be exercised by written notice given to Lessor not less than **90 days** prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire.

24. **Subordination.** This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

25. **Estoppels Certificate.** Each party, within (10) days after notice from the other party, shall execute and deliver to the other party a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as modified, and stating the modification. The certificate shall also state the amount of minimum monthly rent, the dates to which the rent has been paid in advance, and the amount of any security deposit or prepaid rent, if any, as well as acknowledging that there are not, to that party's knowledge, any uncured defaults on the part of the other party, or specifying such defaults, if any, which are claimed. Failure to deliver such a certificate within the ten (10) day period shall be conclusive upon the party failing to deliver the certificate to the benefit of the party requesting the certificate that this Lease is in full force and effect, that there are no uncured defaults hereunder, and has not been modified except as may be represented by the party requesting the certificate

26. Covenants and conditions. Each provision of this lease performable by Tenant shall be deemed both a covenant and a condition.

27. Choice of Law. The parties hereto agree that the laws of the State of California shall govern this Lease.

Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only by a writing signed by both parties.

Signed this 14th **Day of April, 2015** 04/14/2015

By */s/ James Shi*
Lessor:
E & E Plaza LLC

By */s/ Ming Hsieh*
Lessee:
Fulgent Therapeutics Inc

COMMERCIAL LEASE

This Lease is made and entered into between **E & E PLAZA, LLC**, herein called Lessor, and **Fulgent Therapeutics, LLC** herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situated in the City of **Temple City** County of Los Angeles, State of California, described as **4978 Santa Anita Ave. #202A & 202B, Temple City, CA 91780**, with approximately 729 square feet upon the following TERMS and CONDITIONS:

1. **Term and Rent.** Lessor demises the above premises for a term of **Two (2)** years, commencing on **May 1, 2016** and terminating on **April 30, 2018** or sooner as provided herein at the annual rental of **Fifteen Thousand Three Hundred Nine Dollars (15,309.00)** payable in equal monthly installments of **$1,275.75** in advance on the first day of each month for that month's rent, during the term of this lease. All rental payments shall be made to Lessor, at the following address:

Ideal Property at 625 East Main Street Alhambra CA 91801

Late Charge. In the event Tenant is more than **Five (5)** days late in paying any installment of rent due under this Lease, Tenant shall pay landlord a late charge equal to **10%** of the delinquent installment of rent

2. **Security Deposit.** Lessee shall deposit with Lessor on the signing of this lease the sum of **Nine Hundred Eleven Dollars and 25/100 Cents ($911.25)** which is transferred from existing lease as security for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease.

3. **Adjustment to the Rent.** The minimum monthly rent specified herein shall be adjusted as following:

05/01/2016 – 04/30/2017 $1,275.75/month ($1.75/sq.ft.)
05/01/2017 – 04/30/2018 $1,312.20/month ($1.80/sq.ft.)

4. **Use.** Lessee shall use and occupy the premises for **General Office & Lab.** The premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.

5. **Care and Maintenance of Premises.** Lessee acknowledges that the premises are generally in good order and repair, unless otherwise indicated herein. Lessee shall, at his own expenses and at all times, maintain the premises in good and safe condition, including plate glass, flooring, painting, interior walls, electrical wiring & lights, plumbing, HVAC system and any other system or equipment exclusively used for that premises and shall surrender the same, at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, except the roof, exterior walls, and structural foundations, which shall be maintained and repaired by Lessor.

6. **Alterations.** Lessee shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.

7. **Ordinances and Statutes.** Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.

8. **Assignment and Subletting.** Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, Lessor, at his/her option, may terminate this lease.

9. **Utilities.** All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including but not limited, those for electricity, and telephone services. Lessor shall be responsible for water, trash and gardening service.

10. **Entry and Inspection.** Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purpose of inspecting the same, and will permit Lessor at any time within **sixty (60) days** prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

11. **Possession.** Lessee has been in this possession for 3 years already and this lease is a renew one.

12. **Indemnification of Lessor.** Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claims for damages, no matter how caused.

13. **Insurance.** Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows:

    $500,000 for general liabilities.

    Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of Cancellation or material change of coverage. To the maximum extent permitted by insurance policies, which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation, which might otherwise exist.

