TRANSGENOMIC INC
Form PREM14A
February 03, 2017

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

þPreliminary Proxy Statement
¨Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
¨Definitive Proxy Statement
¨Definitive Additional Materials
¨Soliciting Material Pursuant to § 240.14a-12

TRANSGENOMIC, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨No fee required.

þ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Precipio Diagnostics, LLC membership interests

(2) Aggregate number of securities to which transaction applies:
3,820,811

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
$0.2572294 per unit, calculated in accordance with Rule 0-11(c)(1)(i) based on the stated value of the membership interests being acquired by the registrant, who is the acquiring person, established in accordance with Rule 0-11(a)(4) for securities of issuers with an accumulated capital deficit based on one third of the stated value of such membership interests (determined based on the stated value of the target company's membership interests at December 31, 2016 of $2,948,475), or $982,825 in the aggregate.

(4) Proposed maximum aggregate value of transaction:
$982,825

(5) Total fee paid:
$113.91

.. Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

February [ ], 2017

To the Stockholders of Transgenomic, Inc.:

We cordially invite you to attend a special meeting of the stockholders of Transgenomic, Inc. ("Transgenomic") to be held at Troutman Sanders LLP's offices located at 1001 Haxall Point, Richmond, Virginia 23219 on March [ ], 2017 at 10:00 a.m., local time.

On October 12, 2016, Transgenomic entered into an Agreement and Plan of Merger, as amended on February 2, 2017, (as amended, the "Merger Agreement") with New Haven Labs Inc., or Merger Sub, which is a wholly owned subsidiary of Transgenomic, and Precipio Diagnostics, LLC, or Precipio. Precipio is a privately held company specializing in harnessing the advanced expertise of leading academic researchers to provide oncologists with a superior level of diagnostic accuracy for their cancer patients. At the effective time of the merger, Merger Sub will merge with and into Precipio, with Precipio as the surviving entity. Following the merger, Transgenomic will change its name to Precipio, Inc. ("New Precipio").

When the merger is completed, (i) the outstanding common units of Precipio will be converted into the right to receive approximately 160.6 million shares of common stock of New Precipio ("New Precipio common stock"), together with cash in lieu of fractional units, which will result in Precipio common unit holders owning approximately 53% of the issued and outstanding shares of New Precipio common stock on a fully diluted basis, taking into account the issuance of shares of convertible preferred stock of New Precipio ("New Precipio preferred stock") in the merger and the private placement as discussed below (the "fully diluted New Precipio common stock") and (ii) the outstanding preferred units of Precipio will be converted into the right to receive approximately 24.1 million shares of New Precipio preferred stock with an aggregate face amount equal to $3 million (based upon the purchase price of the new preferred stock of New Precipio in the new preferred stock financing), which will result in the Precipio preferred unit holders owning approximately 8% of the fully diluted New Precipio common stock.

In connection with the merger, at the effective time, in addition to the New Precipio preferred stock to be issued to holders of preferred units of Precipio, New Precipio also will issue shares of New Precipio preferred stock and New Precipio common stock in a related private placement, whereby:

- Holders of certain secured indebtedness of Transgenomic will receive in exchange for such indebtedness, approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million, which represents approximately 8% of the fully diluted New Precipio common stock, and approximately 9.8 million shares of New Precipio common stock, which represents approximately 3% of the fully diluted New Precipio common stock; and

- New Precipio will issue for cash up to approximately 56.2 million shares of New Precipio preferred stock for $7 million to investors in a private placement, which represents approximately 18% of the fully diluted New Precipio common stock.

Transgenomic is also requesting your approval of the issuance of 3.0 million shares of Transgenomic common stock upon the exercise or exchange of certain warrants issued by Transgenomic in 2016 (the "Warrants").

Pursuant to the rules of the Nasdaq Capital Market ("Nasdaq"), the securities exchange on which Transgenomic's common stock is listed, both (i) the issuance of New Precipio common stock and New Precipio preferred stock in connection with the merger and the related private placement, including the shares of New Precipio common stock that may be issued upon future conversion of New Precipio preferred stock, and (ii) the issuance of Transgenomic common stock upon the exercise of the Warrants requires approval of Transgenomic's stockholders because each issuance exceeds 20% of the number of shares of Transgenomic common stock outstanding prior to the issuance. Further, the issuance of New Precipio common stock and New Precipio preferred stock in connection with the merger and the related private placement, including the shares that may be issued upon future conversion of New Precipio preferred stock, requires approval of Transgenomic's stockholders because such issuance will result in a "change of control" of Transgenomic.

Shares of Transgenomic common stock are currently listed on Nasdaq under the symbol "TBIO." Transgenomic has filed an initial listing application with Nasdaq relating to New Precipio, pursuant to Nasdaq's "change of control" rules. After completion of the merger, Transgenomic anticipates New Precipio common stock will trade on Nasdaq under the symbol "PRPO."

In addition, Transgenomic is requesting your approval of the Transgenomic, Inc. 2017 Stock Option and Incentive Plan (the "2017 Stock Option and Incentive Plan").

At the special meeting, you will be asked to consider and vote on:

- a proposal to approve the issuance of shares of New Precipio common stock and New Precipio preferred stock pursuant to the merger and the related private placement, including shares of New Precipio common stock to be issued upon conversion of New Precipio preferred stock to be issued in the merger and the private placement and the resulting "change of control" of Transgenomic;

- a proposal to approve the issuance of shares of Transgenomic common stock to be issued upon the exercise of the Warrants;

- a proposal to approve the 2017 Stock Option and Incentive Plan;

- a proposal to approve, on a non-binding, advisory basis, payment by Transgenomic of certain compensation to Transgenomic's named executive officers that is based on or otherwise relates to the merger; and

- a proposal to adjourn the special meeting of stockholders, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the other proposals.

The board of directors of Transgenomic has determined that the Merger Agreement, the merger, the issuance of New Precipio common stock and New Precipio preferred stock pursuant to the merger and the related private placement, the issuance of New Precipio common stock upon conversion of New Precipio preferred stock and the resulting "change of control" of Transgenomic, the issuance of shares of Transgenomic common stock upon exercise or exchange of the Warrants and the 2017 Stock Option and Incentive Plan are advisable and in the best interests of Transgenomic stockholders and has approved the Merger Agreement, the merger, the issuance of New Precipio common stock and New Precipio preferred stock pursuant to the merger and the related private placement, the issuance of New Precipio common stock upon conversion of New Precipio preferred stock and the resulting "change of control" of Transgenomic, the issuance of shares of Transgenomic common stock upon exercise of the Warrants and the 2017 Stock Option and Incentive Plan. **Accordingly, the board of directors of Transgenomic recommends that you vote "FOR" the**

proposal to approve the issuance of New Precipio common stock and convertible preferred stock in connection with the merger and the related private placement, the issuance of New Precipio common stock upon conversion of New Precipio preferred stock and the resulting "change of control" of Transgenomic, "FOR" the proposal to approve the issuance of Transgenomic common stock upon exercise of the Warrants, "FOR" the proposal to approve the 2017 Stock Option and Incentive Plan, "FOR" the proposal to approve payment by Transgenomic of certain compensation to Transgenomic's named executive officers that is based on or otherwise relates to the merger and "FOR" the proposal to adjourn the special meeting, if necessary, to enable us to solicit additional proxies.

Your vote is very important. We cannot complete the merger and the private placement without the approval of the issuance of New Precipio common stock, including the shares that may be issued upon future conversion of New Precipio preferred stock. This approval requires the affirmative vote of the holders of a majority of the common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting at which a quorum is present. Even if you plan to attend the special meeting, we recommend that you submit your proxy before the special meeting so that your vote will be counted if you later decide not to attend the meeting. You can also vote your shares via the Internet or by telephone as provided in the instructions set forth on the enclosed proxy card. If you hold your shares in "street name" through a broker, you should follow the procedures provided by your broker.

The accompanying proxy statement explains the proposed merger, private placement and other proposals in greater detail. We urge you to carefully read this proxy statement, including the annexes and information incorporated by reference and the matters discussed under "Risk Factors" beginning on page 17.

Sincerely,

[INSERT SIGNATURE PICTURE]

Paul Kinnon
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved the proposed issuance of shares of New Precipio common stock and New Precipio preferred stock in connection with the merger and the private placement or determined whether this proxy statement is truthful or complete. Any representation to the contrary is a criminal offense.

This proxy statement is dated February [ ], 2017 and is first being mailed to Transgenomic stockholders on or about February [ ], 2017.

REFERENCE TO ADDITIONAL INFORMATION

The documents that are incorporated by reference in this proxy statement are included with this proxy statement. You also may obtain documents that are incorporated by reference in this proxy statement without charge by requesting them in writing or by telephone from Transgenomic at:

Transgenomic, Inc.
12325 Emmet Street
Omaha, Nebraska 68164
Attention: Corporate Secretary

In addition, you may also obtain these and other documents filed with the Securities and Exchange Commission at Transgenomic's website at www.transgenomic.com/ir/investor-information/.

Please note that copies of the documents provided to you will not include exhibits, unless the exhibits are specifically incorporated by reference in the documents or this proxy statement.

In order to receive timely delivery of requested documents in advance of the special meeting, you should make any written or telephonic requests by no later than February [ ], 2017. Documents will be distributed within one business day of receipt of such request.

For a more detailed description of the information incorporated by reference in this proxy statement and how you may obtain it, see the section entitled "Where You Can Find Additional Information" on page 119.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be held on March [ ], 2017

To the Stockholders of Transgenomic, Inc.:

A special meeting of stockholders of Transgenomic, Inc., a Delaware corporation ("Transgenomic"), will be held at Troutman Sanders LLP's offices at 1001 Haxall Point, Richmond, Virginia 23219 on March [ ], 2017 at 10:00 a.m., local time, for the following purposes:

Proposal No. 1:	To approve the issuance of 160,585,422 shares of common stock, par value $0.01 per share, as well as 24,087,813 shares of senior convertible preferred stock to be issued, pursuant to the Merger Agreement, dated as of October 12, 2016 and amended as of February 2, 2017, by and among Transgenomic, New Haven Labs Inc., which is a wholly owned subsidiary of Transgenomic, and Precipio Diagnostics, LLC ("Precipio"), the issuance of 24,087,813 shares of senior convertible preferred stock and approximately 9.8 million shares of common stock to be issued in a related private placement in exchange for certain indebtedness of Transgenomic, the issuance of 56,204,898 shares of senior convertible preferred stock to be issued to investors in a related private placement, the issuance of 104,380,525 shares of common stock issuable upon conversion of the senior convertible preferred stock and the resulting "change of control" of Transgenomic.
Proposal No. 2:	To approve the issuance of 3.0 million shares of Transgenomic common stock upon exercise or exchange of certain outstanding warrants.
Proposal No. 3:	To approve the Transgenomic, Inc. 2017 Stock Option and Incentive Plan.
Proposal No. 4:	To approve, on a non-binding, advisory basis, payment by Transgenomic of certain compensation to Transgenomic's named executive officers that is based on or otherwise relates to the merger.
Proposal No. 5:	To approve a proposal to adjourn the special meeting of Transgenomic stockholders, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting of Transgenomic stockholders to approve the other proposals.

Please refer to the accompanying proxy statement for further information with respect to the business to be transacted at the special meeting of stockholders.

The close of business on January 17, 2017 has been fixed as the record date for determining those Transgenomic stockholders entitled to notice of and to vote at the special meeting. Accordingly, only stockholders of record at the close of business on that date will receive this notice of, and be eligible to vote at, the special meeting and any adjournments of the special meeting.

If Transgenomic is to complete the merger with Precipio and the private placement, then Transgenomic's stockholders must approve Proposal No. 1 relating to the issuance of common stock and senior convertible preferred stock.

The Transgenomic Board recommends that you vote **"FOR"** each of the above proposals.

Your vote is important. Please read the proxy statement and the instructions on the enclosed proxy card and, whether or not you plan to attend the special meeting in person and no matter how many shares you own, please submit your proxy promptly by telephone or via the Internet in accordance with the instructions on the enclosed proxy card, or by completing, dating and returning your proxy card in the envelope provided. Returning your proxy by one of these three methods will not prevent you from voting in person at the special meeting. It will, however, help assure a quorum and to avoid added proxy solicitations.

You may revoke your proxy at any time before the vote is taken by delivering to the Secretary of Transgenomic a written revocation or a proxy with a later date (including a proxy by telephone or via the Internet) or by voting your shares in person at the special meeting, in which case your proxy would be disregarded.

By order of the Board of Directors

[INSERT SIGNATURE PICTURE]

Paul Kinnon
President and Chief Executive Officer

February [ ], 2017

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Annex C – Form of Voting Agreement with Transgenomic Holders

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Annex E – 2017 Stock Option and Incentive Plan

SUMMARY TERM SHEET FOR THE MERGER AND RELATED PRIVATE PLACEMENT

The following is a summary of the proposed transaction between Transgenomic, Inc. ("Transgenomic") and Precipio Diagnostics, LLC ("Precipio") pursuant to which a wholly owned subsidiary of Transgenomic will merge with and into Precipio and holders of Precipio common units will receive shares of common stock of the combined company (the "New Precipio common stock") and holders of Precipio preferred units will receive senior convertible preferred stock (the "New Precipio preferred stock"). At the effective time of the merger, Transgenomic will change its name to Precipio, Inc. The new combined company will be referred to in this proxy statement as "New Precipio." In connection with the merger, New Precipio also will issue New Precipio preferred stock to certain Transgenomic debt holders and other investors in a related private placement. Transgenomic is seeking stockholder approval of the issuance of New Precipio common stock in connection with the merger and the related private placement. This term sheet is a summary and does not contain all of the information that may be important to you. You should carefully read this entire document, including the annexes and the other documents to which this document refers you, for a more complete understanding of the matters being considered at this special meeting. See the section entitled "Where You Can Find Additional Information" beginning on page 119.

Merger Agreement (see page 12)

- On October 12, 2016, Transgenomic entered into an Agreement and Plan of Merger, as amended on February 2, 2017, with New Haven Labs Inc. ("Merger Sub"), which is a wholly owned subsidiary of Transgenomic, and Precipio (as amended, the "Merger Agreement"). Pursuant to the Merger Agreement, at the effective time of the merger, Merger Sub will merge with and into Precipio, with Precipio as the surviving entity. At the effective time of the merger, Transgenomic will change its name to Precipio, Inc.

- When the merger is completed, (i) the outstanding common units of Precipio will be converted into the right to receive approximately 160.6 million shares of New Precipio common stock, together with cash in lieu of fractional units, which will result in Precipio common unit holders owning approximately 53% of the issued and outstanding shares of New Precipio common stock on a fully diluted basis, taking into account the issuance of shares New Precipio preferred stock in the merger and the private placement as discussed below (the "fully diluted New Precipio common stock") and (ii) the outstanding preferred units of Precipio will be converted into the right to receive approximately 24.1 million shares of New Precipio preferred stock with an aggregate face amount equal to $3 million, which will result in the Precipio preferred unit holders owning approximately 8% of the fully diluted New Precipio common stock.

Private Placement (see page 7)

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In connection with the merger, at the effective time, in addition to the New Precipio preferred stock to be issued to holders of preferred units of Precipio, New Precipio also will issue shares of New Precipio preferred stock and New Precipio common stock in a related private placement, whereby:

- Holders of certain secured indebtedness of Transgenomic will receive in exchange for such indebtedness
  - approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million, which represents approximately 8% of the fully diluted New Precipio common stock, and approximately 9.8 million shares of New Precipio common stock, which represents approximately 3% of the fully diluted New Precipio common stock; and

- New Precipio will issue for cash up to approximately 56.2 million shares of New Precipio preferred stock for $7
  - million to investors in a private placement, which represents approximately 18% of the fully diluted New Precipio common stock.

- The New Precipio preferred stock issued in the merger and the private placement will be issued based on a $25 million pre-money equity valuation of New Precipio and will represent, in the aggregate, approximately 34% of the fully diluted New Precipio common stock.

- In connection with the private placement, New Precipio will enter into an investor rights agreement with the holders of the New Precipio preferred stock. The investor rights agreement will grant rights to such parties, including with respect to the designation of nominees for election to the New Precipio board of directors upon the closing of the merger. The investor rights agreement also will contain transfer restrictions and standstill restrictions relating to shares of New Precipio preferred stock and New Precipio common stock issuable upon conversion of the New Precipio preferred stock that will be issued to such parties in connection with the merger and the private placement. In addition, the investor rights agreement gives such parties rights with respect to the registration under the Securities Act of 1933, as amended (the “Securities Act”) of the shares of New Precipio common stock to be issued to such parties, including the shares that may be issued upon future conversion of the New Precipio preferred stock.

Voting Agreements (see page 14)

- Certain of Transgenomic's stockholders have entered into a voting agreement with Transgenomic and Precipio (the "Transgenomic Voting Agreement"), pursuant to which such holders have agreed to, among other things, (i) authorize and approve the Merger Agreement and the transactions contemplated thereby and (ii) vote against any Acquisition Proposal (as defined in the Merger Agreement). Collectively, the voting interests held by these holders represent approximately 31.84% of Transgenomic's voting interests as of October 12, 2016.

- In connection with the merger, certain of Precipio's unit, warrant and note holders have entered into a voting agreement with Transgenomic and Precipio (the "Precipio Voting Agreement" and, together with the Transgenomic Voting Agreement, the "Voting Agreements"), pursuant to which such members and warrant holders have agreed to, among other things, (i) authorize and approve the Merger Agreement and the transactions contemplated thereby and (ii) vote against any Acquisition Proposal (as defined in the Merger Agreement). Collectively, the voting interests held by these holders represent approximately 71% of Precipio's voting interests as of October 12, 2016. The Precipio board of managers approved the Merger Agreement on October 11, 2016.

Conversion of Outstanding Debt and Convertible Preferred Stock (see page 75)

- As part of the private placement, holders of Transgenomic's outstanding debt have agreed to convert the outstanding principal and accrued interest into shares of New Precipio common stock and New Precipio preferred stock immediately prior to the effectiveness of the merger. Additionally, holders of Series A-1 Convertible Preferred Stock have agreed to convert their shares into New Precipio common stock immediately prior to the effectiveness of the merger.

Bridge Loan

- On February 2, 2017, Precipio agreed to offer a line of credit to Transgenomic up to $250,000 pursuant to an unsecured promissory note (the "Bridge Loan"). All outstanding amounts under the Bridge Loan accrue interest at a rate of 10% per annum and are due and payable upon the earlier to occur of (a) the date that is 90 days following the date of the Bridge Loan or (b) the closing of the merger. The proceeds of the Bridge Loan will be used by Transgenomic to finance certain general expenses until the effective date of the merger.

QUESTIONS AND ANSWERS

Q1: What is the merger transaction?

A1: Transgenomic has entered into a Merger Agreement with Merger Sub and Precipio. Pursuant to the Merger Agreement, at the effective time of the merger, Merger Sub will merge with and into Precipio, with Precipio as the surviving entity. At the effective time, Transgenomic will amend its certificate of incorporation to change its name to Precipio, Inc., which will be referred to in this proxy statement as "New Precipio." In connection with the merger, New Precipio also will issue to holders of certain secured indebtedness of Transgenomic, approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million and approximately 9.8 million shares of New Precipio common stock. New Precipio will also issue to new investors in a private placement up to approximately 56.2 million shares of New Precipio preferred stock for up to $7 million in cash.

Q2: What am I being asked to vote on?

A2: You are being asked to approve the issuance of approximately 160.6 million shares of New Precipio common stock, as well as approximately 24.1 million shares of New Precipio preferred stock to be issued, pursuant to the Merger Agreement, the issuance of approximately 24.1 million shares of New Precipio preferred stock and approximately 9.8 million shares of New Precipio common stock to be issued in a related private placement in exchange for certain indebtedness of Transgenomic, the issuance of approximately 56.2 million shares of New Precipio preferred stock to be issued to investors in a related private placement, the issuance of approximately 104.4 million shares of New Precipio common stock issuable upon conversion of the New Precipio preferred stock and the resulting "change of control" of Transgenomic. This approval of the issuance of New Precipio common stock and New Precipio preferred stock and the resulting "change of control" of Transgenomic is required to complete the merger with Precipio and the private placement.

You are also being asked to approve the issuance of 3.0 million shares of Transgenomic common stock upon exercise or exchange of outstanding warrants. Transgenomic issued certain warrants in 2016 that are exercisable or exchangeable into shares of Transgenomic common stock (the "Warrants"). Stockholder approval is required for the Warrants to be fully exercised or exchanged. The approval of the issuance of Transgenomic common stock upon exercise or exchange of the Warrants is not a condition to completing the merger or the private placement.

You are also being asked to approve the Transgenomic, Inc. 2017 Stock Option and Incentive Plan (the "2017 Stock Option and Incentive Plan"). The approval of the 2017 Stock Option and Incentive Plan is not a condition to completing the merger or the private placement.

You are also being asked to approve, on a non-binding, advisory basis, payment by Transgenomic of certain compensation to Transgenomic's named executive officers that is based on or otherwise relates to the merger. This proposal, commonly known as the "say-on-golden-parachute" proposal, gives Transgenomic stockholders the opportunity to vote, on a non-binding, advisory basis, on the compensation that Transgenomic's named executive officers may be entitled to receive that is based on or otherwise relates to the merger.

In addition, you may be asked to vote to approve an adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the other proposals. The approval of the adjournment of the special meeting of stockholders is not a condition to completing the merger or the private placement.

Q3: How does the Transgenomic board of directors recommend that I vote?

A3: The Transgenomic board of directors recommends that you vote "FOR" the approval of the issuance of New Precipio common stock and New Precipio preferred stock in connection with the merger and the private placement, the issuance of New Precipio common stock upon conversion of the New Precipio preferred stock and the resulting "change of control" of Transgenomic, "FOR" the approval of the issuance of Transgenomic common stock upon exercise of the Warrants, "FOR" the approval of the 2017 Stock Option and Incentive Plan, "FOR" the approval, on a non-binding, advisory basis, of certain compensation to Transgenomic's named executive officers that is based on or otherwise relates to the merger and "FOR" the approval of an adjournment of the special meeting, if necessary, to enable Transgenomic to solicit additional proxies in favor of the other proposals. Your vote is important.

Q4: How will Transgenomic's directors and executive officers vote their shares of Transgenomic common stock in connection with the proposals?

A4: Certain Transgenomic stockholders, directors and executive officers, including its president and chief executive officer, have entered into a voting agreement pursuant to which they have agreed to vote their voting interests of Transgenomic in favor of the proposals to issue New Precipio common stock and the proposal to adjourn the meeting, if necessary. As of October 12, 2016, these directors and executive officers collectively held shares representing approximately 31.84% of Transgenomic's voting interests.

The Transgenomic Voting Agreement does not address the proposal to issue Transgenomic common stock upon exercise of the Warrants, or to approve the 2017 Stock Option and Incentive Plan or to approve the merger-related compensation.

Q5: Why is stockholder approval necessary for the issuance of New Precipio common stock in connection with the merger and the private placement and the issuance of Transgenomic common stock in connection with the Warrant exercise?

A5: Transgenomic's common stock is listed on Nasdaq. Nasdaq rules require stockholder approval before the issuance of common stock if the common stock to be issued will have voting power equal to or greater than 20% of the voting power outstanding before the issuance, or if the number of shares of common stock to be issued will be equal to or greater than 20% of the number of shares of common stock outstanding before the issuance or if the issuance will result in a "change of control" of the issuer.

The shares of New Precipio common stock and New Precipio preferred stock that will be issued in connection with the merger and the private placement, including the shares of New Precipio common stock that may be issued upon future conversion of the New Precipio preferred stock, exceed the thresholds under Nasdaq rules. The shares of Transgenomic common stock issuable upon exercise or exchange of the Warrants also will exceed the threshold under Nasdaq rules. Therefore, the issuances require the approval of the Transgenomic stockholders.

Q6: Why did Transgenomic enter into the merger transaction?

A6: Transgenomic's board of directors believes that the merger with Precipio and the related private placement will provide substantial benefits to the combined company's business and operations by, among other things, leveraging the complementary nature of Transgenomic's and Precipio's businesses and permitting the companies to benefit from an increased operating scale. For additional information regarding Transgenomic's reasons for entering into the Merger Agreement and the private placement, see the section entitled "The Transaction — Transgenomic's Reasons for the Transaction" beginning on page 35.

Q7: When is the transaction expected to be completed?

A7: Transgenomic and Precipio are working toward completing the merger as soon as practicable. Transgenomic currently expects that the merger and the private placement will close on or before March 31, 2017. In addition to stockholder approval of the issuance of New Precipio common stock, there are a number of additional conditions, including, but not limited to, approval of the listing of the additional shares of New Precipio common stock on Nasdaq and other third party consents, that must be satisfied before the parties can complete the transaction. See the section entitled "The Merger Agreement — Conditions to Closing the Transaction" beginning on page 70 for a more detailed discussion.

Q8: Do I need to send in my stock certificates if the transaction is completed?

A8: No. You will not be required to exchange your certificates representing shares of Transgenomic common stock in connection with this transaction. You will not receive any cash or securities in connection with the merger. Instead, you will continue to hold your existing shares of Transgenomic common stock.

Q9: Who can vote at the special meeting?

A9: Transgenomic has fixed the close of business on January 17, 2017 as the record date for the special meeting or any adjournment thereof, and only the holders of Transgenomic's common stock and Series A-1 Convertible Preferred Stock on the record date can vote at the special meeting. As of the record date, 26,446,927 shares of Transgenomic common stock were outstanding and each share is entitled to one vote. As of the record date 214,705 shares of Transgenomic Series A-1 Convertible Preferred Stock were outstanding and each share is entitled to 0.93 votes.

Q10: What do I need to do now?

A10: After carefully reading and considering the information contained in this proxy statement, please submit your proxy by telephone or via the Internet in accordance with the instructions set forth in the enclosed proxy card, or complete, sign, date and mail your proxy card in the enclosed prepaid envelope as soon as possible so that your shares may be voted at the special meeting. See the section entitled "The Special Meeting — How to Vote Your Shares" on page 24 and the section entitled "The Special Meeting — Proxies; Counting Your Vote" on page 25 for a more detailed discussion.

Q11: What vote is required to approve the proposals?

A11: The proposal to issue New Precipio common stock and New Precipio preferred stock in connection with the merger and the private placement, the issuance of New Precipio common stock upon conversion of New Precipio preferred stock and the resulting "change of control" of Transgenomic, the proposal to issue Transgenomic common stock in connection with the exercise or exchange of the Warrants, the proposal to approve the 2017 Stock Option and Incentive Plan and the proposal to approve payment by Transgenomic of certain compensation to Transgenomic's named executive officers must each be approved by the affirmative vote of the holders of a majority of the shares of Transgenomic's common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting at which a quorum is present.

The proposal to adjourn the special meeting, if necessary, to solicit additional proxies in favor of the other proposals must be approved by the affirmative vote of the holders of a majority of Transgenomic's common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting, whether or not a quorum is present.

Abstentions will count as a vote "against" the proposals. Broker non-votes will have no effect on the proposals.

Q12: Are there any federal or state regulatory requirements that must be complied with or federal or state regulatory approvals or clearances that must be obtained in connection with the merger?

A12: Neither Transgenomic nor Precipio is required to make any filings or to obtain any approvals or clearances from any antitrust regulatory authorities in the United States or other countries to consummate the transactions contemplated by the Merger Agreement. Transgenomic must comply with applicable federal and state securities laws and regulations and Nasdaq rules and regulations in connection with the issuance of the shares of New Precipio common stock in the transaction, including the filing with the SEC, of this proxy statement. Transgenomic has filed an initial listing application with Nasdaq pursuant to Nasdaq's "change of control" rules. If

such application is accepted, Transgenomic anticipates that shares of New Precipio common stock will be listed on Nasdaq following the closing of the merger under the trading symbol "PRPO."

Q13: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A13: If your shares are held in the name of a bank or broker or other nominee, you will receive separate instructions from your bank, broker or other nominee describing how to vote your shares. The availability of telephonic or Internet voting will depend on the bank's or broker's voting process. Please check with your bank or broker and follow the voting procedures your bank or broker provides.

You should instruct your bank, broker or other nominee how to vote your shares. The rules applicable to broker-dealers do not grant your broker discretionary authority to vote your shares for any of the proposals without receiving your instructions. As a result, if your broker does not receive voting instructions from you regarding the proposals, your shares will not be voted.

Q14: May I change my vote after I have submitted a proxy by telephone or via the Internet or mailed my signed proxy card?

A14: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You can do this in several ways. You can send a written notice stating that you want to revoke your proxy, or you can complete and submit a new proxy card. If you choose either of these methods, you must submit your notice of revocation or your new proxy card to Transgenomic's Secretary at Transgenomic, Attention: Corporate Secretary, 12325 Emmet Street, Omaha, Nebraska 68164.

You also can change your vote by submitting a proxy at a later date by telephone or via the Internet, in which case your later-submitted proxy will be recorded and your earlier proxy revoked.

You also can attend the special meeting and vote in person. Simply attending the special meeting, however, will not revoke your proxy. To revoke your earlier proxy, you must vote at the special meeting.

If you have instructed a broker to vote your shares, the preceding instructions do not apply, and you must follow the voting procedures received from your broker to change your vote.

Q15: If I want to attend the special meeting, what do I do?

A15: You should come to Troutman Sanders LLP's offices at 1001 Haxall Point, Richmond, Virginia 23219 on March [ ], 2017 at10:00 a.m. local time. Stockholders of record as of the record date for the special meeting (January 17, 2017) can vote in person at the special meeting. A valid government issued identification card will be required for entry to the special meeting. If your shares are held in street name, then you are not the stockholder of record and you must ask your bank, broker or other nominee holder how you can vote at the special meeting.

Q16: Who will bear the cost of soliciting votes for the special meeting?

A16: The Transgenomic board of directors is making this solicitation and will pay the costs of soliciting proxies, including clerical work, printing and postage. Transgenomic officers and other employees may personally solicit proxies or solicit proxies by mail, telephone, facsimile or Internet, but it will not provide compensation for such solicitations. Transgenomic has engaged Innisfree M&A Incorporated to assist it in the solicitation of proxies for the special meeting, and has agreed to pay Innisfree M&A Incorporated a fee of approximately $10,000, plus reasonable expenses, for proxy solicitation services. We will also reimburse banks, brokers and other persons holding shares in their names or in the names of nominees for expenses incurred sending material to beneficial

owners and obtaining proxies from beneficial owners.

Q17: Who can help answer my questions?

A17: If you have any questions or need assistance in voting your shares, please call the firm assisting in the solicitation of proxies:

Innisfree M&A Incorporated
501 Madison Avenue
New York, NY 10022
Stockholders May Call: (888) 750-5834 (toll-free from the U.S. and Canada)
Banks and brokers may call collect: (212) 750-5833

You may also contact:

Transgenomic, Inc.
12325 Emmet Street
Omaha, Nebraska 68164
Attention: Corporate Secretary
Telephone: (402) 452-5400

SUMMARY

This summary highlights selected information from this proxy statement. It does not contain all of the information that may be important to you. You should carefully read this entire document, including the annexes and the other documents to which this document refers you, for a more complete understanding of the matters being considered at the special meeting. See the section entitled "Where You Can Find Additional Information" beginning on page 119. Additionally, some of the statements contained in, or incorporated by reference into, this proxy statement are forward-looking statements. See the section entitled "Cautionary Statement Concerning Forward-Looking Statements" beginning on page 23. All references in this proxy statement to dollars or $ are to U.S. dollars. In this proxy statement, unless otherwise indicated, accounting principles generally accepted in the United States are referred to as "GAAP." Except as the context otherwise requires, references in this proxy statement to "Transgenomic" are to Transgenomic, Inc. All share numbers and per share amounts provided in this proxy statement do not take into account the proposed reverse stock split at a ratio of between one to ten and one to thirty approved by the Transgenomic stockholders on October 31, 2016.

The Merger (see page 63)

On October 12, 2016, Transgenomic entered into the Merger Agreement with New Haven Labs Inc. ("Merger Sub"), which is a wholly owned subsidiary of Transgenomic, and Precipio. Precipio is a privately held company specializing in harnessing the advanced expertise of leading academic researchers to provide oncologists with a superior level of diagnostic accuracy for their cancer patients. Pursuant to the Merger Agreement, at the effective time of the merger, Merger Sub will merge with and into Precipio, with Precipio as the surviving entity. At the effective time of the merger, Transgenomic will change its name to Precipio, Inc. ("New Precipio").

When the merger is completed, (i) the outstanding common units of Precipio will be converted into the right to receive approximately 160.6 million shares of New Precipio common stock, together with cash in lieu of fractional units, which will result in Precipio common unit holders owning approximately 53% of the issued and outstanding shares of New Precipio common stock on a fully diluted basis, taking into account the issuance of shares New Precipio preferred stock in the merger and the private placement as discussed below (the "fully diluted New Precipio common stock") and (ii) the outstanding preferred units of Precipio will be converted into the right to receive approximately 24.1 million shares of New Precipio preferred stock with an aggregate face amount equal to $3 million, which will result in the Precipio preferred unit holders owning approximately 8% of the fully diluted New Precipio common stock.

As provided in the Merger Agreement, the New Precipio board of directors will increase its size to seven at the effective time of the merger, two of whom will be current directors, three of whom will be nominated by Precipio and two of whom will be nominated by the holders of the New Precipio preferred stock issued in the private placement.

On February 2, 2017, Transgenomic and Precipio entered into an amendment to the Merger Agreement which provided for the Bridge Loan, set a fixed number of shares of New Precipio common stock and New Precipio preferred stock to be issued in the merger and waived certain conditions to the closing of the merger.

See the section entitled “The Merger Agreement” for a more detailed discussion.

The Private Placement (see page 74)

In connection with the merger, at the effective time, in addition to the New Precipio preferred stock to be issued to holders of preferred units of Precipio, New Precipio also will issue shares of New Precipio preferred stock and New Precipio common stock in a related private placement, whereby:

- Holders of certain secured indebtedness of Transgenomic will receive in exchange for such indebtedness approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million, which represents approximately 8% of the fully diluted New Precipio common stock, and approximately 9.8 million shares of New Precipio common stock, which represents approximately 3% of the fully diluted New Precipio common stock; and

- New Precipio will issue for cash up to approximately 56.2 million shares of New Precipio preferred stock for $7 million to investors in a private placement, which represents approximately 18% of the fully diluted New Precipio common stock.

- The New Precipio preferred stock issued in the merger and the private placement will be issued based on a $25 million pre-money equity valuation of New Precipio and will represent, in the aggregate, approximately 34% of the outstanding shares of New Precipio common stock on an as-converted basis, including New Precipio preferred stock issued in the merger and the private placement.

The New Precipio preferred stock to be issued in the merger and the private placement will be new designations of preferred shares effectuated by a Certificate of Designation amending Transgenomic's Certificate of Incorporation. The cash proceeds received from the private placement will be used to finance the merger, for working capital and growth capital to expand into new markets.

The shares of New Precipio preferred stock may be convertible into New Precipio common stock any time at an applicable conversion price. Certain material corporate events also will require the consent of a supermajority of holders of the New Precipio preferred stock. In the event of New Precipio's liquidation, dissolution or winding up, holders of the New Precipio preferred stock will be entitled to receive assets or surplus funds of New Precipio in an amount equal to the greater of (i) 1.5 times the original purchase price of the New Precipio preferred stock, *plus* an amount equal to all unpaid and accrued dividends and dividend equivalents and (ii) the amount that would be payable on the New Precipio preferred stock if it were converted into New Precipio common stock (the "Liquidation Preference"). This Liquidation Preference also would be due in the event of a future merger or sale of New Precipio, unless a supermajority of holders of New Precipio preferred stock elect otherwise. The New Precipio preferred stock will be entitled to an annual 8% cumulative payment in lieu of interest or dividends, payable in-kind for the first two years and in cash or in-kind thereafter, at the option of the holder. The New Precipio preferred stock also will be entitled to share on any dividends paid on the New Precipio common stock.

In connection with the private placement, New Precipio will enter into an investor rights agreement with the holders of the New Precipio preferred stock. The investor rights agreement will grant rights to such parties, including with respect to the designation of nominees for election to the New Precipio board of directors upon the closing of the merger. The investor rights agreement also will contain transfer restrictions and standstill restrictions relating to shares of New Precipio common stock that will be issued to such parties in connection with the merger and the private placement. In addition, the investor rights agreement gives such parties rights with respect to the registration under the Securities Act of the shares of New Precipio common stock to be issued to such parties, including the shares that may be issued upon future conversion of the New Precipio preferred stock.

See the section entitled "Private Placement" for a more detailed discussion.

Transgenomic's Reasons for the Transaction (see page 35)

Transgenomic's board of directors (the "Transgenomic Board") has approved the merger with Precipio and determined that the merger, the private placement and the other transactions contemplated by the Merger Agreement are advisable and in the best interests of Transgenomic and its stockholders. Accordingly, the Transgenomic Board has recommended that you vote "FOR" the issuance of shares of New Precipio common stock pursuant to the merger and upon conversion of New Precipio preferred stock issued in the merger and the related private placement, based on its belief, in consultation with Transgenomic's senior management, its outside legal counsel and its financial advisor, that the merger with Precipio and the private placement will provide substantial benefits to the combined company's business and operations by, among other things, leveraging the complementary nature of Transgenomic's and Precipio's businesses and permitting the combined company to benefit from an increased operating scale. The factors that the Transgenomic Board and senior management considered in connection with the merger are described in more detail under the section entitled "The Transaction — Transgenomic's Reasons for the Transaction."

Opinion of Craig-Hallum Capital Group LLC (see page 38)

Craig-Hallum Capital Group LLC ("Craig-Hallum") was engaged to render an opinion to the Transgenomic Board as to whether the exchange ratio, as set forth in the Merger Agreement, was fair, from a financial point of view, to the holders of Transgenomic common stock. On October 12, 2016, Craig-Hallum delivered to the Transgenomic Board its oral opinion, which was subsequently confirmed in writing, that, as of the date of its opinion, based upon and subject to the assumptions, limitations, qualifications, and factors contained in its opinion, the exchange ratio was fair, from a financial point of view, to the holders of Transgenomic common stock. The full text of the Craig-Hallum's written opinion, dated October 12, 2016, is attached as Annex B to this proxy statement.

Craig-Hallum's opinion speaks only as of the date of the opinion. The opinion was directed to the Transgenomic Board in connection with its consideration of the Merger Agreement and is directed only to the fairness, from a financial point of view, of the exchange ratio to holders of Transgenomic common stock. Craig-Hallum's opinion does not constitute a recommendation to any holder of Transgenomic common stock as to how such holder of Transgenomic common stock should vote at any meeting of stockholders called to consider and vote upon the Merger Agreement. It does not address the underlying business decision of Transgenomic to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for Transgenomic or the effect of any other transaction in which Transgenomic might engage. For a more detailed description of Craig-Hallum's opinion, see the section entitled "The Transaction — Opinion of Craig-Hallum Capital Group LLC" and Annex B to this proxy statement.

The Companies

Transgenomic, Inc.

Transgenomic, Inc.
12325 Emmet Street
Omaha, Nebraska 68164

Transgenomic is a biotechnology company advancing personalized medicine for the detection and treatment of cancer and inherited diseases through our proprietary molecular technologies and clinical and research services. A key goal is to bring the Multiplexed ICE COLD-PCR ("MX-ICP") product to the clinical market through strategic partnerships and licensing agreements, enabling the use of blood and other bodily fluids for more effective and patient-friendly diagnosis, monitoring and treatment of cancer.

MX-ICP is technology proprietary to Transgenomic. It is a reagent that improves the ability to detect genetic mutations by 100 - 400 fold over existing technologies. This technology has been validated internally on all currently available sequencing platforms, including Sanger, Next Gen Sequencing and Digital PCR. By enhancing the level of detection of genetic mutations and suppressing the normal, or wild-type DNA, several benefits are provided. It is generally understood that most current technologies are unable to consistently identify mutations that occur in less than approximately 5% of a sample. However, many mutations found at much lower levels, even as low as 0.01%, are known to be clinically relevant and can have significant consequences to a patient: both in terms of how they will respond to a given drug or treatment and how a given tumor is likely to change over time. More importantly, in Transgenomic's view, is the ability to significantly improve the level of detection while using blood, saliva and even urine as a source for DNA, rather than depending on painful, expensive and potentially dangerous tumor biopsies.

Transgenomic believes that this is an important advancement in patient care with respect to cancer detection, treatment and monitoring and can result in significant cost savings for the healthcare system by replacing invasive procedures with the simple collection of blood or other bodily fluids. By broadening the types of samples that can be used for testing and allowing all sequencing platforms to provide improved identification of low level mutations, MX-ICP has the potential to make testing more readily available, more patient friendly, enable genetic monitoring of disease progression, effectively guide treatment protocols, and reduce the overall cost of diagnosis and monitoring while significantly improving patient outcomes.

Historically, Transgenomic's operations were organized and reviewed by management along the major product lines and presented in two business segments: Laboratory Services and Genetic Assays and Platforms. Beginning with the quarter ended September 30, 2015, Transgenomic's operations are now organized as one business segment, our Laboratory Services segment, and during the fourth quarter of 2015, Transgenomic began including a portion of our Laboratory Services segment as discontinued operations.

Transgenomic's laboratory in Omaha, Nebraska is focused on providing genetic analytical services related to oncology and pharmacogenomics research services supporting Phase II and Phase III clinical trials conducted by pharmaceutical and biotechnology companies. Transgenomic's laboratory employs a variety of genomic testing service technologies, including our proprietary MX-ICP technology. ICE COLD-PCR is a proprietary ultra-high sensitivity platform technology with breakthrough potential to enable wide adoption of personalized, precision medicine in cancer and other diseases. It can be run in any laboratory that contains standard PCR systems. MX-ICP enables detection of multiple known and unknown mutations from virtually any sample type, including tissue biopsies, blood, urine, saliva, cell-free DNA and circulating tumor cells at levels greater than 1,000-fold higher than standard DNA sequencing techniques. It is easy to implement and use within existing workflows. Transgenomic's laboratory in Omaha is certified under the Clinical Laboratory Improvement Amendments ("CLIA") as a high complexity laboratory and is accredited by the College of American Pathologists.

Precipio Diagnostics, LLC

Precipio Diagnostics, LLC
4 Science Park
New Haven, Connecticut 06511

Precipio is a cancer diagnostics company providing diagnostic services to the oncology market. Precipio has partnered with premier academic institutions to capture the expertise, experience and technologies developed within academia, and utilize them to solve the growing problem of misdiagnosis. It has built a platform that successfully translates that expertise into a commercial setting, enabling Precipio to provide the highest level of diagnostic accuracy within clinical services to the oncology market. Precipio is building a nationwide sales team that offers its services to oncologists and hospitals around the country. Specimens are shipped to its laboratory in New Haven, Connecticut where they are processed and diagnosed by academic experts at Yale School of Medicine; the end product is a pathology report which guides its customers, oncologists as to the nature of their patients' disease and helps them determine how best to care for their patient.

Board of Directors and Management of New Precipio Following the Transaction (see page 50)

Following the transaction, the New Precipio board of directors will be expanded to seven directors from five directors and three of the existing directors will resign. The five vacancies created by the resignations and authorization of the increase in the board size will be filled by two directors designated by the holders of the New Precipio preferred stock (the "preferred holder designees") and three directors designated by Precipio upon the closing of the merger. The holders of the New Precipio preferred stock will have the right to designate the preferred holder designees for as long as they hold 50% of the shares issued in the private placement.

The Merger Agreement provides that the officers of New Precipio will be agreed to by the parties prior to the effective time of the merger. It is currently anticipated that the following current Precipio officers will serve as officers of New Precipio: Ilan Danieli, Chief Executive Officer; Carl Iberger, Chief Financial Officer; Zaki Sabet, Vice President, Operations; and Ayman Mohamed, Vice President, Research & Development. Steve Miller, Vice President, Business Development of Transgenomic, is expected to continue in that role.

The Special Meeting of Transgenomic Stockholders (see page 24)

Time; Date; Place. Transgenomic will hold a special meeting of stockholders at Troutman Sanders LLP's offices located at 1001 Haxall Point, Richmond, VA 23219 on March [ ], 2017 at 10:00 a.m. local time.

Purpose of the Meeting. At the special meeting, you will be asked to vote on the proposals described below. In addition, at the special meeting, Transgenomic may transact such other business as may properly come before the special meeting or any properly reconvened special meeting following an adjournment of the special meeting.

- *The Issuance of Common Stock in Connection with the Merger and Private Placement Proposal (Proposal No. 1).* You will be asked to approve the issuance of approximately 160.6 million shares of New Precipio common stock, as well as approximately 24.1 million shares of New Precipio preferred stock to be issued, pursuant to the Merger Agreement, the issuance of approximately 24.1 million shares of New Precipio preferred stock and approximately 9.8 million shares of New Precipio common stock to be issued in a related private placement in exchange for certain indebtedness of Transgenomic, the issuance of approximately 56.2 million shares of New Precipio preferred stock to be issued to investors in a related private placement, the issuance of approximately 104.4 million shares of New Precipio common stock issuable upon conversion of the New Precipio preferred stock and the resulting "change of control" of Transgenomic. This approval of the issuance of New Precipio common stock and New Precipio preferred stock and the resulting "change of control" of Transgenomic is required to complete the merger with Precipio and the private placement.

- *The Issuance of Common Stock in Connection with the Exercise or Exchange of the Warrants Proposal (Proposal No. 2).* You will be asked to approve the issuance of 3.0 million shares of Transgenomic common stock upon exercise or exchange of the Warrants. The approval of the issuance upon exercise or exchange of the Warrants is not a condition to completion of the merger with Precipio or the private placement.

- *The 2017 Stock Option and Incentive Plan Proposal (Proposal No. 3).* You will be asked to approve the Transgenomic, Inc. 2017 Stock Option and Incentive Plan. The approval of the 2017 Stock Option and Incentive Plan is not a condition to completion of the merger with Precipio or the private placement.

- *The Advisory Compensation Proposal (Proposal No. 4).* You will be asked to approve, on a non-binding, advisory basis, payment by Transgenomic of certain compensation to Transgenomic's named executive officers that is based on or otherwise relates to the merger. The approval of the advisory compensation proposal is not a condition to completion of the merger with Precipio or the private placement.

- *The Adjournment Proposal (Proposal No. 5).* You may be asked to approve an adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the other proposals. The approval of the adjournment of the special meeting is not a condition to completion of the merger with Precipio or the private placement.