Tenant shall indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use or occupancy of the premises or from the conduct of its business or from any activity, work, or things which may be permitted or suffered by tenant in or about the premises including all damages, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising there from. Except for Landlord's willful or grossly negligent conduct, Tenant hereby assumes all risk of damage to property or injury to person in or about the premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord.

Except for Landlord's willful or grossly negligent conduct, Tenant hereby agrees that Landlord shall not be liable for any injury to Tenant's business or loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant. Tenant's employees, invitees, customers or any other person in or about the premises: nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, or lighting fixtures, or from any other cause, weather such damage results from conditions arising upon the premises or upon other portions of the building in which the premises are a part, or from any other sources or places. Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant, if any, of the building in which the premises are located.

14. **Eminent Domain.** If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premises, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for any period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expense.

15. **Destruction of Premises.** In the event of a partial destruction of the premises during the term hereof, from any cause, Lessor shall forthwith repair the same, provided that such repairs can be made **within sixty (60) days** under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which the making of such repairs shall interfere with the business of Lessee on the premises. If such repairs cannot be made within said sixty (60) days, Lessor, at his option, may make the same within a reasonable time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made **within sixty (60) days**, this lease may be terminated at the option of either party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement costs, thereof, Lessor may elect to terminate this lease whether the demised premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

16. **Lessor's Remedies on Default.** If Lessee shall default in the payment when due of any installment of rent herein or in the performance of any other convenant or obligation of Lessee herein, Lessor shall

forward written notice, as provided herein, of such default to Lessee, and failure of Lessee to cure such default **within Three (3) days** after the date of receipt of such notice with respect to a default in the payment of rent or **within Thirty (30) days** after the date of receipt of such notice with respect to any other default of Lessee (or, if such other default cannot be cured **within such Thirty (30) day** period, within such reasonable additional time as is necessary to cure such other default, provided that Lessee pursues cure diligently and in good faith), shall thereafter allow Lessor to pursue all remedies provided to Lessor pursuant to state law applicable.

17. **Tax Increase.** In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to **0%** of the increase in taxes upon the year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

18. **Common Area Expense.** In the event the demised premises are situated in a shopping center or in commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area. (N/A)

19. **Attorney's Fees.** In case suit should be brought for recovery of the premises, or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including a reasonable attorney's fee.

20. **Notices.** Any notice which either party may or is required to give, shall be given by mailing the same, postage prepaid, to Lessee at the premises, or Lessor at the address shown below, or at such other places as may be designated by the parties from time to time.

21. **Heirs, Assigns, Successors.** This lease is binding upon and insures to the benefit of the heirs, assigns and successors in interest to the parties.

22. **Options to Renew.** Provided that Lessee is not in default in the performance of this lease, Lessee shall have the option to renew the lease for additional **Three (3)** years commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term. The option shall be exercised by written notice given to Lessor not **less than 60 days** prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire. The option period rent will be increased 5% annually starting 05/01/2018.

23. **Subordination.** This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

24. **Estoppels Certificate.** Each party, **within (10) days** after notice from the other party, shall execute and deliver to the other party a certificate stating that this Lease is unmodified and in full force and

effect, or in full force and effect as modified, and stating the modification. The certificate shall also state the amount of minimum monthly rent, the dates to which the rent has been paid in advance, and the amount of any security deposit or prepaid rent, if any, as well as acknowledging that there are not, to that party's knowledge, any uncured defaults on the part of the other party, or specifying such defaults, if any, which are claimed. Failure to deliver such a certificate **within the ten (10) day** period shall be conclusive upon the party failing to deliver the certificate to the benefit of the party requesting the certificate that this Lease is in full force and effect, that there are no uncured defaults hereunder, and has not been modified except as may be represented by the party requesting the certificate

25. Covenants and conditions. Each provision of this lease performable by Tenant shall be deemed both a covenant and a condition.

26. Choice of Law. The parties hereto agree that the laws of the State of California shall govern this Lease.

Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only by a writing signed by both parties.