Record Date; Shares Entitled to Vote. Transgenomic has fixed the close of business on January 17, 2017 as the record date for the determination of holders of Transgenomic common stock and Series A-1 Convertible Preferred Stock entitled to receive notice of and to vote at the special meeting and any adjournment of the special meeting. No other shares of Transgenomic capital stock are entitled to notice of and to vote at the special meeting. At the close of business on the record date, Transgenomic had outstanding and entitled to vote 26,446,927 shares of Transgenomic common stock and 214,705 shares of Series A-1 Convertible Preferred Stock.

Required Votes. Votes cast by proxy or in person at the special meeting will be tabulated by the inspector of elections of the special meeting. The inspector of elections also will determine whether or not a quorum is present. The presence, in person or by proxy, of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), issued and outstanding as of the record date for the special meeting is necessary to constitute a quorum at the special meeting. Shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock represented at the special meeting in person or by proxy but not voted will be counted for purposes of determining a quorum. Accordingly, abstentions and broker "non-votes" (shares as to which a broker or nominee has indicated that it does not have discretionary authority to vote) on a particular matter will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining the presence of a quorum.

The proposals to approve the issuance of approximately 160.6 million shares of New Precipio common stock, as well as approximately 24.1 million shares of New Precipio preferred stock to be issued, pursuant to the Merger Agreement, the issuance of approximately 24.1 million shares of New Precipio preferred stock and approximately 9.8 million shares of New Precipio common stock to be issued in a related private placement in exchange for certain indebtedness of Transgenomic, the issuance of approximately 56.2 million shares of New Precipio preferred stock to be issued to investors in a related private placement, the issuance of approximately 104.4 million shares of New Precipio common stock issuable upon conversion of the New Precipio preferred stock and the resulting "change of control" of

Transgenomic, to approve the issuance of 3.0 million shares of Transgenomic common stock upon exercise or exchange of the Warrants, to approve the 2017 Stock Option and Incentive Plan and to approve, on a non-binding, advisory basis, payment by Transgenomic of certain compensation to Transgenomic's named executive officers that is based on or otherwise relates to the merger, must be approved by the affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting at which a quorum is present. The proposal to adjourn the special meeting, if necessary, to solicit additional proxies must be approved by the affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting, whether or not a quorum is present.

The approval of the issuance of New Precipio common stock and New Precipio preferred stock in accordance with the terms of the Merger Agreement and the private placement and the resulting "change of control" of Transgenomic is a condition to the completion of the merger with Precipio and the private placement. As a result, a vote against the proposal relating to the issuance of New Precipio common stock effectively will be a vote against the merger of Transgenomic with Precipio and the related private placement. None of the other proposals are conditions to the completion of the merger with Precipio or the private placement.

Recommendation of the Transgenomic Board. The Transgenomic Board has determined that the merger with Precipio and the related private placement, the issuance of Transgenomic common stock upon exercise or exchange of the Warrants, the 2017 Stock Option and Incentive Plan and the merger-related compensation are fair to and in the best interests of Transgenomic and its stockholders and has approved the issuance of New Precipio common stock and the New Precipio preferred stock in accordance with the Merger Agreement and the private placement and the resulting "change of control" of Transgenomic, the issuance of Transgenomic common stock upon exercise or exchange of the Warrants, the 2017 Stock Option and Incentive Plan, the merger-related compensation and the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the proposals.

The Transgenomic Board recommends that you vote "FOR" the approval of the issuance of New Precipio common stock and New Precipio preferred stock in accordance with the Merger Agreement and the private placement and the "change of control" of Transgenomic, "FOR" the approval of the issuance of Transgenomic common stock upon exercise or exchange of the Warrants, "FOR" the approval of the 2017 Stock Option and Incentive Plan, "FOR" the approval of the merger-related compensation and "FOR" the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the common stock issuance proposals, the 2017 Stock Option and Incentive Plan proposal and the advisory compensation proposal.

The Merger Agreement (see page 63)

The Merger Agreement, which is attached to this proxy statement as Annex A, is described in more detail beginning on page A-1. We urge you to read the Merger Agreement in its entirety because this document is the legal document governing the proposed merger with Precipio.

Completion of the Merger with Precipio is Subject to Conditions. The obligations of Transgenomic to consummate the merger with Precipio are subject to the satisfaction or waiver of various conditions, including:

- Precipio's unit holders having approved the merger, Precipio's execution of the Merger Agreement and the consummation of the transactions contemplated therein;
- the representations and warranties of Precipio being true and correct as of the date of closing, or, to the extent they expressly relate to a specific date, then as of that specific date, with only those exceptions which would not reasonably be expected to have a material adverse effect;
- the issuance of New Precipio preferred stock to holders of Precipio preferred units pursuant to the merger and to certain Transgenomic debt holders and other investors in a private placement;

- prior to the effective time of the merger, the conversion of all outstanding warrants, membership interests, promissory notes of Precipio issued to members of Precipio into Precipio common units or preferred units, and the termination of all related warrants and promissory notes;

- Precipio having delivered to Transgenomic a lock-up agreement executed by certain of its stockholders; and

- Precipio having satisfied other customary closing conditions.

The obligations of Precipio to effect the transactions contemplated by the Merger Agreement are conditioned on the satisfaction or waiver of various conditions, including:

- Transgenomic's stockholders having approved the proposal to issue New Precipio common stock and New Precipio preferred stock in connection with the Merger Agreement and the related private placement;

- the representations and warranties of Transgenomic and Merger Sub being true and correct in all material respects as of the date of closing, or, to the extent they expressly related to a specific date, then as of the specific date, with only those exceptions which would not reasonably be expected to have a material adverse effect;

- the size of the Transgenomic Board being increased to seven and the appointment of certain designees to the Transgenomic Board;

- the issuance of New Precipio preferred stock to holders of Precipio preferred units pursuant to the merger and to certain Transgenomic debt holders and other investors in a private placement;

- the amendment of Transgenomic's Certificate of Incorporation contemplating the issuance of the New Precipio preferred stock and changing the name to Precipio, Inc. at the effective time of the merger;

- Transgenomic having delivered to Precipio a lock-up agreement executed by Transgenomic and certain of its stockholders;

- there being no outstanding indebtedness of Transgenomic immediately prior to the effective time of the merger other than accounts payable to trade creditors, accrued expenses and certain indebtedness of Transgenomic, including indebtedness to its stockholders that will be converted into common stock and new preferred stock of New Precipio;

- Transgenomic having terminated certain of its employees and all severance, retention, change of control, COBRA or other payments due to such employees being paid in full prior to the effective time of the merger or included as a liability of Transgenomic pursuant to the Merger Agreement;

- at the effective time of the merger, the shares of Transgenomic common stock to be issued in connection with the merger shall have been approved for listing on Nasdaq; and

- Transgenomic having satisfied other customary closing conditions.

The Merger Agreement May Be Terminated under Certain Circumstances. The Merger Agreement may be terminated at any time prior to the closing, whether before or after approval by Transgenomic stockholders of the issuance of New Precipio common stock and New Precipio preferred stock in accordance with the terms of the Merger Agreement, in any of the following ways:

- by mutual written consent of Transgenomic and Precipio; or

- by either Transgenomic or Precipio if the closing date has not occurred by June 30, 2017, but only if the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the Merger Agreement and such has been the cause of, or resulted in, the failure of a timely closing; or

- by either Transgenomic or Precipio if any judgment, statute, law, ordinance, rule, regulation or other legal restraint or prohibition that restrains, enjoins or otherwise prohibits the consummation of the merger shall be in effect and shall have become final and non-appealable; or

- by Precipio, if Transgenomic has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the Merger Agreement such that the conditions to closing set forth in Merger Agreement cannot be satisfied and such breach is not capable of being cured or has not been cured within 30 days after the giving of notice thereof by Precipio to Transgenomic; or

- by Transgenomic, if Precipio has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the Merger Agreement such that the conditions to closing set forth in Merger Agreement cannot be satisfied and such breach is not capable of being cured or has not been cured within 30 days after the giving of notice thereof by Transgenomic to Precipio; or

- by Precipio, if Transgenomic has entered into any letter of intent or similar document or any contract relating to any alternate acquisition proposal; or

- by Transgenomic, if Precipio has entered into any letter of intent or similar document or any contract relating to any alternate acquisition proposal; or

- by Precipio, if Transgenomic enters into a definitive agreement to effect an unsolicited acquisition proposal made by a third party determined in good faith by the Transgenomic Board to be (1) more favorable from a financial point of view to the stockholders of Transgenomic than as provided under the Merger Agreement, and (2) reasonably capable of being completed on the terms proposed without unreasonable delay; or

- by Transgenomic, if Precipio enters into a definitive agreement to effect an unsolicited acquisition proposal made by a third party determined in good faith by the board of managers of Precipio to be (1) more favorable from a financial point of view to the members of Precipio than as provided under the Merger Agreement, and (2) reasonably capable of being completed on the terms proposed without unreasonable delay.

The Voting Agreements (see page 76)

In connection with the merger, certain of Precipio's unit, warrant and note holders have entered into the Precipio Voting Agreement with Transgenomic and Precipio, pursuant to which such members and warrant holders have agreed to, among other things, (i) authorize and approve the Merger Agreement and the transactions contemplated thereby and (ii) vote against any Acquisition Proposal (as defined in the Merger Agreement). Collectively, the voting interests held by these Precipio holders represent approximately 71% of Precipio's voting interests as of October 12, 2016. The Precipio board of managers approved the Merger Agreement on October 11, 2016.

Certain of Transgenomic's stockholders, directors and executive officers have also entered into the Transgenomic Voting Agreement with Transgenomic and Precipio, pursuant to which such holders have agreed to, among other things, (i) authorize and approve the Merger Agreement and the transactions contemplated thereby and (ii) vote against any Acquisition Proposal (as defined in the Merger Agreement). Collectively, the voting interests held by these holders represent approximately 31.84% of Transgenomic's voting interests as of October 12, 2016.

Third Party Approvals Required for the Merger with Precipio (see page 57)

The Merger Agreement also provides that the consummation of the merger is conditioned on the receipt of consents from certain other third parties, including lenders, lessors and other commercial partners.

Conversion of Outstanding Debt and Convertible Preferred Stock (see page 75)

Holders of Transgenomic's outstanding secured debt have agreed to convert the outstanding principal and accrued interest into shares of New Precipio common stock and New Precipio preferred stock immediately prior to the effectiveness of the merger. Holders of Series A-1 Convertible Preferred Stock have agreed to convert their shares into 214,705 shares of New Precipio common stock immediately prior to effectiveness of the merger pursuant to the conversion provisions set forth in the Transgenomic Certificate of Incorporation.

Regulatory Matters (see page 57)

Neither Transgenomic nor Precipio is required to make any filings or to obtain any approvals or clearances from any antirust regulatory authorities in the United States or other countries to consummate the transactions contemplated by the Merger Agreement. Transgenomic must comply with applicable federal and state securities laws and regulations and Nasdaq rules in connection with the issuance of shares of New Precipio common stock in the transaction, including the filing with the SEC of this proxy statement.

Nasdaq Listing (see page 57)

Transgenomic has filed an initial listing application with Nasdaq pursuant to Nasdaq's "change of control" rules. If such application is accepted, Transgenomic anticipates that the shares of New Precipio common stock will be listed on Nasdaq following the closing of the merger under the trading symbol "PRPO."

Federal Securities Law Consequences Resale Restrictions (see page 59)

The shares of New Precipio common stock to be issued to unit holders of Precipio in connection with the merger, to holders of Transgenomic Series A-1 Convertible Preferred Stock upon conversion of such stock and to holders of Transgenomic outstanding debt upon conversion of such debt as well as the New Precipio preferred stock to be issued in the merger and in the related private placement or pursuant to the conversion of outstanding debt of Transgenomic will be "restricted securities." Those shares of New Precipio common stock and New Precipio preferred stock will not be registered under the Securities Act upon issuance and will not be freely transferable. Holders of such shares of common stock and preferred stock may not sell their respective shares unless the shares are registered under the Securities Act or an exemption is available under the Securities Act. In connection with the merger, as described in "The Merger Agreement – Covenants – Form S-3 Registration Statement," Transgenomic has agreed to file promptly after the closing of the merger a resale "shelf" registration statement to register the shares of New Precipio common stock issued to unit holders of New Precipio in the merger.

Material U.S. Federal Income Tax Consequences of the Merger (see page 59)

Each of Transgenomic and Precipio intend that the merger will be treated for U.S. federal income tax purposes as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended ("Code"). Precipio has elected to be treated as a corporation for U.S. federal income tax purposes. Regardless of whether the merger qualifies as a "reorganization", no gain or loss will be recognized by Transgenomic, Precipio or the Transgenomic stockholders as a result of the merger. Additionally, if the merger qualifies as a "reorganization", the Precipio unit holders generally will not recognize gain or loss provided that they receive only New Precipio common stock and/or preferred stock in the merger in exchange for their membership interests in Precipio. Transgenomic stockholders who are also stockholders of Precipio should consult their tax advisor as to the tax consequences to them of participating in the merger as a Precipio stockholder.

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Anticipated Accounting Treatment (see page 59)

The merger will be treated by Transgenomic as a reverse acquisition under the acquisition method of accounting in accordance with GAAP. For accounting purposes, Precipio is considered to be acquiring Transgenomic in the merger.

PER SHARE MARKET PRICE DATA

Transgenomic common stock trades on Nasdaq under the symbol “TBIO.” The following table shows the high and low closing sale prices for Transgenomic common stock for the periods indicated, based on Nasdaq composite transactions.

	High	Low
Fiscal Year 2015		
First Quarter	$3.90	$1.41
Second Quarter	$2.63	$1.39
Third Quarter	$1.72	$0.92
Fourth Quarter	$1.36	$0.75
Fiscal Year 2016		
First Quarter	$1.08	$0.54
Second Quarter	$0.73	$0.50
Third Quarter	$0.58	$0.28
Fourth Quarter	$0.37	$0.16
Fiscal Year 2017		
First Quarter (through February [ ], 2017)	$[ ]	$[ ]

The closing sale price of Transgenomic’s common stock as reported on Nasdaq on October 12, 2016, the last trading date before the public announcement of the proposed merger with Precipio, was $0.25 per share. The closing sale price of Transgenomic common stock as reported on Nasdaq on February [ ], 2017, the latest practicable date before mailing of this proxy statement, was $[ ] per share. As of the record date, there were 77 holders of record of Transgenomic common stock and four holders of record of Transgenomic Series A-1 Convertible Preferred Stock based on information provided by Transgenomic’s transfer agent. The number of stockholders of record does not reflect the actual number of individual or institutional stockholders that own Transgenomic common stock because most stock is held in the name of nominees. There are a substantially greater number of beneficial holders of Transgenomic common stock.

Transgenomic has never declared or paid any cash dividends on its capital stock. It intends to retain future earnings, if any, to finance the operation and expansion of its business and does not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be made at the discretion of the board of directors or any authorized committee thereof after considering Transgenomic’s financial condition, results of operations, capital requirements, business prospects and other factors the board of directors or such committee deems relevant, and will be subject to the restrictions contained in its current or future financing instruments.

Assuming successful application for initial listing with Nasdaq, following the completion of the merger, Transgenomic anticipates that New Precipio common stock will be listed on Nasdaq and will trade under New Precipio's new name, "Precipio, Inc.," and new trading symbol "PRPO."

RISK FACTORS

In addition to the other information included or incorporated by reference in this proxy statement, you should carefully consider the material risks described below in deciding whether to vote for approval of the proposals presented in this proxy statement. Additional risks and uncertainties not presently known to Transgenomic or that are not currently believed to be material, if they occur, also may adversely affect Transgenomic following the merger.

Although Transgenomic expects that the merger with Precipio will result in benefits to Transgenomic, it may not realize those benefits because of integration difficulties.

Integrating the operations of the businesses of Precipio successfully or otherwise realizing any of the anticipated benefits of the merger with Precipio, including anticipated cost savings and additional revenue opportunities, involves a number of potential challenges. The failure to meet these integration challenges could seriously harm New Precipio's results of operations and the market price of New Precipio common stock may decline as a result.

Realizing the benefits of the merger will depend in part on the integration of information technology, operations and personnel. These integration activities are complex and time-consuming and the parties may encounter unexpected difficulties or incur unexpected costs, including:

- the inability of New Precipio to achieve the cost savings and operating synergies anticipated in the merger, including synergies relating to increased purchasing efficiencies and a reduction in costs associated with the merger, which would prevent Transgenomic from achieving the positive earnings gains expected as a result of the merger;
- diversion of management attention from ongoing business concerns to integration matters;
- difficulties in consolidating and rationalizing information technology platforms and administrative infrastructures;
- complexities associated with managing the geographic separation of the combined businesses and consolidating multiple physical locations where management may determine consolidation is desirable;
- difficulties in integrating personnel from different corporate cultures while maintaining focus on providing consistent, high quality customer service;

- challenges in demonstrating to customers of Transgenomic and to customers of Precipio that the merger will not result in adverse changes in customer service standards or business focus; and

- possible cash flow interruption or loss of revenue as a result of change of ownership transitional matters.

The parties may not successfully integrate the operations of the businesses in a timely manner and may not realize the anticipated net reductions in costs and expenses and other benefits and synergies of the merger with Precipio to the extent, or in the timeframe, anticipated. In addition to the integration risks discussed above, New Precipio's ability to realize these net reductions in costs and expenses and other benefits and synergies could be adversely impacted by practical or legal constraints on its ability to combine operations.

If the merger is completed and New Precipio is unable to manage its growth profitably, its business, financial results and stock price could suffer.

New Precipio's future financial results will depend in part on its ability to profitably manage its growth on a combined basis. Management will need to maintain existing customers and attract new customers, recruit, retain and effectively manage employees, as well as expand operations and integrate customer support and financial control systems. New Precipio expects to incur between $500,000 and $1,200,000 of integration-related non-recurring expenses during that 12-month period. If the integration-related expenses and capital expenditure requirements are greater than anticipated, or if New Precipio is unable to manage its growth profitably after the merger, the financial results and market price of New Precipio common stock may decline.

The merger is subject to the completion of the related private placement, which is subject to its own certain conditions, and therefore may not be completed.

It is a condition to the completion of the merger that Transgenomic will have consummated the private placement described in "The Private Placement" beginning on page 74. The purchase agreement for the shares of New Precipio preferred stock has not yet been entered into and the private placement is subject to due diligence and legal review. There can be no assurance that all of these conditions will be satisfied or that Transgenomic will be able to consummate the private placement.

Failure to complete the merger and private placement could negatively impact the stock price and the future business and financial results of Transgenomic.

Although Transgenomic has agreed to use reasonable efforts to obtain stockholder approval of the proposal to issue shares of Transgenomic common stock and preferred stock, there is no assurance that these proposals will be approved. If these proposals are not approved, and as a result the merger is not completed:

- the ongoing business of Transgenomic may be adversely affected; and

- Transgenomic may be required, under certain circumstances, to pay Precipio a termination fee of up to $256,500.

Failure by the combined company upon the completion of the merger to comply with the initial listing standards of Nasdaq may subject its stock to delisting from Nasdaq.

Transgenomic is not currently in compliance with the listing requirements for Nasdaq. To maintain listing on Nasdaq, Transgenomic must comply with Nasdaq Marketplace Rules, which requirements include a minimum bid price of $1.00 per share. On February 23, 2016, Transgenomic was notified by the staff of Nasdaq that it was not in compliance with the $1.00 minimum bid price requirement, as the common stock had traded below the $1.00 minimum bid price for 30 consecutive business days. Transgenomic was provided with a 180 calendar day period, which ended on August 22, 2016, within which to regain compliance with the minimum bid price requirement. On April 20, 2016, Transgenomic was notified by the staff of Nasdaq that Transgenomic was not in compliance with the minimum stockholders' equity requirement of the Nasdaq Marketplace Rules, which requires listed companies to maintain stockholders' equity of at least $2,500,000. Transgenomic was provided with a 180 calendar day period, which ended on October 17, 2016, within which to regain compliance with the minimum stockholders' equity requirement. On August 24, 2016, Transgenomic received a determination letter from the staff of Nasdaq stating that it had not regained compliance with the minimum bid price requirement and that it was not eligible for an additional 180 calendar day extension because it was not in compliance with the minimum stockholders' equity requirement. On August 29, 2016, Transgenomic requested a hearing before the Nasdaq Hearings Panel. On October 13, 2016 Transgenomic had a hearing before the Nasdaq Hearings Panel where it presented a plan to regain compliance with all Nasdaq listing requirements, which included the completion of the merger and private placement.

At the hearing, Transgenomic asked that the Nasdaq Hearings Panel continue its listing through December 31, 2016, to allow it to close the previously announced merger, which Transgenomic expects to result in a new entity that will meet all initial listing standards for Nasdaq; however, Transgenomic noted that it will need to effectuate a reverse stock split to ensure compliance with the minimum bid price requirement. Based on the plan presented by Transgenomic at the hearing, the Nasdaq Hearings Panel issued a decision letter granting Transgenomic's request for continued listing on Nasdaq until December 31, 2016. As a condition to allowing Transgenomic to continue its listing

on Nasdaq, the Nasdaq Hearings Panel required Transgenomic, on or before November 15, 2016, to update the Nasdaq Hearing Panel on the status of the reverse stock split, the filing of a definitive proxy statement for the merger and any feedback received from the Nasdaq staff regarding the prospects of the application of the post-merger entity for listing on Nasdaq. Transgenomic provided such update to the Nasdaq Hearing Panel on November 1, 2016. On December 9, 2016, Transgenomic provided another update to the Nasdaq Hearing Panel and requested that the Nasdaq Hearing Panel extend its continued listing on Nasdaq until February 19, 2017. On December 9, 2016, confirmed by letter dated December 27, 2016, the Nasdaq Hearing Panel granted Transgenomic's request to extend its listing on Nasdaq, subject to the following condition:

- On or before February 19, 2017, Transgenomic must have closed the merger and gained approval from the Nasdaq staff for listing of shares of New Precipio common stock on Nasdaq.

In addition, in order to fully comply with the terms of the decision letter, Transgenomic must be able to demonstrate compliance with all requirements for continued listing on Nasdaq. A failure by New Precipio upon the completion of the merger to comply with the initial listing standards of Nasdaq may subject its stock to delisting from Nasdaq. Upon completion of the merger, New Precipio will be required to meet the initial listing requirements to maintain the listing and continued trading of its shares on Nasdaq. These initial listing requirements are more difficult to achieve than the continued listing requirements under which Transgenomic is now trading. Pursuant to the Merger Agreement, Transgenomic agreed to use its commercially reasonable efforts to cause the shares of Transgenomic common stock being issued in the merger to be approved for listing on Nasdaq at or prior to the effective time of the merger. Such listing is a condition precedent to closing the merger. Based on information currently available to Transgenomic, Transgenomic anticipates that its stock will be unable to meet the $4.00 (or, to the extent applicable, $3.00) minimum bid price initial listing requirement at the closing of the merger unless it effects a reverse stock split. On October 31, 2016, the stockholders of Transgenomic authorized the Transgenomic Board to effect a reverse stock split of the shares of Transgenomic common stock at a ratio of between one-for-ten to one-for-thirty. In addition, often times a reverse stock split will not result in a trading price for the affected common stock that is proportional to the ratio of the split. If New Precipio is unable to satisfy Nasdaq listing requirements, Nasdaq may notify Transgenomic, or New Precipio, that its shares of common stock will be subject to delisting from Nasdaq.

Transgenomic's continued listing on Nasdaq expires on February 19, 2017. The merger will not be effective prior to February 19, 2017 and accordingly Transgenomic could be delisted for a period prior to the merger effective date if Nasdaq does not otherwise agree to extend Transgenomic's continued listing. Upon a potential delisting from Nasdaq, if the New Precipio common stock is not then eligible for quotation on another market or exchange, trading of the shares could be conducted in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it is likely that there would be significantly less liquidity in the trading of New Precipio common stock; decreases in institutional and other investor demand for the shares, coverage by securities analysts, market making activity and information available concerning trading prices and volume; and fewer broker-dealers willing to execute trades in New Precipio common stock. Also, it may be difficult for New Precipio to raise additional capital if the New Precipio common stock is not listed on a major exchange. The occurrence of any of these events could result in a further decline in the market price of New Precipio common stock and could have a material adverse effect on New Precipio.

The announcement and pendency of the merger may cause disruptions in the business of Transgenomic and Precipio, which could have an adverse effect on their respective businesses, financial conditions or results of operations and, post-closing, New Precipio's business, financial condition or results of operations.

The announcement and pendency of the transaction could cause disruptions in the business of Transgenomic and Precipio. Specifically:

- current and prospective employees of Transgenomic and Precipio may experience uncertainty about their future roles with New Precipio, which might adversely affect the ability of Transgenomic and Precipio to retain key personnel

and attract new personnel;

- third parties may seek to terminate and/or renegotiate their relationships with Transgenomic as a result of the transaction; and

- management's attention has been focused on the merger, which may divert management's attention from the core business of Transgenomic and other opportunities that could have been beneficial to Transgenomic.

These disruptions could be exacerbated by a delay in the completion of the merger or termination of the Merger Agreement and could have an adverse effect on the business, financial condition or results of operations of Transgenomic and Precipio prior to the completion of the merger and on New Precipio if the merger is completed.

The merger with Precipio is subject to the receipt of consents and approvals that may not be received.

The Merger Agreement provides that the parties cannot complete the merger unless they receive various consents and approvals from Nasdaq and other third parties. While Transgenomic believes that it will receive the requisite approvals, there can be no assurance that such approvals will be received. See the sections entitled "The Transaction — Third Party Approvals Required for the Merger and the Private Placement" on page 57 and "The Merger Agreement — Conditions to Closing the Transaction" beginning on page 70 for a more detailed discussion.

Subject to certain limitations, certain stockholders may sell New Precipio common stock beginning six months following the closing of the merger, which could cause New Precipio's stock price to decline.

The shares of New Precipio common stock to be issued to unit holders of Precipio in connection with the merger, to holders of Transgenomic Series A-1 Convertible Preferred Stock upon conversion of such stock and to holders of Transgenomic outstanding debt upon conversion of such debt as well as the New Precipio preferred stock to be issued in the merger and in the related private placement or pursuant to the conversion of outstanding debt of Transgenomic will be "restricted securities." Those shares of New Precipio common stock and New Precipio preferred stock will not be registered under the Securities Act upon issuance and will not be freely transferable. Holders of such shares of common stock and preferred stock may not sell their respective shares unless the shares are registered under the Securities Act or an exemption is available under the Securities Act. In connection with the merger, as described in "The Merger Agreement – Covenants – Form S-3 Registration Statement," Transgenomic has agreed to file promptly after the closing of the merger a resale "shelf" registration statement to register the shares of New Precipio common stock issued to unit holders of New Precipio in the merger.

In addition, at the effective time of the merger, New Precipio will enter into the investor rights agreement with certain holders of New Precipio common stock, which will give such parties registration rights beginning six months after the closing of the merger. Such parties also will have "piggyback" rights to sell their shares if New Precipio proposes to register its own shares for issuance. The sale of a substantial number of New Precipio shares by such parties or other stockholders within a short period of time could cause the stock price to decline, make it more difficult to raise funds through future offerings of New Precipio common stock or acquire other businesses using New Precipio common stock as consideration.

You will experience a significant reduction in percentage ownership and voting power with respect to the Transgenomic common stock you currently own as a result of the merger with Precipio and the private placement and the exercise or exchange of the Warrants.

In connection with the merger with Precipio, New Precipio will issue approximately 160.6 million shares of New Precipio common stock, as well as approximately 24.1 million shares of New Precipio preferred stock, pursuant to the Merger Agreement, approximately 24.1 million shares of New Precipio preferred stock and approximately 9.8 million shares of New Precipio common stock in a related private placement in exchange for certain indebtedness of Transgenomic, approximately 56.2 million shares of New Precipio preferred stock to investors in a related private placement and approximately 104.4 million shares of New Precipio common stock issuable upon conversion of the New Precipio preferred stock. In addition, the exercise or exchange of the Warrants will result in the issuance of 3.0 million shares of Transgenomic common stock that would not have otherwise been issuable without stockholder approval. Therefore, following the completion of the merger and the private placement and the exercise or exchange of the Warrants, you will experience a substantial reduction in your respective percentage ownership interests and effective voting power relative to your respective percentage ownership interests in Transgenomic common stock and effective voting power prior to the merger. This reduction in ownership and voting power will decrease your ability to influence the election of directors and other matters. In addition, the issuance of shares of Transgenomic common stock could have an adverse effect on the market price for Transgenomic securities or on its ability to obtain future public financing. If and to the extent the shares are issued, you may experience dilution in your earnings.

If the amount of Transgenomic's outstanding debt increases relative to the debt of Precipio prior to the completion of the merger with Precipio, the exchange ratio will provide for Precipio unit holders to receive a higher percentage ownership of New Precipio.

The number of shares of New Precipio common stock to be issued in connection with the merger to Precipio unit holders will be adjusted based on the relative amount of debt outstanding of the two entities at the effective time of the merger. As a result, if the level of Transgenomic debt increases relative to the amount of Precipio debt, the Precipio unit holders will receive a higher percentage ownership of New Precipio (up to 80% before the private placement). The actual percentage ownership of New Precipio will not be known until the effective time of the merger.

While the merger is pending, Transgenomic will be subject to contractual limitations that could adversely affect its business.

The Merger Agreement restricts Transgenomic from taking certain specified actions while the merger is pending without Precipio's consent, including incurring indebtedness, making capital expenditures in excess of $5,000, acquiring any assets or selling, leasing or otherwise transferring any assets, and increasing in any material manner the compensation, bonuses or benefits of any directors, officers, employees, former employees or consultants, subject to certain exceptions in the ordinary course of business. These restrictions may prevent Transgenomic from pursuing otherwise attractive business opportunities that may arise and making other changes to its business prior to the closing of the merger or termination of the Merger Agreement.

The Merger Agreement restricts Transgenomic's ability to pursue certain alternatives to the merger and requires Transgenomic to pay a reverse termination fee to Precipio if it does.

The Merger Agreement contains non-solicitation provisions that, subject to limited exceptions, restrict Transgenomic's ability to initiate, solicit or encourage or take any action to discuss or accept a competing third-party proposal. Although the Transgenomic Board is permitted to change its recommendation that stockholders approve the matters relating to the merger if it determines in good faith that this action is reasonably likely to be required to comply with its fiduciary duties and certain other conditions, doing so in certain situations would require Transgenomic to pay a termination fee to Precipio of $256,500. Additionally, these non-solicitation provisions could discourage a potential acquiror that might have an interest in acquiring all or a significant part of Transgenomic from considering or proposing that acquisition, or might result in a potential acquiror proposing to pay a lower per share price to acquire Transgenomic than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable to Precipio in certain circumstances.

Transgenomic has incurred and will continue to incur substantial expenses in connection with the merger.

Transgenomic has incurred and will incur additional substantial expenses in connection with the merger, whether or not the merger is completed. These costs include fees for financial advisors, attorneys and accountants, filing fees and financial printing costs. If the merger is not consummated, Transgenomic will be responsible for its own expenses, which are not reimbursable in the event the merger does not occur. Upon completion of the merger, the amount of transaction costs, including the amount of Precipio's transaction costs, will, in effect, reduce the cash reserves available for the combined company to pursue its plan of business.

The merger and private placement will result in changes to New Precipio's board of directors that may affect the combined company's business strategy and operations.

If the merger is completed, the New Precipio board of directors will increase its size to seven at the effective time of the merger, two of whom will be current directors of Transgenomic, three of whom will be nominated by Precipio and two of whom will be nominated by the holders of the New Precipio preferred stock issued in the private placement. This newly composed board of directors of the combined company may effect business strategies and operating decisions with respect to the combined company that may have an adverse impact on the combined company's business, financial condition and results of operations following the completion of the merger.

The opinion received by the Transgenomic Board from Craig-Hallum has not been, and is not expected to be, updated to reflect any changes in circumstances that may have occurred since the date of the opinion.

On October 12, 2016, Craig-Hallum delivered to the Transgenomic Board its oral opinion, subsequently confirmed by delivery of a written opinion as to the fairness, from a financial point of view, of the consideration to be paid in the merger. The opinion does not speak as of the time the merger will be completed or any date other than the date of such opinion. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of Transgenomic or Precipio, changes in general market and economic conditions or regulatory or other factors. Any such changes may materially alter or affect the relative values of Transgenomic and Precipio. Craig-Hallum does not have any obligation to update, revise or reaffirm its opinion to reflect subsequent developments and has not done so. See the section entitled "The Transaction — Opinion of Craig-Hallum Capital Group LLC" and Annex B to this proxy statement.

If the merger is completed, the future success of the combined company depends substantially on its ability to retain key members of its management team.

If the merger is completed, the combined company will be highly dependent on principal members of its management team, which will include Ilan Danieli, Carl Iberger, Zaki Sabet, Ayman Mohamed and Steve Miller, as described in more detail in the section of this proxy statement entitled "The Transaction — Board of Directors and Management of New Precipio Following the Transaction." The inability to recruit or loss of the services of any executive or key employee may impede the progress of the combined company's objectives.

The pro forma financial statements are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the completion of the merger.

The pro forma financial statements contained in this proxy statement are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the merger for several reasons. The pro forma financial statements have been derived from the historical financial statements of Transgenomic and Precipio and adjustments and assumptions have been made regarding the combined company after giving effect to the merger. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with accuracy. Moreover, the pro forma financial statements do not reflect all costs that are expected to be incurred by the combined company in connection with the merger. For example, the impact of any incremental costs incurred in integrating the two companies is not reflected in the pro forma financial statements. As a result, the actual financial condition of the combined company following the merger may not be consistent with, or evident from, these pro forma financial statements. The assumptions used in preparing the pro forma financial statements may not prove to be accurate, and other factors may affect the combined company's financial condition following the transaction. See "Unaudited Pro Forma Combined Financial Information of Transgenomic, Inc." for more information.

Precipio may have liabilities that are not known, probable or estimable at this time.

As a result of the merger, Precipio will become a wholly owned subsidiary of Transgenomic and Transgenomic will effectively assume all of Precipio's liabilities, whether or not asserted. There could be unasserted claims or assessments that Transgenomic failed or was unable to discover or identify in the course of performing due diligence investigations of Precipio. In addition, there may be liabilities that are neither probable nor estimable at this time which may become probable and estimable in the future. Any such liabilities, individually or in the aggregate, could have a material adverse effect on Transgenomic's business. Transgenomic may learn additional information about Precipio that adversely affects Transgenomic, such as unknown, unasserted or contingent liabilities and issues relating to compliance with applicable laws.

Transgenomic may not be able to complete the merger and may elect to pursue another strategic transaction similar to the merger or a financing, which may not occur on commercially reasonably terms or at all.

Transgenomic cannot assure you that it will complete the merger in a timely manner or at all. The Merger Agreement is subject to many closing conditions and termination rights. If Transgenomic does not complete the merger, the Transgenomic Board may elect to attempt to complete another strategic transaction similar to the merger or a financing. Such attempts will likely be costly and time consuming, and Transgenomic cannot make any assurances that a future strategic transaction or financing will occur on commercially reasonable terms or at all.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts or that necessarily depend upon future events. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “potential,” and similar Without limiting the generality of the preceding sentence, statements contained in the sections “Summary,” “The Transaction — Transgenomic’s Reasons for the Transaction,” and “The Transaction — Opinion of Craig-Hallum Capital Group LLC” include forward-looking statements. Forward-looking statements contained in this proxy statement include projections of earnings, revenues, synergies, accretion or other financial items; any statements of the plans, strategies and objectives of management for future operations, including the execution of integration plans and the future management of New Precipio; approvals relating to, and the closing of, the merger with Precipio and the private placement; any statements regarding future economic conditions or performance; and statements of belief and any statement of assumptions underlying any of the foregoing.

The forward-looking statements contained in this proxy statement reflect Transgenomic’s current views about future events, are based on assumptions, and are subject to known and unknown risks and uncertainties. Many important factors could cause actual results or achievements to differ materially from any future results or achievements expressed in or implied by Transgenomic’s forward-looking statements, including the factors listed below. Many of the factors that will determine future events or achievements are beyond Transgenomic’s ability to control or predict. The following factors include, among others: the ability of the parties to satisfy the conditions precedent and consummate the proposed merger, the timing of consummation of the proposed merger, the ability of the parties to secure any required stockholder or other approvals in a timely manner or on the terms desired or anticipated, the ability to achieve anticipated benefits, risks related to disruption of management’s attention due to the pending merger, operating results and businesses generally, the outcome of any legal proceedings related to the proposed merger and the general risks associated with the respective businesses of Transgenomic and Precipio, including the general volatility of the capital markets, terms and deployment of capital, volatility of the Transgenomic share price, changes in the biotechnology industry, interest rates or the general economy, underperformance of Transgenomic’s and Precipio’s assets and investments and decreased ability to raise funds, the degree and nature of Transgenomic’s and Precipio’s competition and other risks as described in Transgenomic’s reports filed with the SEC.

The forward-looking statements contained in this proxy statement reflect Transgenomic’s views and assumptions only as of the date of this proxy statement. You should not place undue reliance on forward-looking statements. Except as required by law, Transgenomic assumes no responsibility for updating any forward-looking statements.

Transgenomic’s actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences are discussed in the section entitled “Risk Factors” beginning on page 17 and the section entitled “Risk Factors” included in

Transgenomic's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and risk factors detailed in Transgenomic's most recent quarterly reports on Form 10-Q. Transgenomic qualifies all of its forward-looking statements by these cautionary statements. In addition, with respect to all of our forward-looking statements, Transgenomic claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

THE SPECIAL MEETING

Date, Time and Place

A special meeting of Transgenomic stockholders will be held at 10:00 a.m. local time, on March [ ], 2017 at Troutman Sanders LLP's offices located at 1001 Haxall Point, Richmond, Virginia 23219.

Purpose of the Special Meeting

The purpose of the special meeting is to consider and vote on the following proposals:

Proposal No. 1:	To approve the issuance of 160,585,422 shares of New Precipio common stock, as well as 24,087,813 shares of New Precipio preferred stock to be issued, pursuant to the Merger Agreement, the issuance of 24,087,813 shares of New Precipio preferred stock and approximately 9.8 million shares of New Precipio common stock to be issued in a related private placement in exchange for certain indebtedness of Transgenomic, the issuance of 56,204,898 shares of New Precipio preferred stock to be issued to investors in a related private placement, the issuance of 104,380,525 shares of New Precipio common stock issuable upon conversion of the New Precipio preferred stock and the resulting "change of control" of Transgenomic. The approval of the issuance of New Precipio common stock and New Precipio preferred stock and the resulting "change of control" of Transgenomic is required to complete the merger with Precipio and the private placement.
Proposal No. 2:	To approve the issuance of 3.0 million shares of Transgenomic common stock upon exercise or exchange of the Warrants.
Proposal No. 3:	To approve the Transgenomic, Inc. 2017 Stock Option and Incentive Plan.
Proposal No. 4:	To approve, on a non-binding, advisory basis, payment by Transgenomic of certain compensation to Transgenomic's named executive officers that is based on or otherwise relates to the merger.
Proposal No. 5:	To approve a proposal to adjourn the special meeting of Transgenomic stockholders, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting of Transgenomic stockholders to approve the other proposals.

The approval of Proposal No. 1 for the issuance of Transgenomic common stock is a condition to the completion of the merger with Precipio. Accordingly, if Transgenomic is to complete the merger with Precipio, the stockholders must approve Proposal No. 1.

At the special meeting, Transgenomic stockholders also will be asked to consider and vote on any other matter that may properly come before the special meeting or any adjournment of the special meeting. At this time, the Transgenomic Board is unaware of any matters, other than those set forth above, that may properly come before the special meeting.

Record Date; Shares Outstanding and Entitled to Vote

Transgenomic has fixed the close of business on January 17, 2017 as the record date for the determination of holders of Transgenomic common stock and Series A-1 Convertible Preferred Stock entitled to notice of and to vote at the special meeting and any adjournment of the special meeting. No other shares of Transgenomic capital stock are entitled to notice of and to vote at the special meeting. At the close of business on the record date, Transgenomic had outstanding and entitled to vote 26,446,927 shares of Transgenomic common stock and 214,705 shares of Series A-1 Convertible Preferred Stock.

How to Vote Your Shares

If you hold your shares in your own name, you may submit a proxy by telephone, via the Internet or by mail or vote by attending the special meeting and voting in person.

- *Submitting a Proxy by Telephone:* You can submit a proxy for your shares by telephone until 11:59 p.m. Eastern Time on March [ ], 2017 by calling the toll-free telephone number on the enclosed proxy card.

- *Submitting a Proxy via the Internet:* You can submit a proxy via the Internet until 11:59 p.m. Eastern Time on March [ ], 2017 by accessing the web site listed on your proxy card and following the instructions you will find on the web site.

- *Submitting a Proxy by Mail:* If you choose to submit a proxy by mail, simply mark the enclosed proxy card, date and sign it, and return it in the postage paid envelope provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood NY 11717.

- By casting your vote in any of the three ways listed above, you are authorizing the individuals listed on the proxy to vote your shares in accordance with your instructions.

If your shares are held in the name of a bank, broker or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted. Please follow their instructions carefully. Also, please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the special meeting, you must request a legal proxy from your bank, broker or other nominee that holds your shares and present that proxy and proof of identification at the special meeting.

How to Change Your Vote

You will have the power to revoke your proxy at any time before it is exercised by:

- Delivering a written notice of revocation to the Secretary of Transgenomic, dated later than the proxy, before the vote is taken at the special meeting;

- Delivering a duly executed proxy to the Secretary of Transgenomic bearing a later date, before the vote is taken at the special meeting;

- Submitting a proxy on a later date by telephone or via the Internet (only your last telephone or Internet proxy will be counted), before 11:59 p.m. Eastern Time on March [ ], 2017; or

- Attending the special meeting, withdrawing your proxy, and voting in person. Your attendance at the special meeting, in and of itself, will not revoke the proxy.

Any written notice of revocation, or later dated proxy, should be delivered to:

Transgenomic, Inc.
12325 Emmet Street
Omaha, Nebraska 68164
Attention: Corporate Secretary

Alternatively, you may hand deliver a written revocation notice, or a later dated proxy, to the Secretary at the special meeting before voting begins.

If your shares of Transgenomic capital stock are held by a bank, broker or other nominee, you must follow the instructions provided by the bank, broker or other nominee if you wish to change your vote.

Proxies; Counting Your Vote

If you provide specific voting instructions, your shares will be voted at the special meeting in accordance with your instructions. If you hold shares in your name and sign and return a proxy card or submit a proxy by telephone or via the Internet without giving specific voting instructions, your shares will be voted as follows:

- **"FOR"** the issuance of 160,585,422 shares of New Precipio common stock, as well as 24,087,813 shares of New Precipio preferred stock to be issued, pursuant to the Merger Agreement, the issuance of 24,087,813 shares of New Precipio preferred stock and approximately 9.8 million shares of New Precipio common stock to be issued in a related private placement in exchange for certain indebtedness of Transgenomic, the issuance of 56,204,898 shares of New Precipio preferred stock to be issued to investors in a related private placement, the issuance of 104,380,525 shares of New Precipio common stock issuable upon conversion of the New Precipio preferred stock and the approval of the resulting "change of control" of Transgenomic. The approval of the issuance of New Precipio common stock and New Precipio preferred stock and the resulting "change of control" of Transgenomic is required to complete the merger with Precipio and the private placement;

- **"FOR"** the issuance of 3.0 million shares of Transgenomic common stock upon exercise or exchange of the Warrants;

- **"FOR"** the approval of the 2017 Stock Option and Incentive Plan;

- **"FOR"** the approval, on a non-binding, advisory basis, of payment by Transgenomic of certain compensation to Transgenomic's named executive officers based on or otherwise relating to the merger; and

- **"FOR"** the approval of an adjournment of the special meeting of Transgenomic stockholders, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting of Transgenomic stockholders to approve the other proposals.

At this time, Transgenomic is unaware of any matters, other than those matters set forth above, that may properly come before the special meeting. If any other matters properly come before the special meeting, the persons named in the enclosed proxy, or their duly constituted substitutes acting at the special meeting or any adjournment of the special meeting, will be deemed authorized to vote or otherwise act on such matters in accordance with their judgment.

The persons named in the enclosed proxy, or their duly constituted substitutes acting at the special meeting or any adjournment of the special meeting, may propose and vote for one or more adjournments of the special meeting. Proxies solicited may be voted only at the special meeting and any adjournment of the special meeting and will not be used for any other Transgenomic meeting of stockholders.

Votes cast by proxy or in person at the special meeting will be tabulated by the inspector of elections of the special meeting. The inspector of elections also will determine whether or not a quorum is present.

Abstentions and Broker "Non-Votes"

An "abstention" occurs when a stockholder sends in a proxy with explicit instructions to decline to vote regarding a particular matter. Under rules that govern banks, brokers and others who have record ownership of company stock held in brokerage accounts for their clients who beneficially own the shares, these banks, brokers and other such holders who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on certain matters ("discretionary matters") but do not have discretion to vote uninstructed shares as to certain other matters ("non-discretionary matters"). A broker may return a proxy card on behalf of a beneficial owner from whom the broker has not received voting instructions that casts a vote with regard to discretionary matters but expressly states that the broker is not voting as to non-discretionary matters. The broker's inability to vote with respect to the non-discretionary matters with respect to which the broker has not received voting instructions from the beneficial owner is referred to

as a “broker non-vote.” Under rules applicable to broker-dealers, all of the proposals to be considered at the special meeting are considered non-discretionary matters.

Quorum and Required Votes

In deciding all matters that come before the special meeting, each holder of common stock as of the record date is entitled to one vote per share of common stock, and each holder of Series A-1 Convertible Preferred Stock as of the record date is entitled to 0.93 votes per share of Series A-1 Convertible Preferred Stock. As of January 17, 2017, the record date for the special meeting, there were 26,446,927 shares of Transgenomic common stock outstanding and 214,705 shares of Series A-1 Convertible Preferred Stock outstanding.

Votes cast by proxy or in person at the special meeting will be tabulated by the inspector of elections of the special meeting. The inspector of elections also will determine whether or not a quorum is present. The presence, in person or by proxy, of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), issued and outstanding as of the record date for the special meeting is necessary to constitute a quorum at the special meeting. Shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock represented at the special meeting in person or by proxy but not voted will be counted for purposes of determining a quorum. Accordingly, abstentions and broker “non-votes” (shares as to which a broker or nominee has indicated that it does not have discretionary authority to vote on a particular matter) will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining the presence of a quorum.