Signed this 28th Day of April, 2016

By */s/ Ming Hsieh*	By */s/ James Shi*
Lessee: Fulgent Therapeutics, LLC	Lessor: E & E Plaza, LLC
Title: Manager	Title: Property Manager

COMMERCIAL LEASE

This Lease is made and entered into between **E & E PLAZA, LLC**, herein called Lessor, and **Fulgent Therapeutics, LLC** herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situated in the City of **Temple City** County of **Los Angeles**, State of California, described as **4978 Santa Anita Ave. #203, Temple City, CA 91780**, with approximately 2,500 square feet upon the following TERMS and CONDITIONS:

1. **Term and Rent.** Lessor demises the above premises for a term of **Two (2)** years, commencing on **May 1, 2016** and terminating on **April 30, 2018** or sooner as provided herein at the annual rental of **Fifty Two Thousand Five Hundred Dollars (52,500.00)** payable in equal monthly installments of **$4,375.00** in advance on the first day of each month for that month's rent, during the term of this lease. All rental payments shall be made to Lessor, at the following address:

   Ideal Property at 625 East Main Street Alhambra CA 91801

   Late Charge. In the event Tenant is more than **Five (5)** days late in paying any installment of rent due under this Lease, Tenant shall pay landlord a late charge equal to **10%** of the delinquent installment of rent

2. **Security Deposit.** Lessee shall deposit with Lessor on the signing of this lease the sum of **Thirty Nine Hundred Ninety Six Dollars ($3,996.00)** which is transferred from existing lease as security for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease.

3. **Adjustment to the Rent.** The minimum monthly rent specified herein shall be adjusted as following:

   05/01/2016 – 04/30/2017 $4,375.00/month ($1.75/sq.ft.)
   05/01/2017 – 04/30/2018 $4,500.00/month ($1.80/sq.ft.)

4. **Use.** Lessee shall use and occupy the premises for **General Office & Lab.** The premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.

5. **Care and Maintenance of Premises.** Lessee acknowledges that the premises are generally in good order and repair, unless otherwise indicated herein. Lessee shall, at his own expenses and at all times,

maintain the premises in good and safe condition, including plate glass, flooring, painting, interior walls, electrical wiring & lights, plumbing, HVAC system and any other system or equipment exclusively used for that premises and shall surrender the same, at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, except the roof, exterior walls, and structural foundations, which shall be maintained and repaired by Lessor.

6. **Alterations.** Lessee shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.

7. **Ordinances and Statutes.** Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.

8. **Assignment and Subletting.** Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, Lessor, at his/her option, may terminate this lease.

9. **Utilities.** All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including but not limited, those for electricity, and telephone services. Lessor shall be responsible for water, trash and gardening service.

10. **Entry and Inspection.** Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purpose of inspecting the same, and will permit Lessor at any time within **sixty (60) days** prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

11. **Possession.** Lessee has been in this possession for 3 years already and this lease is a renew one.

12. **Indemnification of Lessor.** Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claims for damages, no matter how caused.

13. **Insurance.** Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows:

    $1,000,000 for general liabilities.

Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of Cancellation or material change of coverage. To the maximum extent permitted by insurance policies, which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation, which might otherwise exist.

Tenant shall indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use or occupancy of the premises or from the conduct of its business or from any activity, work, or things which may be permitted or suffered by tenant in or about the premises including all damages, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising there from. Except for Landlord's willful or grossly negligent conduct, Tenant hereby assumes all risk of damage to property or injury to person in or about the premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord.

Except for Landlord's willful or grossly negligent conduct, Tenant hereby agrees that Landlord shall not be liable for any injury to Tenant's business or loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant. Tenant's employees, invitees, customers or any other person in or about the premises: nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, or lighting fixtures, or from any other cause, weather such damage results from conditions arising upon the premises or upon other portions of the building in which the premises are a part, or from any other sources or places. Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant, if any, of the building in which the premises are located.

14. **Eminent Domain.** If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premises, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for any period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expense.