Proposal No. 1: Proposal No. 1 to approve the issuance of New Precipio common stock and New Precipio preferred stock in accordance with the terms of the Merger Agreement and the private placement, the issuance of shares of New Precipio common stock issuable upon conversion of New Precipio preferred stock issued in the merger and related private placement and the resulting "change of control" of Transgenomic requires the affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting at which a quorum is present. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Broker non-votes will have no effect on the proposal. **The approval of Proposal No. 1 is a condition to the completion of the merger with Precipio and thus a vote against this proposal effectively will be a vote against the merger with Precipio and the private placement.**

Proposal No. 2: Proposal No. 2 to approve the issuance of Transgenomic common stock upon exercise or exchange of the Warrants requires the affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting at which a quorum is present. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Broker non-votes will have no effect on the proposal. **The approval of Proposal No. 2 is not a condition to the completion of the merger with Precipio.**

Proposal No. 3: Proposal No. 3 to approve the 2017 Stock Option and Incentive Plan requires the affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting at which a quorum is present. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Broker non-votes will have no effect on the proposal. **The approval of Proposal No. 3 is not a condition to the completion of the merger with Precipio.**

Proposal No. 4: Proposal No. 4 to approve, on a non-binding, advisory basis, payment by Transgenomic of certain compensation to Transgenomic's named executive officers that is based on or otherwise relates to the merger requires the affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting at which a quorum is present. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Broker non-votes will have no effect on the proposal. **The approval of Proposal No. 4 is not a condition to the completion of the merger with Precipio.**

Proposal No. 5: Proposal No. 5 to adjourn the special meeting, if necessary, to enable Transgenomic to solicit additional proxies in favor of the other proposals, requires the affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class

(with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting, whether or not a quorum is present. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Broker non-votes will have no effect on the proposal. **The approval of Proposal No. 5 is not a condition to the completion of the merger with Precipio.**

The directors and executive officers of Transgenomic collectively owned approximately 419,837 shares of Transgenomic common stock as of January 17, 2017 (inclusive of shares subject to stock options exercisable within 60 days following that date) and no shares of Series A-1 Convertible Preferred Stock. Such shares represented approximately 1.6% of Transgenomic's outstanding voting interests (including shares subject to stock options exercisable within 60 days held by the directors and officers) as of such date. Each member of the Transgenomic Board has advised Transgenomic that such member intends to vote all of the shares of Transgenomic capital stock held, directly or indirectly, by such director in favor of each of the above proposals. Certain of Transgenomic's stockholders (including all of Transgenomic's executive officers and directors) have also entered into a Voting Agreement with Transgenomic and Precipio, pursuant to which such holders have agreed to, among other things, (i) authorize and approve the Merger Agreement and the transactions contemplated thereby and (ii) vote against any Acquisition Proposal (as defined in the Merger Agreement). Collectively, the voting interests held by these holders represent approximately 31.84% of Transgenomic's voting interests as of October 12, 2016.

As of the close of business on the record date for the special meeting, Precipio and its affiliates did not beneficially own any shares of Transgenomic capital stock (other than shares of Transgenomic common stock that Precipio may be deemed to beneficially own in connection with the Transgenomic Voting Agreement) and, to the knowledge of Precipio, none of its directors or executive officers beneficially owned any shares of Transgenomic capital stock.

Solicitation of Proxies

Transgenomic will bear the cost of soliciting proxies for the special meeting. To the extent necessary, proxies may be solicited by Transgenomic's directors, officers and employees, but these persons will not receive any additional compensation for such solicitation. Transgenomic will reimburse brokerage firms, banks and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of Transgenomic's capital stock. In addition to solicitation by mail, Transgenomic will supply banks, brokers, dealers and other custodian nominees and fiduciaries with proxy materials to enable them to send a copy of such materials by mail to each beneficial owner of Transgenomic capital stock that they hold of record and will, upon request, reimburse them for their reasonable expenses in so doing. Transgenomic has retained Innisfree M&A Incorporated to assist in the solicitation of proxies for the special meeting and expects to pay them approximately $10,000 in fees for such services.

Recommendation of the Transgenomic Board

The Transgenomic Board has determined that the merger with Precipio and the issuance of New Precipio common stock in the merger and the issuance of New Precipio preferred stock issued in the merger and the related private placement, the issuance of New Precipio common stock upon conversion of the New Precipio preferred stock and the resulting "change of control" of Transgenomic, the issuance of Transgenomic common stock upon exercise or exchange of the Warrants, the 2017 Stock Option and Incentive Plan and the merger-related compensation are fair to and in the best interests of Transgenomic and its stockholders and approved the issuance of New Precipio common stock and New Precipio preferred stock in accordance with the Merger Agreement and the related private placement and the resulting "change of control" of Transgenomic, the issuance of Transgenomic common stock upon exercise or exchange of the Warrants and the 2017 Stock Option and Incentive Plan. See the sections entitled "The Transaction — Transgenomic's Reasons for the Transaction" beginning on page 35, "Proposal No. 2 – Approval of the Issuance of Transgenomic, Inc. Common Stock upon Exercise or Exchange of the Warrants" beginning on page 81, "Proposal No. 3 – Approval of 2017 Stock Option and Incentive Plan" beginning on page 84 and "Proposal No. 4 – Approval of Advisory Compensation Proposal" beginning on page 97 for a more detailed discussion.

The Transgenomic Board recommends that you vote **"FOR"** approval of the issuance of New Precipio common stock and New Precipio preferred stock in accordance with the Merger Agreement and the related private placement, the issuance of New Precipio common stock upon conversion of the New Precipio preferred stock and the resulting "change of control" of Transgenomic, **"FOR"** approval of the issuance of Transgenomic common stock upon exercise or exchange of the Warrants, **"FOR"** approval of the 2017 Stock Option and Incentive Plan, **"FOR"** approval of certain merger-related compensation and **"FOR"** approval of an adjournment of the special meeting, if necessary, to enable Transgenomic to solicit additional proxies in favor of the other proposals.

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THE TRANSACTION

Background of the Transaction

The Transgenomic Board from time to time reviews with senior management Transgenomic's strategic direction and the opportunities available for growth in the context of developments in the diagnostics industry. These reviews include periodic internal discussions of projected financial performance and potential acquisitions, dispositions and business combinations with third parties that would add stockholder value and further Transgenomic's strategic objectives, as well as the potential benefits and risks of those potential transactions.

On July 10, 2014, Transgenomic executed an engagement letter with MTS Health Partners, L.P., a healthcare investment banking firm ("MTS"), to review strategic opportunities for Transgenomic's Genetic Assays and Platforms ("GAP") business unit and prepare a confidential information memorandum and due diligence data room in connection with a potential sale of the GAP business. During the next several months, MTS contacted potential buyers of the GAP business.

On January 15 and 22, 2015, Paul Kinnon, President and Chief Executive Officer of Transgenomic, apprised the Transgenomic Board on the status of the potential sale of the GAP business to StoneCalibre, LLC, a private investment firm ("StoneCalibre").

On March 23, 2015, the Transgenomic Board met and, among other matters, discussed strategic alternatives for the company. The Transgenomic Board considered separating the company into three separate parts—the GAP business, the Patient Testing ("PT") business unit and the Multiplexed ICE-COLD PCR ("ICE-COLD") business unit. The Transgenomic Board instructed senior management to engage MTS to explore various strategic alternatives for the GAP business.

On April 27, 2015, the Transgenomic Board met and, among other matters, discussed management's proposed engagement of the Maxim Group, an investment banking firm, to act as a financial advisor to the company in connection with a possible sale of the company or certain business segments.

On May 11, 2015, Transgenomic executed an engagement letter with the Maxim Group to review strategic opportunities. On May 12, 2015, the Transgenomic Board met and, among other matters, discussed potential strategic opportunities for the company on a standalone basis and on a business unit basis. On May 15, 2015, Transgenomic

executed an additional engagement letter with MTS to review strategic opportunities.

At meetings held on May 15, 2015, June 4, 2015, June 18, 2015 and July 2, 2015, the Transgenomic Board discussed, among other matters, potential strategic transaction options including the potential sale of the GAP business and the possibility of selling the PT business. During this time, members of senior management of Transgenomic, MTS and Maxim Group met with or sent materials to over 50 potential buyers of the GAP and PT businesses.

On July 13, 2015, Transgenomic executed a letter of intent with StoneCalibre to purchase part of the GAP business.

On July 16, 2015, the Transgenomic Board met and, among other matters, discussed the sale of the GAP business to StoneCalibre and the possibility of selling the remaining part of the GAP business to ADSTEC Corporation, a Japanese instruments manufacturer (“ADSTEC”). Mr. Kinnon also informed the Transgenomic Board that the company had made eight presentations to potential buyers regarding the sale of the PT business.

On July 30, 2015, Transgenomic received a letter of intent with respect to the sale of the PT business from a strategic party.

At meetings held on July 30, 2015, August 11, 2015, August 20, 2015 and September 3, 2015, Mr. Kinnon updated the Transgenomic Board as to the status of the potential sale of the GAP business as well as efforts to find a potential buyer for the PT business. Also on September 3, 2015, the Transgenomic Board approved the sale of part of the GAP business to StoneCalibre.

On August 12, 2015, Transgenomic received a letter of intent with respect to the sale of the PT business to another strategic buyer.

On September 10, 2015, Transgenomic completed the sale of part of the GAP business to StoneCalibre.

On September 15, 2015, the Transgenomic Board met and, among other matters, discussed the proposed terms of the sale of the remaining GAP business to ADSTEC as well as a potential buyer for the PT business.

On September 25, 2015, Transgenomic executed a letter of intent to sell the remaining portion of the GAP business to ADSTEC.

At meetings held on September 29, 2015, October 8, 2015 and October 21, 2015, Mr. Kinnon updated the Transgenomic Board regarding the status of the sale of the remaining GAP business to ADSTEC as well as efforts to find a potential buyer for the PT business.

At meetings held on November 10, 2015, November 19, 2015 and November 30, 2015, the Transgenomic Board discussed, among other matters, the company's corporate mission and strategy and various strategic opportunities and alternatives for the company. The Transgenomic Board authorized senior management to engage Craig-Hallum to explore strategic alternatives for the company.

On December 1, 2015, Transgenomic executed an engagement letter with Craig-Hallum to conduct a strategic review of Transgenomic's remaining businesses. Also on December 1, 2015, Transgenomic completed the sale of the remaining portion of the GAP business to ADSTEC.

On December 8, 2015, Transgenomic received an updated letter of intent with respect to the sale of the PT business from the original strategic party.

At a meeting of the Transgenomic Board on December 8, 2015, Robert M. Patzig, Chairman of the Transgenomic Board, and Mr. Kinnon updated the Transgenomic Board on detailed discussions with Craig-Hallum regarding potential financings. On December 9, 2015, Mr. Patzig informed the Transgenomic Board that Third Security, LLC ("Third Security") and its affiliates had agreed to provide bridge financing and, on December 10, 2015, that Crede

Capital Group, LLC was willing to invest additional money in Transgenomic.

At meetings held on December 11, 2015, December 14, 2015 and December 17, 2015 the Transgenomic Board discussed, among other matters, the proposed private financing.

On December 17, 2015, a representative of BV Advisory Partners, a strategic advisory and merchant banking firm ("BV Partners"), introduced senior management of Transgenomic to senior management of Precipio.

On January 5, 2016, Transgenomic received an updated letter of intent with respect to the sale of the PT business from the original strategic buyer.

On January 7, 2016, the Transgenomic Board met and approved the terms of a private placement and recapitalization of its existing preferred stock. This financing closed on January 11, 2016 and provided the company with approximately $2.2 million of working capital for the operation of its business.

During February of 2016, members of senior management of Transgenomic met with representatives of Craig-Hallum to develop a confidential information memorandum, a data room and related materials relating to a potential transaction involving the remaining businesses of Transgenomic. During February, March and April 2016, representatives of Craig-Hallum and Transgenomic contacted strategic investors regarding a potential transaction with Transgenomic.

On March 1, 2016, the potential buyer of the PT business decided not to consummate a transaction. The Transgenomic Board then determined to wind down the PT business and sell parts of the PT business to different buyers.

On March 7, 2016, representatives of Aegis Capital Corp., a financial services company ("Aegis"), met with Transgenomic to discuss a potential public offering of Transgenomic common stock.

On March 15, 2016, representatives of BV Partners contacted Transgenomic regarding a potential acquisition of the PT business.

On March 24, 2016, the Transgenomic Board authorized senior management to meet directly with potential purchasers of the PT business.

At meetings held on March 24, 2016, April 22, 2105 and May 19, 2016, Mr. Kinnon updated the Transgenomic Board regarding the status of potential strategic transactions.

On April 4, 2016, a representative of Craig-Hallum reported to senior management of Transgenomic that Craig-Hallum had contacted 88 strategic investors, 24 of whom did not respond, 35 expressed no interest, 28 executed non-disclosure agreements, received the confidential information memorandum and had access to the data room but decided not to move forward and one made an offer.

On May 17, 2016, representatives of Aegis and Transgenomic met to discuss the potential public offering.

On May 20, 2016, representatives of Transgenomic contacted a representative of BV Partners regarding a potential meeting with senior management of Precipio.

On June 10, 2016, Mr. Patzig and Ilan Danieli, Chief Executive Officer of Precipio, along with a representative of BV Partners met in New York City to discuss a potential strategic transaction between Transgenomic and Precipio.

On June 20, 2016, members of senior management of Precipio met telephonically with members of senior management of Transgenomic to discuss next steps and the terms of a possible merger between the companies.

At a meeting of the Transgenomic Board on June 28, 2016, Mr. Kinnon provided the Transgenomic Board an update regarding potential strategic transactions, including a potential strategic acquisition.

In June 2016, after having contacted over 20 potential buyers and making 15 presentations, Transgenomic sold the assets of the PT business to a strategic buyer.

On June 30, 2016, Precipio delivered to Transgenomic a proposed non-binding term sheet regarding a potential transaction between Precipio and Transgenomic.

On July 9, 2016, representatives of Precipio and Transgenomic discussed valuations in connection with a potential transaction.

On July 14, 2016, representatives of Precipio, including Mr. Danieli and Mark Rimer, a partner at Kuzari Group, a boutique private investment group and an investor in Precipio, met telephonically with representatives of Transgenomic, including Mr. Patzig and Mr. Kinnon, to discuss further the terms of a potential transaction. Representatives of Third Security and BV Partners were also present at the meeting.

On July 14, 2016, the Transgenomic Board met and discussed, among other things Transgenomic's potential strategic transactions and funding options.

At a meeting of the Transgenomic Board held on July 21, 2016, Mr. Kinnon and Mr. Patzig updated the Transgenomic Board regarding the potential transaction with Precipio and summarized the proposed transaction terms and economics.

On July 26, 2016, representatives of Precipio, including Mr. Danieli and Mr. Rimer, Transgenomic, including Mr. Patzig (by telephone) and Mr. Kinnon, Third Security and BV Partners met at Precipio's offices in New Haven, Connecticut to conduct preliminary due diligence and discuss the process for a potential transaction between the companies.

On August 5, 2016, representatives of Precipio, including Mr. Danieli and Mr. Rimer, Transgenomic, including Mr. Patzig and Mr. Kinnon, Third Security and BV Partners met telephonically to discuss the proposed timeline and due diligence for the proposed transaction.

On August 17, 2016, representatives of Precipio, including Mr. Danieli and Mr. Rimer, Transgenomic, including Mr. Patzig and Mr. Kinnon, Third Security and BV Partners met telephonically to continue due diligence and negotiations.

On August 18, 2016, the Transgenomic Board met and discussed, among other things the engagement of Aegis to act as a potential financial advisor to the company.

On August 19, 2016, representatives of Precipio, including Mr. Danieli and Mr. Rimer, Transgenomic, including Mr. Patzig and Mr. Kinnon, Third Security and BV Partners met telephonically to discuss the terms of the proposed non-binding term sheet and negotiate the principal terms and Precipio sent a revised non-binding term sheet to Transgenomic.

On August 22, 2016, the Transgenomic Board met and discussed, among other things the company's potential strategic transactions and funding options, including the latest version of a non-binding term sheet with Precipio. The Transgenomic Board also authorized senior management to engage Aegis to act as the sole book runner for a potential underwritten public offering.

On August 24, 2016, Transgenomic sent a revised draft of the proposed non-binding term sheet to Precipio.

On August 25, 2016, Mr. Patzig, Mr. Rimer and a representative of Third Security met to discuss the proposed terms of a preferred stock financing in connection with the transaction with Precipio, and Precipio sent a revised draft of the proposed non-binding term sheet to Transgenomic.

On August 25, 2016, the Transgenomic Board met and approved the terms of the proposed non-binding term sheet with Precipio.

On August 26, 2016, Transgenomic and Precipio each executed and delivered the non-binding term sheet for the proposed transaction.

On August 26, 2016, Transgenomic and Aegis executed an engagement letter with respect to a potential public offering of Transgenomic common stock.

On August 31, 2016, representatives of Precipio, including Mr. Danieli and Mr. Rimer, Transgenomic, including Mr. Patzig and Mr. Kinnon, Third Security, BV Partners, Goodwin Procter LLP ("Goodwin"), Precipio's outside legal counsel, and Paul Hastings LLP, Transgenomic's outside legal counsel, met telephonically to discuss the timing and process for the proposed transaction and the drafting of the definitive agreements.

On August 31, 2016, members of Precipio's management team, including Mr. Danieli, Zaki Sabet, Vice President of Operations and Ayma Mohamed, Lab Manager, conducted a site visit to Transgenomic's offices in Omaha to meet with members of the team and visit the laboratory to learn about the company operations. Transgenomic's team provided a presentation of the company's technology, its operations, and the current projects the company is undertaking. Transgenomic's lab managers provided an in-depth review of the CLIA and R&D operations of the company. The visit was concluded on Thursday September 1, 2016 in the afternoon.

On September 7, 2016, representatives of Aegis and Transgenomic met to begin the process of a proposed registered public offering of Transgenomic common stock. During September 2016, representatives of Aegis and Transgenomic continued drafting a registration statement with respect to a public offering of Transgenomic common stock.

On September 16, 2016, Goodwin distributed a first draft of the proposed Merger Agreement to Transgenomic and its advisors and representatives.

On September 20, 2016, representatives of Precipio, including Mr. Danieli and Mr. Rimer, Transgenomic, including Mr. Patzig and Mr. Kinnon, Third Security, BV Partners and Goodwin met telephonically to discuss the draft Merger Agreement.

On September 21, 2016, Transgenomic engaged Troutman Sanders LLP ("Troutman") to act as the company's outside legal counsel in connection the proposed transaction with Precipio.

On September 29, 2016, Mr. Patzig, Mr. Kinnon and representatives of Troutman met telephonically to discuss process and the terms of the draft Merger Agreement.

On September 29, 2016, Transgenomic suspended the public offering process to pursue the potential transaction with Precipio.

On September 30, 2016, representatives of Precipio, including Mr. Danieli and Mr. Rimer, Transgenomic, including Mr. Patzig and Mr. Kinnon, Third Security, BV Partners, Goodwin and Troutman met telephonically to discuss preliminary comments to the draft Merger Agreement, timing and process.

On September 30, 2016, Troutman distributed a revised draft of the Merger Agreement to Precipio and its advisors and representatives. The revised agreement contained a substantially lower termination fee as well as a requirement that certain members of Precipio agree to vote in favor of the merger. From October 1st to October 12th, 2016, Transgenomic and Precipio had multiple meetings and discussions to negotiate and finalize the Merger Agreement and the related schedules, exhibits and other transaction documents.

On October 3, 2016, representatives of Goodwin and Troutman had a call in which they discussed the significant open issues, including the calculation of the termination fee and voting agreements.

On October 5, 2016, BV Advisors distributed a draft term sheet for the New Precipio preferred stock to Transgenomic, Precipio, Third Security and their respective advisors and representatives.

On October 5, 2016, representatives of Goodwin and Troutman continued to discuss the open issues with respect to the merger. Later that day, Goodwin distributed a revised draft of the Merger Agreement to Transgenomic and its advisors and representatives. The revised draft included reciprocal voting agreement provisions. Later on October 5, 2016, Troutman distributed a revised draft of the Merger Agreement to Precipio and its advisors and representatives.

On October 6, 2016, Troutman distributed a draft of the Transgenomic Voting Agreement to Precipio and its advisors and representatives. Representatives of Transgenomic, including Mr. Patzig and Mr. Kinnon, Third Security and BV Partners met telephonically to discuss preliminary comments to the terms of the New Precipio preferred stock. Later that day, Goodwin provided comments to the Transgenomic Voting Agreement and provided a draft of the Precipio Voting Agreement to Transgenomic and its advisors and representatives.

On October 6, 2016, the Transgenomic Board met and, among other matters, discussed the current status of the Precipio transaction and the terms of the Merger Agreement and the term sheet for the New Precipio preferred stock. Representatives of Troutman also attended the meeting. Troutman provided the Transgenomic Board a presentation on fiduciary duties under Delaware law and each of the Transgenomic Board members had an opportunity to ask questions. Troutman then provided a summary of the material terms of the Merger Agreement, including the size of the termination fee, and the proposed terms of the New Precipio preferred stock set forth in the draft term sheet. Mr. Patzig and Mr. Kinnon updated the Transgenomic Board on the status of the negotiations and the main business issues. After a lengthy discussion, the Transgenomic Board authorized Mr. Patzig and Mr. Kinnon to continue to negotiate with Precipio along the terms discussed at the meeting, including with respect to the termination fee.

On October 7, 2016, Troutman distributed a revised draft of the Merger Agreement to Precipio and its advisors and representatives. Also, representatives of Precipio, including Mr. Danieli and Mr. Rimer, Transgenomic, including Mr. Patzig and Mr. Kinnon, Third Security, Goodwin and Troutman met telephonically to discuss the draft term sheet for the New Precipio preferred stock. Precipio also distributed a revised draft of the New Precipio preferred stock term sheet to BV Partners.

On October 8, 2016, Goodwin distributed a revised draft of the Merger Agreement to Transgenomic and its advisors and representatives. During October 8 and 9, 2016, Precipio, Transgenomic, Third Security and BV Partners negotiated the terms of the New Precipio preferred stock term sheet. On October 9, 2016, Precipio distributed a revised draft of the New Precipio preferred stock term sheet reflecting the terms that had been agreed.

On October 10, 2016, Troutman distributed a revised draft of the Merger Agreement to Precipio and its advisors and representatives. Later that day, Goodwin distributed a revised draft of the Merger Agreement to Transgenomic and its advisors and representatives. Representatives of Goodwin and Troutman continued to negotiate the open issues.

On October 11, 2016, Mr. Patzig and Mr. Danieli discussed the working capital adjustment in the Merger Agreement and agreed to increase the working capital deficit maximum for both companies and eliminate the termination right if the working capital deficit exceeded the maximum for both companies. Following the agreement, Troutman distributed a revised draft of the Merger Agreement to Precipio and its advisors and representatives. Later that evening, Goodwin distributed a revised draft of the Merger Agreement to Transgenomic and its advisors and representatives.

On October 11, 2016, the Transgenomic Board met to discuss the current status of the Precipio transaction and the terms of the Merger Agreement and the term sheet for the New Precipio preferred stock. Representatives of Troutman also attended the meeting. Troutman provided the Transgenomic Board a summary of its prior presentation on fiduciary duties under Delaware law and each of the Transgenomic Board members had an opportunity to ask questions. Troutman then provided a summary of the material terms of the Merger Agreement and the proposed terms of the New Precipio preferred stock set forth in the revised draft term sheet. Mr. Patzig and Mr. Kinnon updated the Transgenomic Board on the status of the negotiations and the main business issues.

On October 12, 2016, representatives of Precipio, including Mr. Danieli and Mr. Rimer, Transgenomic, including Mr. Patzig and Mr. Kinnon, Third Security, BV Partners and Goodwin met telephonically to finalize the Merger Agreement. Later that day, Troutman Sanders distributed the execution draft of the Merger Agreement to Precipio and its advisors and representatives, including the termination fee that Transgenomic was willing to accept.