15. **Destruction of Premises.** In the event of a partial destruction of the premises during the term hereof, from any cause, Lessor shall forthwith repair the same, provided that such repairs can be made **within sixty (60) days** under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which the making of such repairs shall interfere with the business of Lessee on the premises. If such repairs cannot be made within said sixty (60) days, Lessor, at his option, may make the same within a reasonable time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made **within sixty (60) days**, this lease may be terminated at the option of either party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement costs, thereof, Lessor may elect to terminate this lease whether the demised premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

16. **Lessor's Remedies on Default.** If Lessee shall default in the payment when due of any installment of rent herein or in the performance of any other convenant or obligation of Lessee herein, Lessor shall forward written notice, as provided herein, of such default to Lessee, and failure of Lessee to cure such default **within Three (3) days** after the date of receipt of such notice with respect to a default in

forward written notice, as provided herein, of such default to Lessee, and failure of Lessee to cure such default **within Three (3) days** after the date of receipt of such notice with respect to a default in the payment of rent or **within Thirty (30) days** after the date of receipt of such notice with respect to any other default of Lessee (or, if such other default cannot be cured **within such Thirty(30) day** period, within such reasonable additional time as is necessary to cure such other default, provided that Lessee pursues cure diligently and in good faith), shall thereafter allow Lessor to pursue all remedies provided to Lessor pursuant to state law applicable.

17. **Tax Increase.** In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to **0%** of the increase in taxes upon the year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

18. **Common Area Expense.** In the event the demised premises are situated in a shopping center or in commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area. (N/A)

19. **Attorney's Fees.** In case suit should be brought for recovery of the premises, or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including a reasonable attorney's fee.

20. **Notices.** Any notice which either party may or is required to give, shall be given by mailing the same, postage prepaid, to Lessee at the premises, or Lessor at the address shown below, or at such other places as may be designated by the parties from time to time.

21. **Heirs, Assigns, Successors.** This lease is binding upon and insures to the benefit of the heirs, assigns and successors in interest to the parties.

22. **Options to Renew.** Provided that Lessee is not in default in the performance of this lease, Lessee shall have the option to renew the lease for additional **Three (3)** years commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term. The option shall be exercised by written notice given to Lessor not **less than 60 days** prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire. The option period rent will be increased 5% annually starting 05/01/2018.

23. **Subordination.** This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

24. **Estoppels Certificate.** Each party, **within (10) days** after notice from the other party, shall execute and deliver to the other party a certificate stating that this Lease is unmodified and in full force and

the amount of any security deposit or prepaid rent, if any, as well as acknowledging that there are not, to that party's knowledge, any uncured defaults on the part of the other party, or specifying such defaults, if any, which are claimed. Failure to deliver such a certificate **within the ten (10) day** period shall be conclusive upon the party failing to deliver the certificate to the benefit of the party requesting the certificate that this Lease is in full force and effect, that there are no uncured defaults hereunder, and has not been modified except as may be represented by the party requesting the certificate

25. Covenants and conditions. Each provision of this lease performable by Tenant shall be deemed both a covenant and a condition.

26. Choice of Law. The parties hereto agree that the laws of the State of California shall govern this Lease.

Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only by a writing signed by both parties.

Signed this 28th Day of April, 2016

By */s/ Ming Hsieh*	By */s/ James Shi*
Lessee: Fulgent Therapeutics, LLC	Lessor: E & E Plaza, LLC
Title: Manager	Title: Property Manager

COMMERCIAL LEASE

This Lease is made and entered into between **E & E PLAZA, LLC**, herein called Lessor, and **Fulgent Therapeutics, LLC** herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situated in the City of **Temple City** County of Los Angeles, State of California, described as **4978 Santa Anita Ave. #204, Temple City, CA 91780**, with approximately 1,118 square feet upon the following TERMS and CONDITIONS:

1. **Term and Rent.** Lessor demises the above premises for a term of **Two (2)** years, commencing on **May 1, 2016** and terminating on **April 30, 2018** or sooner as provided herein at the annual rental of **Twenty Three Thousand Four Hundred Seventy Eight Dollars (23,478.00)** payable in equal monthly installments of **$1,956.50** in advance on the first day of each month for that month's rent, during the term of this lease. All rental payments shall be made to Lessor, at the following address:

   Ideal Property at 625 East Main Street Alhambra CA 91801

   Late Charge. In the event Tenant is more than **Five (5)** days late in paying any installment of rent due under this Lease, Tenant shall pay landlord a late charge equal to **10%** of the delinquent installment of rent

2. **Security Deposit.** Lessee shall deposit with Lessor on the signing of this lease the sum of **Two Thousand Eight Hundred Seventy Three Dollars and 28/100 Cents ($2,873.28)** which is transferred from existing lease as security for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease.

3. **Adjustment to the Rent.** The minimum monthly rent specified herein shall be adjusted as following:

   05/01/2016 – 04/30/2017 $1,956.50/month ($1.75/sq.ft.)
   05/01/2017 – 04/30/2018 $2,012.40/month ($1.80/sq.ft.)

4. **Use.** Lessee shall use and occupy the premises for **General Office & Lab.** The premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.

maintain the premises in good and safe condition, including plate glass, flooring, painting, interior walls, electrical wiring & lights, plumbing, HVAC system and any other system or equipment exclusively used for that premises and shall surrender the same, at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, except the roof, exterior walls, and structural foundations, which shall be maintained and repaired by Lessor.

6. **Alterations.** Lessee shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.

7. **Ordinances and Statutes.** Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.

8. **Assignment and Subletting.** Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, Lessor, at his/her option, may terminate this lease.

9. **Utilities.** All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including but not limited, those for electricity, and telephone services. Lessor shall be responsible for water, trash and gardening service.

10. **Entry and Inspection.** Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purpose of inspecting the same, and will permit Lessor at any time within **sixty (60) days** prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

11. **Possession.** Lessee has been in this possession for 3 years already and this lease is a renew one.

12. **Indemnification of Lessor.** Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claims for damages, no matter how caused.

13. **Insurance.** Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows:

    $1,000,000 for general liabilities.

Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of Cancellation or material change of coverage. To the maximum extent permitted by insurance policies, which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation, which might otherwise exist.

Tenant shall indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use or occupancy of the premises or from the conduct of its business or from any activity, work, or things which may be permitted or suffered by tenant in or about the premises including all damages, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising there from. Except for Landlord's willful or grossly negligent conduct, Tenant hereby assumes all risk of damage to property or injury to person in or about the premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord.

Except for Landlord's willful or grossly negligent conduct, Tenant hereby agrees that Landlord shall not be liable for any injury to Tenant's business or loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant. Tenant's employees, invitees, customers or any other person in or about the premises: nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, or lighting fixtures, or from any other cause, weather such damage results from conditions arising upon the premises or upon other portions of the building in which the premises are a part, or from any other sources or places. Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant, if any, of the building in which the premises are located.

14. **Eminent Domain.** If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premises, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for any period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expense.

15. **Destruction of Premises.** In the event of a partial destruction of the premises during the term hereof, from any cause, Lessor shall forthwith repair the same, provided that such repairs can be made **within sixty (60) days** under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which the making of such repairs shall interfere with the business of Lessee on the premises. If such repairs cannot be made within said sixty (60) days, Lessor, at his option, may make the same within a reasonable time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made **within sixty (60) days**, this lease may be terminated at the option of either party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement costs, thereof, Lessor may elect to terminate this lease whether the demised premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

16. **Lessor's Remedies on Default.** If Lessee shall default in the payment when due of any installment of rent herein or in the performance of any other convenant or obligation of Lessee herein, Lessor shall forward written notice, as provided herein, of such default to Lessee, and failure of Lessee to cure such default **within Three (3) days** after the date of receipt of such notice with respect to a default in

forward written notice, as provided herein, of such default to Lessee, and failure of Lessee to cure such default **within Three (3) days** after the date of receipt of such notice with respect to a default in the payment of rent or **within Thirty (30) days** after the date of receipt of such notice with respect to any other default of Lessee (or, if such other default cannot be cured **within such Thirty (30) day** period, within such reasonable additional time as is necessary to cure such other default, provided that Lessee pursues cure diligently and in good faith), shall thereafter allow Lessor to pursue all remedies provided to Lessor pursuant to state law applicable.

17. **Tax Increase.** In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to **0%** of the increase in taxes upon the year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

18. **Common Area Expense.** In the event the demised premises are situated in a shopping center or in commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area. (N/A)

19. **Attorney's Fees.** In case suit should be brought for recovery of the premises, or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including a reasonable attorney's fee.

20. **Notices.** Any notice which either party may or is required to give, shall be given by mailing the same, postage prepaid, to Lessee at the premises, or Lessor at the address shown below, or at such other places as may be designated by the parties from time to time.

21. **Heirs, Assigns, Successors.** This lease is binding upon and insures to the benefit of the heirs, assigns and successors in interest to the parties.