On October 12, 2016, the Transgenomic Board met to discuss the current status of the Precipio transaction and the terms of the Merger Agreement and the term sheet for the New Precipio preferred stock. Representatives of Troutman and Craig-Hallum also attended the meeting. Troutman provided the Transgenomic Board an update of its fiduciary duties under Delaware law and each of the Transgenomic Board members had an opportunity to ask questions. Troutman then provided a summary of the material terms of the Merger Agreement and the terms of the New Precipio preferred stock set forth in the final term sheet. Mr. Patzig and Mr. Kinnon updated the Transgenomic Board on the status of the negotiations and the main business issues. Craig-Hallum delivered to the Transgenomic Board a written report regarding its financial analysis of the proposed transaction and its oral opinion, confirmed by delivery of its written opinion dated October 12, 2016, that, as of that date, and based upon and subject to the assumptions contained the fairness opinion, the exchange ratio determined in accordance with the Merger Agreement was fair, from a financial point of view, to the holders of Transgenomic common stock. The Transgenomic Board members all had an opportunity to ask questions to the representatives of Craig-Hallum. After Craig-Hallum left the meeting, the Transgenomic Board had a detailed discussion regarding the proposed transaction with Precipio. Mr. Patzig reminded the Transgenomic Board of the efforts over the past two years to find financing or to sell the business which had not been successful except for the current transaction. The Transgenomic Board discussed the alternatives including continuing independent or trying to pursue a public offering, a different merger or related transaction or alternative financing. Doit L. Koppler, II, a member of the Transgenomic Board and affiliated with Third Security and certain of its affiliates recused himself from the meeting. In addition, the Transgenomic Board was aware that Mr. Patzig has an interest in the funds managed by Third Security that own Transgenomic common stock, preferred stock and secured debt (the “Transgenomic Securities”) and determined such investments in Transgenomic Securities held by the Third Security managed funds was immaterial to Mr. Patzig. The remaining members of the Transgenomic Board voted to approve the Merger Agreement and the other transaction agreements and to recommend that the stockholders of Transgenomic vote to approve the proposals set forth in the proxy statement to be sent to Transgenomic stockholders.

On October 12, 2016, Transgenomic and Precipio entered into the Merger Agreement, exchanged executed versions of the Voting Agreements and the New Precipio preferred stock term sheet and issued a press release announcing their execution of the Merger Agreement.

On January 31, 2017, the Transgenomic Board met to discuss the current status of the Precipio transaction and the terms of the Merger Agreement in connection with filing the Proxy Statement and closing the merger. The Transgenomic Board reviewed the proposed terms for an amendment to the Merger Agreement, the proposed Bridge Loan and the conversion of the outstanding secured debt of Transgenomic. The Board authorized Mr. Patzig and Mr. Kinnon to negotiate the final terms of the proposals in accordance with the terms presented at the meeting.

On February 2, 2017, the audit committee of the Transgenomic Board, in accordance with the Transgenomic Corporate Governance Guidelines, approved the conversion of secured indebtedness of Transgenomic held by the lenders into shares of New Precipio preferred stock and New Precipio common stock. Also on February 2, 2017, the Transgenomic Board met and approved the final terms of the Bridge Loan, the First Amendment to the Agreement and Plan of Merger and the conversion of secured indebtedness of Transgenomic held by the lenders into shares of New Precipio preferred stock and New Precipio common stock pursuant to an amendment to the loan agreement.

On February 2, 2017, Transgenomic and Precipio entered into the First Amendment to the Agreement and Plan of Merger which provided for the following: (a) the Bridge Loan to Transgenomic was authorized; (b) the exchange ratio set forth in the Merger Agreement was revised to provide that outstanding common units of Precipio will be converted into the right to receive an amount of shares of New Precipio common stock equal to 80% of the outstanding shares of New Precipio common stock (not taking into account the issuance of New Precipio preferred stock in the merger or the private placement); (c) the continual listing of the existing shares of Transgenomic's common stock on Nasdaq was waived as a condition to the closing of the merger; (d) the deadline pursuant to which a "shelf" registration statement on Form S-3 or other appropriate form is required to be filed by New Precipio with the SEC was extended to June 1, 2017; (e) certain indebtedness of Transgenomic was permitted to remain outstanding as of the effective date of the merger; (f) certain actions taken by each of Transgenomic and Precipio since the date the Merger Agreement were authorized and (g) certain additional conditions to the closing of the merger were removed from the Merger Agreement.

Transgenomic's Reasons for the Transaction

The Transgenomic Board, after considering various reasons described herein and below, determined that the Merger Agreement, the related private placement, and the transactions contemplated thereby, are advisable, fair to and in the best interests of Transgenomic and its stockholders, and approved, adopted and declared advisable the Merger Agreement, the private placement, and the transactions contemplated thereby. If the issuance of shares of New Precipio common stock is approved, then in accordance with the Merger Agreement, Merger Sub will merge with and

into Precipio, with Precipio as the surviving entity. The approval of the issuance of New Precipio common stock is a condition to the completion of the merger with Precipio and the private placement. Therefore, the Transgenomic Board recommends that you vote "**FOR**" the issuance of approximately 160.6 million shares of New Precipio common stock, as well as approximately 24.1 million shares of New Precipio preferred stock to be issued, pursuant to the Merger Agreement, the issuance of approximately 24.1 million shares of New Precipio preferred stock and approximately 9.8 million shares of New Precipio common stock to be issued in a related private placement in exchange for certain indebtedness of Transgenomic, the issuance of approximately 56.2 million shares of New Precipio preferred stock to be issued to investors in a related private placement, the issuance of approximately 104.4 million shares of New Precipio common stock issuable upon conversion of the New Precipio preferred stock and the approval of the resulting "change of control" of Transgenomic, and "**FOR**" the proposal to approve an adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve Proposal No. 1. The approval of the adjournment of the special meeting is not a condition to completion of the merger with Precipio or the private placement.

The Transgenomic Board believes that the merger will provide substantial benefits to Transgenomic's business and operations by, among other things, enhancing the ability of the combined company to be the leading platform for accurate diagnosis. In evaluating the transaction, the Transgenomic Board consulted with members of Transgenomic management and legal and financial advisors, and in reaching its decision to approve the transactions and recommend the issuance of shares by Transgenomic's stockholders, the Transgenomic Board considered a substantial amount of information and a number of reasons that it believes support its decision to enter into the transactions, including, but not limited to, the following material reasons (not necessarily in order of relative importance):

- that no material ICE-COLD PCR licenses have been signed, and Transgenomic management believes that raising additional capital to continue operations as a stand-alone business would not be possible given Transgenomic's current capital structure and lack of commercial progress to date with ICE-COLD PCR;

- previous processes to pursue strategic alternatives by Transgenomic to liquidate unutilized assets, sell the company, merge or enter into commercial licensing arrangements were unsuccessful, including the failure to sell Transgenomic's PT business which resulted in a wind-down of that business**;**

- as of September 30, 2016, Transgenomic had just short of $0.1 million in cash, $9.2 million in accounts payable and accrued expenses and $7.8 million in debt and management believes it has exhausted all of its alternatives in terms of raising capital outside of the merger and private placement;

- that Transgenomic stockholders will have the opportunity to participate in the future performance of New Precipio, rather than face potential bankruptcy with Transgenomic;

- the oral opinion of Craig-Hallum delivered to the Transgenomic Board on October 12, 2016, which was subsequently confirmed by delivery of a written opinion, to the effect that, that, as of the date of its opinion, based upon and subject to the assumptions, limitations, qualifications, and factors contained in its opinion, the exchange ratio provided for in the Merger Agreement was fair, from a financial point of view, to the holders of Transgenomic common stock, as more fully described below under the caption "—Opinion of Craig-Hallum Capital Group LLC" beginning on page 38; the full text of the written opinion of Craig-Hallum, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken in rendering the opinion, is attached as Annex B to this proxy statement;

- knowledge of Transgenomic's business, operations, financial condition and prospects, as well as an assessment of Precipio's business and financial condition, taking into account the results of Transgenomic's due diligence review of Precipio;

- belief, with input from Transgenomic management, that the value offered to Transgenomic stockholders in the proposed transaction with Precipio is more favorable to Transgenomic stockholders than the potential value of remaining an independent public company;

- the long-term and recent historical trading price ranges with respect to shares of Transgenomic common stock;

- the complementary nature of Transgenomic's business and operations and Precipio's business and operations, including the significant value creation opportunity in leveraging the combination of Precipio's unique scalable scientific platform and Transgenomic's powerful proprietary technology;

- that New Precipio would be a larger, more diversified company than either Transgenomic or Precipio on its own;

- the expectation that the private placement transaction would create a better capitalized organization with a lower cost of capital than a standalone Transgenomic, as the debt holders of Transgenomic will convert outstanding debt into approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million and approximately 9.8 million shares of New Precipio common stock, which will, among other things, allow New Precipio to pursue business development opportunities not otherwise available to Precipio or Transgenomic as standalone entities;

- that the issuance of New Precipio preferred stock to investors in the private placement of up to $7 million in connection with the merger satisfies Transgenomic's immediate need for working capital financing on terms more favorable to Transgenomic than were otherwise available to the company, and that such proceeds will not be otherwise available;

- that certain of Precipio's unit, warrant and note holders have entered into the Precipio Voting Agreement with Transgenomic and Precipio, pursuant to which they agreed to support the transactions contemplated by the Merger Agreement;

- that the Merger Agreement provided sufficient flexibility for the Transgenomic Board to change its recommendation regarding the Merger Agreement in the case of a superior proposal or material unforeseen intervening event;

- the merger and related private placement are key components of Transgenomic's plan to regain compliance with Nasdaq listing standards;

- the depth of experience of the management team of Precipio; and

- the terms and conditions of the Merger Agreement, including the parties' representations, warranties and covenants.

The Transgenomic Board weighed the foregoing against a number of risks and potentially negative reasons, including, but not limited to, the following reasons:

- the restrictions on the conduct of Transgenomic's business during the period between execution of the Merger Agreement and the completion of the merger;

- the dilution to the existing Transgenomic stockholders;

- the risk that the anticipated benefits of the merger may not be realized;

- the risk that changes in the regulatory or competitive landscape may adversely affect the benefits anticipated to result from the merger;

- the challenges inherent in combining the businesses, operations and workforces of two companies, including the potential for (i) unforeseen difficulties in integrating operations and systems, (ii) the possible distraction of management attention for an extended period of time and (iii) difficulties in assimilating employees;

- the potential effect of the merger and subsequent integration and/or market factors on Transgenomic's and/or Precipio's historical business, including their respective relationships with employees, customers, suppliers, and other business partners;

- the risk that the transaction, and subsequent integration of the two businesses, may preclude other business development opportunities;

- the substantial costs that Transgenomic has incurred and will continue to incur in connection with the merger, including the costs of integrating the businesses of Transgenomic and Precipio and the transaction expenses arising from the merger;

- the risk that Transgenomic or Precipio may lose key personnel prior to the completion of the merger;

- the risk that the merger may not be completed despite the combined efforts of Transgenomic and Precipio or that completion may be delayed, even if the requisite approvals are obtained from Transgenomic stockholders and owners of the outstanding membership interests of Precipio;

- the possibility of stockholder litigation and the attendant costs, delays and diversion of management attention and resources;

- that the non-solicitation covenant in the Merger Agreement imposes restrictions on Transgenomic's ability to solicit other potential strategic transaction partners after signing;

- the fact that Transgenomic may be obligated to pay Precipio a termination fee of $256,500 in certain circumstances as summarized under "The Merger Agreement — Effect of Termination";

- that the market price of Transgenomic common stock could be affected by many factors, including:

  - if the Merger Agreement is terminated, the reason or reasons for such termination and whether such termination resulted from factors adversely affecting Transgenomic;

  - the possibility that, in the event of the termination of the Merger Agreement, possible acquirers or other strategic transaction partners may consider Transgenomic to be a less attractive acquisition candidate; and

- the possible sale of Transgenomic common stock by short-term investors and material fluctuation in the market price of its common stock in response to an announcement of the merger or in the event that the Merger Agreement is terminated;

- the risk of changes in circumstances between the date of the signing of the Merger Agreement and the completion of the merger transactions, which will not be reflected in the opinion delivered by Craig-Hallum to the Transgenomic Board on October 12, 2016; and

- the risks of the type and nature described under the heading "Risk Factors" beginning on page 17 and the matters described above under the heading "Cautionary Statement Concerning Forward-Looking Statements."

This discussion of the reasons considered by the Transgenomic Board in reaching its conclusions and recommendation summarizes the material reasons considered by the Transgenomic Board, but is not intended to be exhaustive. The Transgenomic Board based its recommendation on the totality of the information presented.

The Transgenomic Board believes that, overall, the potential benefits of the merger and private placement to Transgenomic's stockholders outweigh the risks and uncertainties of the transactions. In view of the wide variety of reasons considered in connection with its evaluation of the transactions and the complexity of these matters, the Transgenomic Board did not find it useful and did not attempt to assign any relative or specific weights to the various reasons that it considered in reaching its determination to recommend that Transgenomic stockholders vote "**FOR**" the proposal to approve the issuance of approximately 160.6 million shares of New Precipio common stock, as well as approximately 24.1 million shares of New Precipio preferred stock to be issued, pursuant to the Merger Agreement, the issuance of approximately 24.1 million shares of New Precipio preferred stock and approximately 9.8 million shares of New Precipio common stock to be issued in a related private placement in exchange for certain indebtedness of Transgenomic, the issuance of approximately 56.2 million shares of New Precipio preferred stock to be issued to investors in a related private placement, the issuance of approximately 104.4 million shares of New Precipio common stock issuable upon conversion of the New Precipio preferred stock and the resulting "change of control" of Transgenomic, and "**FOR**" the proposal to approve an adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting. Additionally, in considering the matters described above, each member of the Transgenomic Board applied his or her own business judgment to the process and may have assigned varying weights to different reasons supporting the decision to approve the transactions.

The foregoing discussion of the information and reasons considered by the Transgenomic Board is forward-looking in nature. **This information should be read in light of the risks described above under "Cautionary Statement Concerning Forward-Looking Statements".**

Opinion of Craig-Hallum Capital Group LLC

The Transgenomic Board retained Craig-Hallum to act as a financial advisor to the Transgenomic Board in connection with its consideration of strategic alternatives, including a possible business combination transaction, and, if requested, to render to the Transgenomic Board an opinion as to the fairness, from a financial point of view, of the consideration to be paid in a business combination transaction. On October 12, 2016, at a meeting of the Transgenomic Board held to evaluate the proposed transaction, Craig-Hallum delivered to the Transgenomic Board an oral opinion, subsequently confirmed by delivery of a written opinion, to the effect that, as of that date and based upon and subject to the factors and assumptions set forth therein, the exchange ratio, as set forth in the Merger Agreement, was fair, from a financial point of view, to the holders of Transgenomic common stock.

The full text of the written opinion of Craig-Hallum, dated October 12, 2016, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement. The following summary of Craig-Hallum's opinion in this proxy statement is qualified in its entirety by reference to the full text of the opinion. Craig-Hallum provided its opinion for the information and assistance of the Transgenomic Board in connection with its consideration of the merger. Craig-Hallum's opinion was not intended to and does not constitute a recommendation as to how any holder of Transgenomic common stock should vote or take any action with respect to the merger or any other matter.

In arriving at its opinion, Craig-Hallum, among other things:

- reviewed the financial terms of a draft of the Merger Agreement dated as of October 12, 2016;

- reviewed certain business, financial and other information and data with respect to Transgenomic publicly available or made available to Craig-Hallum from internal records of Transgenomic;

- reviewed certain business, financial and other information and data with respect to Precipio made available to Craig-Hallum from internal records of Precipio;

- reviewed certain internal financial projections for Transgenomic and Precipio on a stand-alone basis prepared for financial planning purposes and furnished to Craig-Hallum by management of Transgenomic and Precipio, respectively;

- reviewed and analyzed certain forecasted pro forma financial information relating to the operating performance of Transgenomic following completion of the merger that were furnished to Craig-Hallum by management of Precipio;

- conducted discussions with members of the senior management of Transgenomic and Precipio with respect to the business and prospects of Transgenomic and Precipio, respectively, on a stand-alone basis and on a combined basis;

- reviewed the reported prices and trading activity of Transgenomic common stock and similar information for certain other companies deemed by Craig-Hallum to be comparable to Transgenomic;

- compared the financial performance of Transgenomic and Precipio with that of certain other publicly traded companies deemed by Craig-Hallum to be comparable to Transgenomic and Precipio, respectively;

- reviewed the financial terms, to the extent publicly available, of certain comparable merger transactions that Craig-Hallum deemed relevant; and

- performed a discounted cash flows analysis for Transgenomic and Precipio, each on a stand-alone basis and on a pro forma combined basis.

In addition, Craig-Hallum conducted such other analyses, examinations and inquiries and considered such other financial, economic and market criteria as Craig-Hallum deemed necessary and appropriate in arriving at its opinion.

Summary of Financial Analyses

In accordance with customary investment banking practice, Craig-Hallum employed generally accepted valuation methods in reaching its fairness opinion. The following is a summary of the material financial analyses performed by Craig-Hallum in connection with the preparation of its fairness opinion, which was reviewed with, and formally delivered to, the Transgenomic Board at a meeting held on October 12, 2016. The preparation of analyses and a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, this summary does not purport to be a complete description of the analyses performed by Craig-Hallum or of its presentation to the Transgenomic Board on October 12, 2016.

This summary includes information presented in tabular format, which tables must be read together with the text of each analysis summary and considered as a whole in order to fully understand the financial analyses presented by Craig-Hallum. The tables alone do not constitute a complete summary of the financial analyses. The order in which these analyses are presented below, and the results of those analyses, should not be taken as an indication of the relative importance or weight given to these analyses by Craig-Hallum or the Transgenomic Board. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before October 12, 2016, and is not necessarily indicative of current market conditions. All analyses conducted by Craig-Hallum were going concern analyses and Craig-Hallum expressed no opinion regarding the liquidation value of any entity.

The exchange ratio was determined through arm’s-length negotiations between Transgenomic and Precipio and was approved by the Transgenomic Board. Craig-Hallum did not provide advice to the Transgenomic Board during these negotiations nor recommend any specific consideration to Transgenomic or the Transgenomic Board or suggest that any specific consideration constituted the only appropriate consideration for the merger, including but not limited to the exchange ratio. In addition, Craig-Hallum’s opinion and its presentation to the Transgenomic Board were one of many factors taken into consideration by the Transgenomic Board in deciding to approve the merger.

For purposes of its stand-alone analyses performed on Transgenomic, Craig-Hallum utilized Transgenomic's internal financial projections for the fiscal years ending December 31, 2016 through December 31, 2020, prepared by and furnished to Craig-Hallum by the management of Transgenomic. For purposes of its stand-alone analyses performed on Precipio, Craig-Hallum utilized Precipio's internal financial projections for the fiscal years ending December 31, 2016 through December 31, 2020, prepared by and furnished to Craig-Hallum by the management of Precipio. For purposes of its pro forma combined analyses performed on the combined company assuming completion of the merger, Craig-Hallum utilized the combined company's internal financial projections for the fiscal years ending December 31, 2016 through December 31, 2020, prepared by and furnished to Craig-Hallum by the management of Precipio.

Transgenomic Historical Trading Analyses

Craig-Hallum reviewed the historical closing price for Transgenomic common stock over the one-year period ended October 11, 2016, in order to provide background information on the prices at which Transgenomic common stock has historically traded. The tables below summarize some of these historical closing prices, as well as the performance of Transgenomic common stock over the one-year period ended October 11, 2016, as compared to stock market indices. For purposes of these analyses, "Molecular Diagnostics Comparable Companies" is an equal-weight composite index comprised of the public companies listed below deemed by Craig-Hallum in its professional judgment to be comparable to Transgenomic:

- Cancer Genetics, Inc.
- Enzo Biochem Inc.
- Foundation Medicine, Inc.
- Genomic Health, Inc.
- NeoGenomics, Inc.
- OpGen, Inc.
- Qiagen NV

Craig-Hallum also noted that shares of Transgenomic common stock were thinly traded relative to the common stock of most publicly traded companies.

Closing Trading Price on or Prior to October 11, 2016	Price
October 11, 2016 Closing Price	$0.24
52 Week High	$1.36
52 Week Low	$0.24

One-Year Stock Performance as of October 11, 2016	Percentage Increase (Decrease)
Transgenomic common stock	(73.9)%
Molecular Diagnostics Comparable Companies	(0.21)%
Nasdaq Composite Index	7.01%
Russell 2000 Index	10.73%

Comparable Public Company Analyses

Craig-Hallum reviewed, among other things, selected historical financial data and estimated financial data of each of Transgenomic and Precipio based on projections provided by its respective management, and compared them to corresponding financial data, where applicable, for U.S. listed public companies that Craig-Hallum deemed comparable to each of Transgenomic and Precipio. Craig-Hallum also derived multiples for each of the comparable companies, Transgenomic and Precipio based on such financial data and market trading prices, as applicable, and compared them. Craig-Hallum selected these companies based on characteristics described below using the most recently available public information obtained by searching SEC filings, public company disclosures, press releases, equity research reports, industry and popular press reports, databases and other sources.

Although Craig-Hallum selected the companies reviewed in these analyses because, among other things, their businesses are reasonably similar to that of Transgenomic and Precipio, no selected company is identical to Transgenomic or Precipio. Accordingly, Craig-Hallum's comparison of selected companies to Transgenomic and Precipio and analysis of the results of such comparisons was not purely quantitative, but instead necessarily involved qualitative considerations and professional judgments concerning differences in financial and operating characteristics and other factors that could affect the relative value of Transgenomic and Precipio.

Comparable Public Company Analysis of Transgenomic

For Transgenomic, the comparable group consisted of six U.S. publicly traded companies in the diagnostic testing sector that have financial profiles deemed comparable to Transgenomic and have a focus on technologies designed to improve diagnostic testing effectiveness (the "Transgenomic Comparable Group"). Based on these criteria, Craig-Hallum identified and analyzed the following selected companies:

- Bio-Rad Laboratories, Inc.
- Cancer Genetics, Inc.
- Enzo Biochem Inc.
- Fluidigm Corporation
- OpGen, Inc.
- Qiagen NV

In all instances, multiples were based on closing stock prices on October 11, 2016. With respect to the Transgenomic Comparable Group table below, the information Craig-Hallum presented included the following valuation and operating data:

- multiple of EV to revenue for the last twelve months, or EV / LTM Revenue

· multiple of EV to EBITDA for the last twelve months, or EV / LTM EBITDA

· multiple of EV to projected revenue for the fiscal year ending December 31, 2017, or EV / 2017E Revenue

· multiple of EV to projected EBITDA for the fiscal year ending December 31, 2017, or EV / 2017E EBITDA

· multiple of EV to projected revenue for the fiscal year ending December 31, 2018, or EV / 2018E Revenue

· multiple of EV to projected EBITDA for the fiscal year ending December 31, 2018, or EV / 2018E EBITDA

	Transgenomic Comparable Group											
	Minimum		**25th Percentile**		Median		Mean		**75th Percentile**		Maximum	
EV / LTM Revenue(1)	1.2	x	2.1	x	2.5	x	3.5	x	5.0	x	6.7	x
EV / LTM EBITDA(1)(2)	15.2	x	16.0	x	16.9	x	16.9	x	17.7	x	18.6	x
EV / 2017E Revenue(3)	0.7	x	2.2	x	2.2	x	3.0	x	4.9	x	5.2	x
EV / 2017E EBITDA(2)(3)	15.6	x	15.7	x	15.9	x	15.9	x	16.0	x	16.2	x
EV / 2018E Revenue(3)	0.4	x	1.5	x	2.0	x	2.3	x	2.8	x	4.9	x
EV / 2018E EBITDA(2)(3)	15.3	x	15.3	x	15.3	x	15.3	x	15.3	x	15.3	x

(1) LTM for the selected public company analysis is based on latest publicly reported financial results. For Transgenomic, LTM is as of June 30, 2016.

(2) EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

(3) Projected fiscal year 2017 and 2018 revenue and EBITDA for Transgenomic were based on projections by Transgenomic's management. Projected fiscal year 2017 and 2018 revenue and EBITDA for the selected public companies were based on equity research analyst consensus estimates.

Based on the analysis above, Craig-Hallum then applied the range of Transgenomic Comparable Group trading multiples to the applicable revenue metrics of Transgenomic. The analysis indicated the following implied enterprise value of Transgenomic as compared to Transgenomic's stand-alone statistic:

		Implied Enterprise Value of Transgenomic (millions)					
	Transgenomic Only (millions)	Minimum	**25th Percentile**	Median	Mean	**75th Percentile**	Maximum
LTM Revenue	$ 1.2	$ 1.5	$ 2.6	$ 3.1	$ 4.2	$ 6.1	$ 8.1
2017E Revenue	$ 2.4	$ 1.7	$ 5.2	$ 5.3	$ 7.3	$ 11.9	$ 12.6
2018E Revenue	$ 6.7	$ 2.8	$ 10.1	$ 13.3	$ 15.5	$ 18.7	$ 32.8

Comparable Public Company Analysis of Precipio

For Precipio, the comparable group consisted of five U.S. publicly traded companies in the diagnostic testing sector that have financial profiles deemed comparable to Precipio and have a focus on services or technologies designed to improve diagnostic testing efficiency and effectiveness (the "Precipio Comparable Group"). Based on these criteria, Craig-Hallum identified and analyzed the following selected companies:

- Cancer Genetics, Inc.
- Enzo Biochem Inc.
- Genomic Health Inc.
- Neogenomics Inc.
- OpGen, Inc.

In all instances, multiples were based on closing stock prices on October 11, 2016. With respect to the Precipio Comparable Group table below, the information Craig-Hallum presented included the following valuation and operating data:

- EV / LTM Revenue
- EV / LTM EBITDA
- EV / 2017E Revenue
- EV / 2017E EBITDA
- EV / 2018E Revenue
- EV / 2018E EBITDA

	Precipio Comparable Group					
	Minimum	25th Percentile	Median	Mean	75th Percentile	Maximum
EV / LTM Revenue(1)	1.3 x	2.1 x	3.1 x	3.5 x	4.3 x	6.7 x
EV / LTM EBITDA(1)(2)	27.4 x	27.4 x	27.4 x	27.4 x	27.4 x	27.4 x
EV / 2017E Revenue(3)	0.7 x	2.2 x	2.7 x	2.7 x	3.2 x	5.0 x
EV / 2017E EBITDA(2)(3)	14.3 x	25.8 x	37.4 x	37.4 x	49.0 x	60.6 x
EV / 2018E Revenue(3)	0.4 x	1.4 x	2.3 x	1.7 x	2.3 x	2.3 x
EV / 2018E EBITDA(2)(3)	11.1 x	16.0 x	21.0 x	21.0 x	25.9 x	30.9 x

(1) LTM for the selected public company analysis is based on latest publicly reported financial results. For Precipio, LTM is as of June 30, 2016.

(2) EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

(3) Projected fiscal year 2017 and 2018 revenue and EBITDA for Precipio were based on projections by Precipio's management. Projected fiscal year 2017 and 2018 revenue and EBITDA for the selected public companies were based on equity research analyst consensus estimates.

Based on the analysis above, Craig-Hallum then applied the range of Precipio Comparable Group trading multiples to the applicable revenue metrics of Precipio. The analysis indicated the following implied enterprise value of Precipio as compared to Precio's stand-alone statistic:

		Implied Enterprise Value of Precipio (millions)					
	Precipio Only (millions)	Minimum	25th Percentile	Median	Mean	75th Percentile	Maximum
LTM Revenue	$ 2.6	$ 3.3	$ 5.5	$ 8.2	$ 9.2	$ 11.2	$ 17.7
2017E Revenue	$ 5.5	$ 3.8	$ 11.9	$ 14.7	$ 15.1	$ 17.9	$ 27.4
2018E Revenue	$ 11.4	$ 4.7	$ 15.7	$ 26.6	$ 19.4	$ 26.7	$ 26.7

Comparable M&A Transaction Analysis

Craig-Hallum performed a comparable M&A transaction analysis, which is designed to imply a value for a company based on publicly available financial terms of the selected transactions that share some characteristics with the merger. Craig-Hallum selected these transactions based on information obtained by searching SEC filings, public company

disclosures, press releases, equity research reports, industry and popular press reports, databases and other sources. Craig-Hallum selected these transactions based on the following criteria:

- transactions with a target company in the diagnostic testing sector with a focus on services and technologies that improve the diagnostic testing efficiency and effectiveness;
- transactions announced since January 1, 2010;
- transactions with an implied enterprise value less than $1.5 billion at the time of announcement; and
- transactions with publicly available information regarding terms of the transaction.

The group was comprised of the following transactions and is referred to in this proxy statement as the “Precedent Transaction Group:”

Buyer	Target
Myriad Genetics, Inc.	AssureRx Health, Inc.
Luminex Corporation	Nanosphere, Inc.
NeoGenomics Laboratories, Inc.	Clarient, Inc.
OpGen, Inc.	AdvanDx, Inc.
Opko Health, Inc.	Bio-Reference Laboratories Inc.
Neogenomics Inc.	Path Logic, Inc.
Myriad Genetics, Inc.	Crescendo Bioscience, Inc.
bioMérieux S.A.	Argene SA
Luminex Corporation	EraGen Biosciences, Inc.
GE Healthcare Limited	Clarient, Inc.

With respect to the Precedent Transaction Group, Craig-Hallum calculated the ratio of implied EV to historical revenue for the LTM. Craig-Hallum then compared the results of these calculations with similar calculations for each of Transgenomic and Precipio.

The selected transactions analysis showed that, based on the estimates and assumptions used in the analysis, the implied valuation multiples of Transgenomic and Precipio were within the range of valuation multiples of the Precedent Transaction Group when comparing the ratio of the implied EV to the historical revenue for the LTM.

Results of Craig-Hallum's analysis were presented for the Precedent Transaction Group, as shown in the following table:

	Precedent Transaction Group					
	Minimum	**25th Percentile**	Median	Mean	**75th Percentile**	Maximum
Implied EV (millions)	$1.0	$ 41.0	$176.0	$308.0	$ 374.0	$1,445.0
Implied EV to LTM Revenue (1)	0.3x	1.8 x	4.1 x	3.8 x	4.5 x	9.5 x

(1) LTM for the Precedent Transaction Group is based on latest publicly reported financial results. Based on the analysis above, Craig-Hallum then applied the range of the Precedent Transaction Group trading multiples to the applicable financial metrics of each of Transgenomic and Precipio. The analysis indicated the following implied enterprise value of each of Transgenomic and Precipio, respectively, as compared to such company's stand-alone statistic:

		Implied Enterprise Value (millions)					
	Stand-Alone Value (millions)	Minimum	**25th Percentile**	Median	Mean	**75th Percentile**	Maximum
Transgenomic LTM Revenue	$ 1.2	$0.4	$ 2.1	$ 5.0	$4.6	$ 5.4	$ 11.4
Precipio LTM Revenue	$ 2.6	$0.8	$ 4.6	$ 10.8	$10.0	$ 11.8	$ 24.8

No target company or transaction utilized in the comparable M&A transaction analysis is identical to Precipio or the merger. In evaluating the precedent transactions, Craig-Hallum made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Precipio, such as the impact of competition on the business of Precipio or the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Precipio or the industry or in the financial markets in general.

Discounted Cash Flow Analyses

The discounted cash flow analysis is a widely used valuation methodology that relies upon numerous assumptions, including asset growth rates, earnings growth rates, discount rates, and terminal multiples, and the results of such methodology are highly dependent on these assumptions. The analysis does not purport to be indicative of the actual or expected implied enterprise values of each of Transgenomic and Precipio on a stand-alone or a pro forma combined basis. In addition, the analyses are based on internal financial projections of management of Transgenomic or Precipio, as applicable.

Discounted Cash Flow Analysis of Transgenomic

Craig-Hallum conducted an illustrative discounted cash flow analysis for Transgenomic on a stand-alone basis, which is designed to estimate the implied enterprise value of a company by calculating the present value of the estimated future unlevered free cash flows of the company. Craig-Hallum calculated a range of implied enterprise values for Transgenomic by estimating the present value of hypothetical projected cash flows through fiscal year 2020 using an assumed tax rate of 40.0%. The free cash flows for each year were calculated as follows: operating income less taxes plus depreciation and amortization, plus equity-based compensation, less capital expenditures, plus/less change in net working capital. The unlevered free cash flows of Transgenomic for fiscal year 2017 through fiscal year 2020 used by Craig-Hallum in its analysis were $(9.1 million), $(5.1 million), $(1.6 million) and $(0.5 million), respectively. The free cash flows were then discounted to present values as of January 1, 2017, using a range of terminal value multiples of 2.1x to 2.9x and a range of discount rates of 18.0% to 22.0% (such range was derived from an analysis of the estimated weighted average cost of capital using Transgenomic and the Transgenomic Comparable Group data, which was adjusted upward in Craig-Hallum's professional judgment to account for inherent business risk relative to Transgenomic) to calculate a range of implied total enterprise values for Transgenomic. From this analysis, Craig-Hallum derived the following implied enterprise values of Transgenomic:

	Transgenomic					
	Minimum	**25th Percentile**	Median	Mean	**75th Percentile**	Maximum
Implied EV (millions)	$(0.1)	$ 1.4	$ 2.9	$ 2.9	$ 4.5	$ 6.2

Discounted Cash Flow Analysis of Precipio

Craig-Hallum also conducted an illustrative discounted cash flow analysis for Precipio on a stand-alone basis. Craig-Hallum calculated a range of implied enterprise values for Precipio by estimating the present value of hypothetical projected cash flows through fiscal year 2020 using an assumed tax rate of 40.0%. The free cash flows for each year were calculated as follows: operating income less taxes plus depreciation and amortization, plus equity-based compensation, less capital expenditures, plus/less change in net working capital. The unlevered free cash flows of Precipio for fiscal year 2017 through fiscal year 2020 used by Craig-Hallum in its analysis were $(0.4 million), $0.7 million, $4.4 million and $15.8 million, respectively. The free cash flows were then discounted to present values as of January 1, 2017, using a range of terminal value multiples of 2.7x to 3.5x and a range of discount rates of 17.0% to 21.0% (such range was derived from an analysis of the estimated weighted average cost of capital using Precipio and the Precipio Comparable Group data, which was adjusted upward in Craig-Hallum's professional judgment to account for inherent business risk relative to Precipio) to calculate a range of implied total enterprise values for Precipio. From this analysis, Craig-Hallum derived the following implied enterprise values of Precipio:

	Precipio					
	Minimum	25th Percentile	Median	Mean	75th Percentile	Maximum
Implied EV (millions)	$90.3	$ 102.2	$109.2	$109.3	$ 116.8	$ 130.4

Discounted Cash Flow Analysis of Combined Company

Finally, Craig-Hallum conducted an illustrative discounted cash flow analysis for Transgenomic and Precipio on a pro forma combined basis assuming completion of the merger (for purposes of this section of the proxy statement, the "Combined Company"). Craig-Hallum calculated a range of implied enterprise values for the Combined Company by estimating the present value of hypothetical projected cash flows through fiscal year 2020 using an assumed tax rate of 40.0%. The free cash flows for each year were calculated as follows: operating income less taxes plus depreciation and amortization, plus equity-based compensation, less capital expenditures, plus/less change in net working capital. The unlevered free cash flows of the Combined Company for fiscal year 2017 through fiscal year 2020 used by Craig-Hallum in its analysis were $(4.1 million), $(1.0 million), $3.7 million and $15.5 million, respectively. The free cash flows were then discounted to present values as of January 1, 2017, using a range of terminal value multiples of 2.5x to 3.3x (such range was derived from the weighted average terminal value multiples of each of Transgenomic and Precipio based on the exchange ratio) and a range of discount rates of 17.0% to 21.0% (such range was derived from the weighted average of the weighted average cost of capital of each of Transgenomic and Precipio based on the exchange ratio, which was adjusted upward in Craig-Hallum's professional judgment to account for inherent business risk relative to each of Transgenomic and Precipio) to calculate a range of implied total enterprise values for the Combined Company. From this analysis, Craig-Hallum derived the following implied enterprise values of the Combined Company:

	Combined Company					
	Minimum	25th Percentile	Median	Mean	75th Percentile	Maximum
Implied EV (millions)	$89.3	$ 99.3	$110.0	$121.2	$ 116.8	$ 133.2

Relative Contribution Analysis

Craig-Hallum performed a relative contribution analysis for Transgenomic and Precipio based on the valuation methodologies described above. In performing the relative contribution analysis, Craig-Hallum compared the range of stand-alone implied enterprise values for each company derived from the minimum, 25th percentile, 75th percentile and maximum values calculated for each of the comparable public company, comparable M&A transaction and discounted cash flow analyses. Craig-Hallum then compared these ranges to generate the implied relative contribution for each company for each analysis. Craig-Hallum then compared the implied relative contribution ranges to the exchange ratio.

Methodology	Implied Relative Contribution Transgenomic				Precipio			
	Minimum (1)	**25th Percentile (2)**	**75th Percentile (3)**	Maximum (4)	Minimum (4)	**25th Percentile (3)**	**75th Percentile (2)**	Maximum (1)
Comparable Public Company (LTM)	7.8%	23.6 %	55.1 %	70.9 %	29.1%	44.9 %	76.4 %	92.2 %
Comparable Public Company (2017E)	5.7%	23.4 %	58.9 %	76.7 %	23.3%	41.1 %	76.6 %	94.3 %
Comparable Public Company (2018E)	9.3%	28.8 %	67.9 %	87.4 %	12.6%	32.1 %	71.2 %	90.7 %
Comparable M&A Transaction	1.4%	24.5 %	70.5 %	93.5 %	6.5 %	29.5 %	75.5 %	98.6 %
Discounted Cash Flow	0.0%	1.6 %	4.8 %	6.4 %	93.6%	95.2 %	98.4 %	100.0 %
Exchange Ratio			28.1 %				71.9 %	

(1) Based on the lowest implied enterprise value for Transgenomic relative to the highest implied enterprise value for Precipio.

(2) Based on the 25th percentile implied enterprise value for Transgenomic relative to the 75th percentile implied enterprise value for Precipio.

(3) Based on the 75th percentile implied enterprise value for Transgenomic relative to the 25th percentile implied enterprise value for Precipio.

(4) Based on the highest implied enterprise value for Transgenomic relative to the lowest implied enterprise value for Precipio.

Miscellaneous

The summary set forth above does not contain a complete description of the analyses performed by Craig-Hallum, but does summarize the material analyses performed by Craig-Hallum in rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Craig-Hallum believes that its analyses and the summary set forth above must be considered as a whole and that selecting portions of its analyses or of the summary, without considering the analyses as a whole or all of the factors included in its analyses, would create an incomplete view of the processes underlying the analyses set forth in the Craig-Hallum opinion. In arriving at its opinion, Craig-Hallum considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis. Instead, Craig-Hallum made its determination as to fairness on the basis of its experience and financial judgment after considering the results of all of its analyses. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that this analysis was given greater weight than any other analysis. In addition, the ranges of valuations resulting from any particular analysis described above should not be taken to be Craig-Hallum's view of the actual value of Transgenomic, Precipio or the Combined Company.

No company or transaction used in the above analyses as a comparison is directly comparable to Transgenomic, Precipio, the merger or the other transactions contemplated by the Merger Agreement. Accordingly, an analysis of the results of the comparisons is not mathematical; rather, it involves complex considerations and judgments about differences in the companies and transactions to which Transgenomic, Precipio and the merger were compared and other factors that could affect the public trading value or transaction value of the companies involved.

Craig-Hallum performed its analyses solely for purposes of providing its opinion to the Transgenomic Board. In performing its analyses, Craig-Hallum made numerous assumptions with respect to industry performance, general business and economic conditions and other matters. Certain of the analyses performed by Craig-Hallum are based upon forecasts of future results furnished to Craig-Hallum by the management of Transgenomic and Precipio, which are not necessarily indicative of actual future results and may be significantly more or less favorable than actual future results. These forecasts are inherently subject to uncertainty because, among other things, they are based upon numerous factors or events beyond the control of the parties or their respective advisors. Craig-Hallum does not assume responsibility if future results are materially different from forecasted results.

Craig-Hallum relied upon and assumed, without assuming liability or responsibility for independent verification, the accuracy and completeness of all information that was publicly available or was furnished, or otherwise made available, to Craig-Hallum or discussed with or reviewed by Craig-Hallum. Craig-Hallum further relied upon the assurances of management of Transgenomic and Precipio that the financial information provided to Craig-Hallum was prepared on a reasonable basis in accordance with industry practice, and that management of each of Transgenomic and Precipio was not aware of any information or facts that would make any information provided to Craig-Hallum incomplete or misleading. Without limiting the generality of the foregoing, for the purpose of Craig-Hallum's opinion, Craig-Hallum assumed that with respect to financial forecasts, estimates of net operating loss tax benefits or other

estimates and other forward-looking information reviewed by Craig-Hallum, that such information was reasonably prepared based on assumptions reflecting the best currently available estimates and judgments of management of Transgenomic and Precipio as to the expected future results of operations and financial condition of Transgenomic, Precipio and the Combined Company. Craig-Hallum expressed no opinion as to any such financial forecasts, net operating loss or other estimates or forward-looking information or the assumptions on which they were based. For purposes of the aforementioned analyses, Craig-Hallum assumed that Liabilities (as such term is defined in the Merger Agreement) of Transgenomic are equal to $8.0 million and that Liabilities of Precipio are equal to $1.2 million. Craig-Hallum relied, with Transgenomic's consent, on advice of the outside counsel and Transgenomic's independent registered public accounting firm, and on the assumptions of management of Transgenomic and Precipio, as to all accounting, legal, regulatory, tax and financial reporting matters with respect to Transgenomic, Precipio and the merger. Craig-Hallum's opinion does not address any accounting, legal, regulatory, tax and financial reporting matters. Without limiting the foregoing, Craig-Hallum also assumed that the merger qualifies as a "reorganization" described in Section 368(a) of the Code, that the Merger Agreement constitutes a "plan of reorganization" within the meaning of Section 1.368-2(g) of the regulations promulgated under the Code and that the parties to the Merger Agreement each are a "party to the reorganization" within the meaning of Section 368(a) of the Code.

In arriving at its opinion, Craig-Hallum assumed that the executed Merger Agreement was in all material respects identical to the last draft reviewed by Craig-Hallum. Craig-Hallum relied upon and assumed, without independent verification, that (i) the representations and warranties of all parties to the Asset Purchase Agreement and all other related documents and instruments that are referred to therein were true and correct, (ii) each party to such agreements would fully and timely perform all of the covenants and agreements required to be performed by such party, (iii) the merger would be consummated pursuant to the terms of the Merger Agreement without amendments thereto and (iv) all conditions to the consummation of the merger would be satisfied without waiver by any party of any conditions or obligations thereunder. Additionally, Craig-Hallum assumed that all the necessary regulatory approvals and consents required for the merger would be obtained in a manner that would not adversely affect Transgenomic, Precipio or the contemplated benefits of the merger.

In arriving at its opinion, Craig-Hallum did not perform any appraisals, valuations or other independent analyses of any specific assets or liabilities (fixed, contingent or other) of Transgenomic or Precipio, and was not furnished or provided with any such appraisals or valuations, nor did Craig-Hallum evaluate the solvency of Transgenomic or Precipio under any state or federal law relating to bankruptcy, insolvency or similar matters. The analyses performed by Craig-Hallum in connection with its opinion were going concern analyses. Craig-Hallum expressed no opinion regarding the liquidation value of Transgenomic, Precipio or any other entity. Without limiting the generality of the foregoing, Craig-Hallum undertook no independent analysis of any pending or threatened litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which Transgenomic, Precipio or any of its affiliates was a party or may be subject, and at the direction of Transgenomic and with its consent, Craig-Hallum's opinion made no assumption concerning, and therefore did not consider, the possible assertion of claims, outcomes or damages arising out of any such matters. Craig-Hallum also assumed that neither Transgenomic nor Precipio is a party to any material pending transaction, including without limitation any financing, recapitalization, acquisition or merger, other than the merger.

Craig-Hallum's opinion was necessarily based upon the information available to it and facts and circumstances as they existed and were subject to evaluation on the date of its opinion. Events occurring after the date of its opinion could materially affect the assumptions used in preparing its opinion. Craig-Hallum did not express any opinion as to the price at which shares of capital stock of Transgenomic have traded or may trade following announcement of the merger or at any future time. Craig-Hallum did not undertake to reaffirm or revise its opinion or otherwise comment upon any events occurring after the date of its opinion and does not have any obligation to update, revise or reaffirm its opinion.

Craig-Hallum's opinion addressed solely the fairness, from a financial point of view, to the holders of Transgenomic common stock of the exchange ratio, as set forth in the Merger Agreement, and did not address any other terms or agreement relating to the merger or related transactions. Craig-Hallum was not requested to opine as to, and its opinion does not address, the basic business decision to proceed with or effect and the merger, the merits of the merger relative to any alternative transaction or business strategy that may be available to Transgenomic or any other terms contemplated by the Merger Agreement. Furthermore, Craig-Hallum expressed no opinion with respect to the amount or nature of the compensation to any officer, director or employee, or any class of such persons, relative to the compensation to be received by the holders of any class of securities, creditors, or other constituencies of

Transgenomic or Precipio in the merger, or relative to or in comparison with the exchange ratio.

Craig-Hallum is a nationally recognized investment banking firm and is regularly engaged as financial advisor in connection with mergers and acquisitions, underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for corporate and other purposes. The Transgenomic Board selected Craig-Hallum to render its fairness opinion in connection with the merger contemplated by the Merger Agreement on the basis of its experience and reputation in acting as financial advisor in connection with mergers and acquisitions.