22. **Options to Renew.** Provided that Lessee is not in default in the performance of this lease, Lessee shall have the option to renew the lease for additional **Three (3)** years commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term. The option shall be exercised by written notice given to Lessor not **less than 60 days** prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire. The option period rent will be increased 5% annually starting 05/01/2018.

23. **Subordination.** This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

24. **Estoppels Certificate.** Each party, **within (10) days** after notice from the other party, shall execute and deliver to the other party a certificate stating that this Lease is unmodified and in full force and

the amount of any security deposit or prepaid rent, if any, as well as acknowledging that there are not, to that party's knowledge, any uncured defaults on the part of the other party, or specifying such defaults, if any, which are claimed. Failure to deliver such a certificate **within the ten (10) day** period shall be conclusive upon the party failing to deliver the certificate to the benefit of the party requesting the certificate that this Lease is in full force and effect, that there are no uncured defaults hereunder, and has not been modified except as may be represented by the party requesting the certificate

25. Covenants and conditions. Each provision of this lease performable by Tenant shall be deemed both a covenant and a condition.

26. Choice of Law. The parties hereto agree that the laws of the State of California shall govern this Lease.

Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only by a writing signed by both parties.

Signed this 28th Day of April, 2016

By */s/ Ming Hsieh*	By */s/ James Shi*
Lessee: Fulgent Therapeutics, LLC	Lessor: E & E Plaza, LLC
Title: Manager	Title: Property Manager

COMMERCIAL LEASE

This Lease is made and entered into between **E & E PLAZA, LLC**, herein called Lessor, and **Fulgent Therapeutics, LLC** herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situated in the City of **Temple City** County of **Los Angeles,** State of California, described as **4978 Santa Anita Ave. #205, Temple City, CA 91780**, with approximately 1,988 square feet upon the following TERMS and CONDITIONS:

1. **Term and Rent.** Lessor demises the above premises for a term of **Two (2)** years, commencing on **May 1, 2016** and terminating on **April 30, 2018** or sooner as provided herein at the annual rental of **Forty One Thousand Seven Hundred Forty Eight Dollars (41,748.00)** payable in equal monthly installments of **$3,479.00** in advance on the first day of each month for that month's rent, during the term of this lease. All rental payments shall be made to Lessor, at the following address:

Ideal Property at 625 East Main Street Alhambra CA 91801

Late Charge. In the event Tenant is more than **Five (5)** days late in paying any installment of rent due under this Lease, Tenant shall pay landlord a late charge equal to **10%** of the delinquent installment of rent

2. **Security Deposit.** Lessee shall deposit with Lessor on the signing of this lease the sum of **Four Thousand Four Hundred Fifteen Dollars and 04/100 Cents ($4,415.04)** which is transferred from existing lease as security for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease.

3. **Adjustment to the Rent.** The minimum monthly rent specified herein shall be adjusted as following:

05/01/2016 – 04/30/2017	**$3,479.00/month ($1.75/sq.ft.)**
05/01/2017 – 04/30/2018	**$3,578.40/month ($1.80/sq.ft.)**

4. **Use.** Lessee shall use and occupy the premises for **General Office & Lab.** The premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.

5. **Care and Maintenance of Premises.** Lessee acknowledges that the premises are generally in good order and repair, unless otherwise indicated herein. Lessee shall, at his own expenses and at all times, maintain the premises in good and safe condition, including plate glass, flooring, painting, interior walls, electrical wiring & lights, plumbing, HVAC system and any other system or equipment exclusively used for that premises and shall surrender the same, at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, except the roof, exterior walls, and structural foundations, which shall be maintained and repaired by Lessor.

6. **Alterations.** Lessee shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.

7. **Ordinances and Statutes.** Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.

8. **Assignment and Subletting.** Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, Lessor, at his/her option, may terminate this lease.

9. **Utilities.** All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including but not limited, those for electricity, and telephone services. Lessor shall be responsible for water, trash and gardening service.

10. **Entry and Inspection.** Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purpose of inspecting the same, and will permit Lessor at any time within **sixty (60) days** prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

11. **Possession.** Lessee has been in this possession for 3 years already and this lease is a renew one.

12. **Indemnification of Lessor.** Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claims for damages, no matter how caused.

13. **Insurance.** Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows:

    $1,000,000 for general liabilities.

    Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of Cancellation or material change of coverage. To the maximum extent permitted by insurance policies, which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation, which might otherwise exist.

Tenant shall indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use or occupancy of the premises or from the conduct of its business or from any activity, work, or things which may be permitted or suffered by tenant in or about the premises including all damages, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising there from. Except for Landlord's willful or grossly negligent conduct, Tenant hereby assumes all risk of damage to property or injury to person in or about the premises from any cause, and Tenant hereby waives all claims in respect thereof against Landlord.

Except for Landlord's willful or grossly negligent conduct, Tenant hereby agrees that Landlord shall not be liable for any injury to Tenant's business or loss of income there from or for damage to the goods, wares, merchandise, or other property of Tenant. Tenant's employees, invitees, customers or any other person in or about the premises: nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, contractors, or invitees, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air-conditioning, or lighting fixtures, or from any other cause, weather such damage results from conditions arising upon the premises or upon other portions of the building in which the premises are a part, or from any other sources or places. Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant, if any, of the building in which the premises are located.

14. **Eminent Domain.** If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premises, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for any period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expense.

15. **Destruction of Premises.** In the event of a partial destruction of the premises during the term hereof, from any cause. Lessor shall forthwith repair the same, provided that such repairs can be made **within sixty (60) days** under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which the making of such repairs shall interfere with the business of Lessee on the premises. If such repairs cannot be made within said sixty (60) days, Lessor, at his option, may make the same within a reasonable time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made **within sixty (60) days**, this lease may be terminated at the option of either party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement costs, thereof, Lessor may elect to terminate this lease whether the demised premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

16. **Lessor's Remedies on Default.** If Lessee shall default in the payment when due of any installment of rent herein or in the performance of any other convenant or obligation of Lessee herein, Lessor shall

forward written notice, as provided herein, of such default to Lessee, and failure of Lessee to cure such default **within Three (3) days** after the date of receipt of such notice with respect to a default in the payment of rent or **within Thirty (30) days** after the date of receipt of such notice with respect to any other default of Lessee (or, if such other default cannot be cured **within such Thirty(30) day** period, within such reasonable additional time as is necessary to cure such other default, provided that Lessee pursues cure diligently and in good faith), shall thereafter allow Lessor to pursue all remedies provided to Lessor pursuant to state law applicable.

17. **Tax Increase.** In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to **0%** of the increase in taxes upon the year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

18. **Common Area Expense.** In the event the demised premises are situated in a shopping center or in commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area. (N/A)

19. **Attorney's Fees.** In case suit should be brought for recovery of the premises, or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including a reasonable attorney's fee.

20. **Notices.** Any notice which either party may or is required to give, shall be given by mailing the same, postage prepaid, to Lessee at the premises, or Lessor at the address shown below, or at such other places as may be designated by the parties from time to time.

21. **Heirs, Assigns, Successors.** This lease is binding upon and insures to the benefit of the heirs, assigns and successors in interest to the parties.

22. **Options to Renew.** Provided that Lessee is not in default in the performance of this lease, Lessee shall have the option to renew the lease for additional **Three (3)** years commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term. The option shall be exercised by written notice given to Lessor not **less than 60 days** prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire. The option period rent will be increased 5% annually starting 05/01/2018.

23. **Subordination.** This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

24. **Estoppels Certificate.** Each party, **within (10) days** after notice from the other party, shall execute and deliver to the other party a certificate stating that this Lease is unmodified and in full force and

effect, or in full force and effect as modified, and stating the modification. The certificate shall also state the amount of minimum monthly rent, the dates to which the rent has been paid in advance, and the amount of any security deposit or prepaid rent, if any, as well as acknowledging that there are not, to that party's knowledge, any uncured defaults on the part of the other party, or specifying such defaults, if any, which are claimed. Failure to deliver such a certificate **within the ten (10) day** period shall be conclusive upon the party failing to deliver the certificate to the benefit of the party requesting the certificate that this Lease is in full force and effect, that there are no uncured defaults hereunder, and has not been modified except as may be represented by the party requesting the certificate

25. Covenants and conditions. Each provision of this lease performable by Tenant shall be deemed both a covenant and a condition.

26. Choice of Law. The parties hereto agree that the laws of the State of California shall govern this Lease.

Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only by a writing signed by both parties.

Signed this 28th Day of April, 2016

By */s/ Ming Hsieh*
Lessee: Fulgent Therapeutics, LLC

Title: Manager

By */s/ James Shi*
Lessor: E & E Plaza, LLC

Title: Property Manager

Exhibit 99.1

Consent to be Named as a Director Nominee

Fulgent Diagnostics, Inc., a Delaware corporation (the "Company"), has confidentially submitted a draft registration statement on Form S-1 with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), in connection with the initial public offering of its common stock. In connection therewith, I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of the Company in such registration statement and any amendments and supplements thereto, and to the filing of this consent as an exhibit to such registration statement and any amendments and supplements thereto.

Dated: May 20, 2016

/s/ John Bolger
John Bolger

Exhibit 99.2

Consent to be Named as a Director Nominee

Fulgent Diagnostics, Inc., a Delaware corporation (the "Company"), has confidentially submitted a draft registration statement on Form S-1 with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), in connection with the initial public offering of its common stock. In connection therewith, I hereby consent, pursuant to Rule 438 of the Securities Act, to being named as a nominee to the board of directors of the Company in such registration statement and any amendments and supplements thereto, and to the filing of this consent as an exhibit to such registration statement and any amendments and supplements thereto.

Dated: May 23, 2016

/s/ Yun Yen

Yun Yen

MORRISON | FOERSTER

12531 HIGH BLUFF DRIVE
SAN DIEGO, CALIFORNIA
92130-2040

TELEPHONE: 858.720.5100
FACSIMILE: 858.720.5125

WWW.MOFO.COM

MORRISON FOERSTER LLP
BEIJING, BERLIN, BRUSSELS, DENVER,
HONG KONG, LONDON, LOS ANGELES,
NEW YORK, NORTHERN VIRGINIA,
PALO ALTO, SACRAMENTO, SAN DIEGO,
SAN FRANCISCO, SHANGHAI, SINGAPORE,
TOKYO, WASHINGTON, D.C.

June 9, 2016

Writer's Direct Contact
+1 (858) 720.5141
SStanton@mofo.com

CONFIDENTIAL SUBMISSION VIA EDGAR

Securities and Exchange Commission
Division of Corporate Finance
100 F Street, N.E.
Washington, DC 20549

Re: Fulgent Diagnostics, Inc.
Draft Registration Statement on Form S-1

Ladies and Gentlemen:

On behalf of Fulgent Diagnostics, Inc., a Delaware corporation (the "Company") we are submitting a draft Registration Statement on Form S-1 (the "Registration Statement") to the staff of the Securities and Exchange Commission ("SEC") for confidential nonpublic review pursuant to Section 6(e) of the Securities Act of 1933, as amended (the "Securities Act"). The Registration Statement submitted herewith relates to the initial public offering of the Company's common stock.

We confirm to you that as of the date of this letter, the Company is an emerging growth company, as defined in Section 2(a)(19) of the Securities Act, because its total gross revenues during the fiscal year ended December 31, 2015, its most recently completed fiscal year, were less than $1 billion. Please note this information is disclosed in the Company's income statement included in the Registration Statement on page F-7. In addition, we confirm to you that as of the date of this letter none of the disqualifying conditions set forth in Section 2(a)(19) have occurred.

The Registration Statement includes a "to be issued" audit report from Deloitte & Touche, LLP ("Deloitte"), the Company's independent registered public accounting firm, on retrospectively revised financial statements for discontinued operations, consistent with a conversation between Deloitte and Mr. Joel Parker of the SEC on May 20, 2016 and a letter to Mr. Parker dated May 24, 2016.

A public filing of the Registration Statement will be made at a later date, which in no event will be later than 15 days before the Company commences its road show.

If you have any questions in connection with this filing, please do not hesitate to contact me at (858) 720-5141 or by e-mail at sstanton@mofo.com.

Sincerely,

/s/ Scott M. Stanton, Esq.

Cc: Ming Hsieh (minghsieh@fulgent-therapeutics.com)
Paul Kim (paulkim@fulgentdiagnostics.com)
Sara L. Terheggen, Esq. (sterheggen@mofo.com)
Shayne Kennedy, Esq. (shayne.kennedy@lw.com)
Drew Capurro, Esq. (drew.capurro@lw.com)

Enclosures