Craig-Hallum rendered to the Transgenomic Board a fairness opinion in connection with the merger and upon delivery of the opinion will receive a fee of $125,000 from Transgenomic (the "Opinion Fee"). The Opinion Fee was not contingent upon the consummation of the merger or the conclusions reached in Craig-Hallum's opinion. Pursuant to the terms of the engagement letter dated December 1, 2015, as amended August 29, 2016 and October 10, 2016, Craig-Hallum agreed to serve a financial advisor to the Transgenomic Board in connection with its consideration of strategic alternatives, including a possible business combination transaction. Under the engagement letter, Craig-Hallum will also receive a fee of $175,000 from Transgenomic, all of which is contingent upon the consummation of the merger. Transgenomic has agreed to indemnify Craig-Hallum against certain liabilities and reimburse Craig-Hallum for certain expenses in connection with its services. In the ordinary course of its business, Craig-Hallum and its affiliates may actively trade securities of Transgenomic for its own account or the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, one of Craig-Hallum's investment banking professionals (who is not a member of Craig-Hallum's Fairness Opinion Committee) holds unsecured debt of Transgenomic with a principal value of approximately $100,000. This individual and other Craig-Hallum professionals hold shares of Transgenomic common stock and warrants to purchase Transgenomic common stock. Except as noted in the succeeding sentence, Craig-Hallum had not received fees or other compensation from Transgenomic or Precipio in the past two years prior to the issuance of its opinion. Since 2014, Craig-Hallum has received $903,028 in additional fees and reimbursable expenses related to general investment banking and advisory work performed for Transgenomic, including acting as underwriter for Transgenomic's February 2015 public offering of securities, for which Craig-Hallum received an underwriting discount of approximately $488,000. Craig-Hallum and its affiliates may from time to time perform various investment banking and financial advisory services for Transgenomic and for other clients and customers that may have conflicting interests with Transgenomic, for which Craig-Hallum would expect to receive compensation.

Consistent with applicable legal and regulatory requirements, Craig-Hallum has adopted policies and procedures to establish and maintain the independence of Craig-Hallum's research department and personnel. As a result, Craig-Hallum's research analysts may hold opinions, make statements or investment recommendations and/or publish research reports with respect to the merger and other participants in the transaction that differ from the opinions of Craig-Hallum's investment banking personnel.

Certain Financial Information

In the course of the discussions described under "– Background of the Transaction," the management of Transgenomic prepared and provided to Precipio internal financial projections for the fiscal years ending December 31, 2016 through

December 31, 2020, and the management of Precipio prepared and provided to Transgenomic internal financial projections for the fiscal years ending December 31, 2016 through December 31, 2020. Such projections were also furnished to the Transgenomic Board and Craig-Hallum, in connection with the Transgenomic Board's consideration of the merger and Craig-Hallum's opinion analysis.

Transgenomic and Precipio do not usually publicly disclose internal financial projections of the type referenced above, and even though such internal financial projections are being disclosed in this section, they were not prepared with a view toward public disclosure. Such internal financial projections were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation, factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the internal financial projections reproduced in this section below. See "Cautionary Statement Concerning Forward-Looking Statements" on page 23.

The internal financial projections were prepared by the management of Transgenomic and Precipio in good faith and on a reasonable basis based on the best information available to them at the time of their preparation. The internal financial projections, however, are not actual results and should not be relied upon as being necessarily indicative of actual future results, and readers of this proxy statement are cautioned not to place undue reliance on this information. Neither Transgenomic's nor Precipio's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the financial projections set forth below, nor have they expressed any opinion or any other form of assurance with respect thereto. The internal financial projections were not prepared in compliance with GAAP, the published guidelines of the SEC regarding projections or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Except as required by law, neither Transgenomic nor Precipio intends to update these financial projections or to make other projections public in the future.

In addition, because the internal financial projections cover multiple years, they will necessarily become less predictive with each successive year and become subject to increasing uncertainty in the years beyond 2016. Though the internal financial projections are being presented with numeric specificity, the assumptions upon which the internal financial projections were based necessarily involve judgments with respect to, among other things, future economic and competitive conditions, many of which are difficult to predict accurately and are beyond the control of Transgenomic's and Precipio's management. Also, the economic and business environments can and do change quickly, which add a significant level of unpredictability and execution risk. It is expected that differences between actual and projected results will occur, and actual results may be materially greater or less than those contained in the internal financial projections. There can be no assurance that the internal financial projections, or the assumptions underlying the internal financial projections, will be realized. Accordingly, readers of this proxy statement are cautioned not to place undue reliance on the internal financial projections included in this section.

Transgenomic's internal financial projections included the following:

	2016E	2017E	2018E	2019E	2020E
Revenues	$1,792	$2,411	$6,692	$10,835	$12,547
COGS	$2,124	$1,020	$2,270	$3,105	$3,205
Gross Profit	$(332)	$1,391	$4,422	$7,730	$9,342
SG&A & R&D	$7,479	$7,551	$7,929	$8,325	$8,742
Operating Profit	$(7,811)	$(6,160)	$(3,507)	$(596)	$601

Precipio's internal financial projections included the following:

Revenue distribution

	2016E	2017E	2018E	2019E	2020E
Services	$2.62	$5.51	$11.38	$29.32	$63.74
Technology	$-	$4.78	$5.71	$6.86	$8.24
Total	2.62	10.29	17.09	36.18	71.98
Services	100 %	54 %	67 %	81 %	89 %
Technology	0 %	46 %	33 %	19 %	11 %

You should not regard the inclusion of these projections in this proxy statement as an indication that Transgenomic, Precipio or any of their respective affiliates, advisors or other representatives considered or consider the projections to be necessarily predictive of actual future events. None of Transgenomic, Precipio or

any of their respective affiliates, advisors or other representatives has made or makes any representations regarding the ultimate performance of Transgenomic or Precipio compared to the information contained in the projections. Transgenomic and Precipio made no representations in the Merger Agreement or otherwise concerning such financial projections.

Board of Directors and Management of New Precipio Following the Transaction

In connection with the merger, the New Precipio board of directors will be expanded to seven directors from five directors and three of the existing directors will resign. The five vacancies created by the resignations and the authorization of the increase in the board size will be filled by two directors designated by the holders of the New Precipio preferred stock (the "preferred holder designees") and three directors designated by Precipio upon the closing of the merger. The holders of the New Precipio preferred stock will have the right to designate the preferred holder designees for as long as they hold 50% of the shares issued in the private placement.

The following table sets forth information regarding the current directors of Transgenomic who will continue to serve as directors on the New Precipio board of directors and their positions after completion of the transaction:

Name	Age	Position with Transgenomic	Year First Became Director	Term as Director Will Expire(1)
Robert M. Patzig	48	Chairman of the Board of Directors	2010	2019
Michael A. Luther	59	Director	2014	2018

(1) Directors' terms of office are scheduled to expire at the annual meeting of stockholders to be held in the year indicated.

The Merger Agreement provides that the officers of New Precipio will be agreed to by the parties prior to the effective time of the merger. It is currently anticipated that the following current Precipio officers will serve as officers of New Precipio: Ilan Danieli, Chief Executive Officer; Carl Iberger, Chief Financial Officer; Zaki Sabet, Vice President, Operations; and Ayman Mohamed, Vice President, Research & Development. Steve Miller, Vice President, Business Development of Transgenomic, is expected to continue in that role.

Interests of Transgenomic's Executive Officers and Directors in the Transaction

Except as described below with respect to Paul Kinnon, Transgenomic's President and Chief Executive Officer and a member of the Transgenomic Board, and Doit L. Koppler, II, a member of Transgenomic Board, none of the Transgenomic directors or executive officers have any interests in the merger and the related private placement that may be different from, or in addition to the interests of the Transgenomic stockholders generally. Mr. Patzig has an interest in funds managed by Third Security that own Transgenomic common stock, preferred stock and secured debt. The Transgenomic Board was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decision to approve the merger and the private placement and to recommend that you approve the issuance of New Precipio common stock in connection with the merger and the private placement.

Interests of Paul Kinnon

The employment agreement, dated September 27, 2013, between Transgenomic and Paul Kinnon (the "Kinnon Employment Agreement") provides for a severance payment to Mr. Kinnon equal to 12 months of Mr. Kinnon's then-current base salary if he is discharged other than for "Cause" (as defined in the Kinnon Employment Agreement), other than due to Mr. Kinnon's disability, or if Mr. Kinnon resigns for "Good Reason" (as defined in the Kinnon

Employment Agreement), regardless of whether or not the termination follows a change in control, in each case, provided that Mr. Kinnon executes a severance agreement and general release in favor of Transgenomic. The Kinnon Employment Agreement further provides that the vesting of the equity awards granted by Transgenomic to Mr. Kinnon will accelerate in full and become fully vested upon a Change in Control, as defined in the Transgenomic, Inc. 2006 Equity Incentive Plan. It is currently anticipated that Mr. Kinnon will be terminated at or prior to the effective time of the merger and that Mr. Danieli will serve as Chief Executive Officer of New Precipio. Further, the consummation of the merger would trigger a Change in Control as defined under the Kinnon Employment Agreement with regard to the equity awards granted by Transgenomic to Mr. Kinnon. Therefore, pursuant to the terms of the Kinnon Employment Agreement, it is anticipated that the equity awards granted to Mr. Kinnon will accelerate in full and become fully vested, and Mr. Kinnon will be entitled to receive a severance payment equal to 12 months of Mr. Kinnon's then-current base salary. As of February 1, 2017, Mr. Kinnon holds 56,666 unvested stock options under the 2006 Equity Incentive Plan for which vesting is expected to accelerate in connection with the merger. As described below in the section entitled "Payments and Benefits to Transgenomic's Named Executive Officers" on page 52, using an assumed stock price of $0.206, the average closing price per share of Transgenomic common stock over the first five business days following the announcement of the merger, all unvested equity awards for Mr. Kinnon are out of the money, and therefore no value is included in connection with the acceleration. In addition, such unvested equity awards for Mr. Kinnon are out of the money as of February 1, 2017. During the period in which the stock options may be exercised following the merger, the market price of the common stock may be higher or lower than the assumed stock price disclosed above. The severance payments will be made over 12 months in accordance with Transgenomic's payroll practices, provided that payment of these amounts is subject to the provisions of Section 409A of the Code which may require that payments be delayed for six months (with interest) following termination of employment. If Mr. Kinnon breaches any of the covenants in the Kinnon Employment Agreement related to the protection of Transgenomic's interests, including non-solicitation of employees for six months following termination of employment and confidentiality and non-disparagement following termination of employment, he is not entitled to further severance payments. See the section entitled "2016 Executive Compensation" on page 90 for a more detailed discussion.

Transgenomic previously granted 124,886 incentive stock options and 149,280 non-qualified stock options to Mr. Kinnon under the Transgenomic, Inc. 2006 Equity Incentive Plan. On December 13, 2016, the Board agreed to extend the period during which these stock options may be exercised following Mr. Kinnon's termination of employment (i) by Transgenomic without "Cause" or (ii) by Mr. Kinnon for "Good Reason" (each of the foregoing capitalized terms as defined in the Kinnon Employment Agreement) to 24 months after such termination, but in no event shall such period extend beyond the Term of Options as defined in the applicable award agreements, and for purposes of any incentive stock option, such extension shall be considered the grant of a new award on the same terms except that the exercise price shall be the greater of (i) the exercise price set forth in the original grant or (ii) the fair market value on the date of the extension.

The Kinnon Employment Agreement includes a modified cutback provision, such that if payments or benefits received or to be received by Mr. Kinnon pursuant to the Kinnon Employment Agreement or any other agreement, contract, award or arrangement would constitute a "parachute payment" as described in Section 280G of the Code and would subject Mr. Kinnon and Transgenomic to golden parachute penalties under Section 280G of the Code and related provisions, the aggregate payments or benefits will either be paid to Mr. Kinnon in full or reduced to an amount that would not result in golden parachute penalties, whichever results in the receipt by Mr. Kinnon of the greatest amount of aggregate payments or benefits, after taking into account all taxes, including the excise tax imposed under Section 4999 of the Code on excess parachute payments (the "Modified Cutback Provision"). The determinations regarding Section 280G parachute payments and the application of the Modified Cutback Provision are to be made in good faith by Transgenomic's independent auditors. For purposes of this disclosure, Transgenomic does not expect that the aggregate payments and benefits to Mr. Kinnon following termination of his employment in connection with the merger will exceed the maximum amount that may be paid to Mr. Kinnon without triggering golden parachute penalties under Section 280G of the Code.

Payments and Benefits to Transgenomic's Named Executive Officers

The following table sets forth the information required by Item 402(t) of Regulation S-K promulgated by the SEC regarding certain compensation which Transgenomic's named executive officers may receive that is based on or that otherwise relates to the merger. The amounts are calculated assuming that the effective date of the merger and a qualifying termination of employment for Mr. Kinnon occurred on February 1, 2017. The amounts below were determined using a per share price of Transgenomic common stock of $0.206, the average closing price per share of Transgenomic common stock over the first five business days following the announcement of the merger agreement, and are based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including the assumptions described in the footnotes to the table. As a result of the foregoing assumptions, the actual amounts, if any, to be received may materially differ from the amounts set forth below.

The merger-related compensation payable to Transgenomic's named executive officers is the subject of a non-binding, advisory vote of Transgenomic stockholders, as described under "Approval of Advisory Compensation Proposal (Proposal No. 4)" beginning on page 97.

Golden Parachute Compensation*

Name	Cash	Equity	Pension/ NQDC	Perquisites/ Benefits	Tax Reimbursement	Other	Total
Paul Kinnon	$350,000(1)	—(2)	—	—	—	—	$350,000

*This table assumes the merger was completed and Mr. Kinnon's employment was terminated on February 1, 2017, and that all required conditions to the payment of these amounts have been satisfied. Mr. Leon Richards, former Chief Accounting Officer, resigned effective September 30, 2016 and, therefore, no payments will be made to Mr. Richards in connection with the merger.

(1) The cash payment to Mr. Kinnon consists of severance payments equal to 12 months of Mr. Kinnon's then-current base salary upon a qualifying termination, regardless of whether or not the termination follows a change in control, provided that Mr. Kinnon executes a severance agreement and general release in favor of Transgenomic. The severance payments will be made over 12 months in accordance with Transgenomic's payroll practices, provided that payment of these amounts is subject to the provisions of Section 409A of the Code which may require that payments be delayed for six months following termination of employment. Any severance payments required to be delayed will be paid in a lump sum to Mr. Kinnon six months and 1 day following termination of employment, and the remaining severance payments will be paid in accordance with Transgenomic's payroll practices for the remainder of the 12 months. Any delayed severance payments will accrue interest at the Wall Street Journal prime rate in effect on a date chosen by Transgenomic, which accrued interest is not reflected in this amount. If Mr. Kinnon breaches any of the covenants in the Kinnon Employment Agreement related to the protection of Transgenomic's interests, including non-solicitation of employees for six months following termination of employment and confidentiality and non-disparagement following termination of employment, he is not entitled to further severance payments.

(2) As described above, Mr. Kinnon's unvested stock options under the 2006 Equity Incentive Plan will accelerate upon a change in control as defined in the 2006 Equity Incentive Plan as follows: 6,666 stock options granted on February 18, 2014 with an exercise price of $5.54 and 50,000 stock options granted on April 1, 2015 with an exercise price of $1.44. Based on a per share price of Transgenomic common stock of $0.206, the average closing price per share of Transgenomic common stock over the first five business days following the announcement of the merger agreement, all unvested equity awards for Mr. Kinnon are out of the money (*i.e.*, the exercise price is above the assumed stock price), and therefore no value is included in connection with the acceleration. On December 13, 2016, the Transgenomic Board extended the period during which Mr. Kinnon's stock options may be exercised to 24 months following a qualifying termination (but not beyond the term of options set forth in the applicable award agreements).

As described above, the Kinnon Employment Agreement includes a Modified Cutback Provision. The determinations regarding Section 280G parachute payments and the application of the Modified Cutback Provision are to be made in good faith by Transgenomic's independent auditors. For purposes of this disclosure, Transgenomic does not expect that the aggregate payments and benefits to Mr. Kinnon following termination of his employment in connection with the merger will exceed the maximum amount that may be paid to Mr. Kinnon without triggering golden parachute penalties under Section 280G of the Code.

Third Security Participation in Private Placement and Conversion of Debt and Convertible Preferred Stock into Common Stock

Doit L. Koppler, II is employed by Third Security and is affiliated with certain of its affiliates, which collectively hold more than 10% of Transgenomic's voting interests. Certain affiliates of Third Security (the "Lenders") hold the secured indebtedness of Transgenomic, $3 million of which is being converted into approximately 24.1 million shares of New

Precipio preferred stock in connection with the private placement that will represent approximately 8% of fully diluted New Precipio common stock. The remainder of the secured indebtedness and all accrued interest held by the Lenders will convert into approximately 9.8 million shares of New Precipio common stock immediately prior to effectiveness of the merger at a price equal to $0.50 per share, representing approximately 3% of the fully diluted New Precipio common stock. See "– Conversion of Outstanding Debt – Conversion of the Revolving Line and Term Loan." Third Security owns 214,705 shares of Transgenomic Series A-1 Convertible Preferred Stock which will convert into 214,705 shares of Transgenomic common stock immediately prior to the effectiveness of the merger pursuant to the conversion provisions set forth in the Transgenomic Certificate of Incorporation. See "Description of Transgenomic Capital Stock – Preferred Stock".

Conversion of Outstanding Debt

As a condition to closing, the Merger Agreement requires that Transgenomic will not have any indebtedness as of the closing other than trade payables and accrued expenses and certain outstanding debt, including secured debt that converts upon the effectiveness of the merger into approximately 9.8 million shares of New Precipio common stock and approximately 24.1 million shares of New Precipio preferred stock. On December 13, 2016 and February 2, 2017, the audit committee of the Transgenomic Board, in accordance with the Transgenomic Corporate Governance Guidelines, approved the conversion of secured indebtedness of Transgenomic held by the Lenders into shares of New Precipio preferred stock and New Precipio common stock. See "— Conversion of Revolving Line and Term Loan."

Conversion of Revolving Line and Term Loan

On March 13, 2013 (the "Effective Date"), Transgenomic entered into a Loan and Security Agreement with the Lenders for (a) a revolving line of credit (the "Revolving Line") with borrowing availability of up to $4.0 million, subject to reduction based on our eligible accounts receivable, and (b) a term loan (the "Term Loan" and, together with the Revolving Line, the "Loan Agreement") of $4.0 million. Proceeds were used to pay off a three-year senior secured promissory note payable to PGxHealth, LLC, which was entered into on December 29, 2010 in conjunction with Transgenomic's acquisition of the FAMILION family of genetic tests, and for general corporate and working capital purposes.

On August 2, 2013, Transgenomic entered into an amendment to the Loan Agreement (the "Amendment"). The Amendment, which became effective as of June 30, 2013, reduced Transgenomic's future minimum revenue covenants under the Loan Agreement and modified the interest rates applicable to the amounts advanced under the Revolving Line.

On November 14, 2013, Transgenomic entered into a second amendment to the Loan Agreement (the "Second Amendment"). The Second Amendment, which became effective as of October 31, 2013, reduced Transgenomic's future minimum revenue covenants under the Loan Agreement.

On January 27, 2014, Transgenomic entered into a third amendment to the Loan Agreement (the "Third Amendment"). Pursuant to the Third Amendment, the Lenders agreed to waive certain events of default under the Loan Agreement, and the parties amended certain provisions of the Loan Agreement, including the minimum liquidity ratio that Transgenomic must maintain during the term of the Loan Agreement.

On March 3, 2014, Transgenomic entered into a fourth amendment to the Loan Agreement (the "Fourth Amendment"). Pursuant to the terms of the Fourth Amendment, Transgenomic was not required to make any principal or interest payments under the Term Loan for the period from March 1, 2014 through March 31, 2015. The interest on the debt that was deferred and not paid was capitalized as part of the Term Loan. The amount of interest that was capitalized from March 1, 2014 to March 31, 2015 was $0.4 million.

On October 22, 2014, Transgenomic entered into a fifth amendment to the Loan Agreement (the "Fifth Amendment"). Pursuant to the Fifth Amendment, the parties amended certain provisions of the Loan Agreement, including reducing the minimum liquidity and revenue covenants under the Loan Agreement. The Fifth Amendment also reduced the aggregate amount that Transgenomic may borrow under the Revolving Line from $4.0 million to $3.0 million.

On April 1, 2015, Transgenomic entered into a sixth amendment to the Loan Agreement (the "Sixth Amendment"). Pursuant to the Sixth Amendment, among other things, (a) the Lenders waived specified events of default under the terms of the Loan Agreement, (b) commencing April 1, 2015, Transgenomic began making monthly interest payments with respect to the Term Loan to the Lenders, (c) Transgenomic was not obligated to make monthly payments of principal under the Term Loan to the Lenders until April 1, 2016, (d) Transgenomic made an initial prepayment of a portion of the Term Loan balance in the amount of approximately $148,000 on April 1, 2015 and is required to make one or more additional prepayments to the Lenders under the Loan Agreement upon the occurrence of certain events, as defined in the Loan Agreement, and (e) Transgenomic was not required to comply with the minimum liquidity ratio under the terms of the Loan Agreement until the earliest to occur of a specified event, as defined in the Loan Agreement, or March 31, 2016. The Sixth Amendment also extended the time period in which Transgenomic must provide certain reports and statements to the Lenders and amends the circumstances pursuant to which Transgenomic may engage in certain sales or transfers of Transgenomic's business or property without the consent of the Lenders.

As of June 30, 2015, Transgenomic was in compliance with all financial covenants of the Loan Agreement, but was not in compliance with the restrictions limiting the amount that Transgenomic may borrow under the Revolving Line. Accordingly, on August 10, 2015, Transgenomic received a waiver from the Lenders relating to this non-compliance and paid the Lenders an aggregate of $0.7 million, which brought Transgenomic back into compliance with the terms of the Revolving Line.

On September 4, 2015, Transgenomic entered into a seventh amendment to the Loan Agreement (the "Seventh Amendment"). The Seventh Amendment, among other things, (a) provided that the Lenders waived specified events of default under the terms of the Loan Agreement, (b) reduced Transgenomic's future minimum revenue covenants under the Loan Agreement, (c) reduced Transgenomic's borrowing availability under the Revolving Line to approximately $2.3 million, and (d) limited Transgenomic's borrowing base under the Loan Agreement to the amount of the Revolving Line.

On January 6, 2016, Transgenomic entered into an eighth amendment to the Loan Agreement (the "Eighth Amendment"). The Eighth Amendment, among other things, (a) provided that the Lenders waived specified events of default under the terms of the Loan Agreement, (b) reduced Transgenomic's future minimum revenue covenants under the Loan Agreement, (c) extended the maturity date of the Loan Agreement until November 1, 2017, and (d) provided for the repayment of an overadvance of $750,000 previously provided by the Lenders to Transgenomic pursuant to the Loan Agreement.

On June 6, 2016, Transgenomic entered into a ninth amendment to the Loan Agreement (the "Ninth Amendment"). The Ninth Amendment, among other things, (a) provided that the Lenders waived specified events of default under the terms of the Loan Agreement, (b) amended the prepayment terms of the Loan Agreement, (c) provided for the reduction of amounts available under the Revolving Line upon the prepayment or repayment of certain amounts by Transgenomic, (d) removed the minimum liquidity ratio and minimum net revenue financial covenants applicable to Transgenomic under the Loan Agreement, (e) amended the circumstances pursuant to which Transgenomic may engage in certain sales or transfers of Transgenomic's business or property without the consent of the Lenders, and (f) capitalized certain amounts owed by Transgenomic to the Lenders and added such overdue amounts to the outstanding principal amount of the Revolving Line.

As a result of the Ninth Amendment, the overadvance that existed at March 31, 2016 was added to the outstanding principal amount of the Revolving Line and no overadvance existed as of September 30, 2016.

The independent members of the Transgenomic Board determined in good faith that it was in the best interests of Transgenomic and its stockholders to provide an incentive for the Lenders to convert the outstanding principal and accrued interest under the Revolving Line and Term Loan and agreed with the Lenders that such conversions would be on the same terms as the conversion provisions of the outstanding unsecured convertible promissory notes. See "— Unsecured Convertible Promissory Notes".

On February 2, 2017, Transgenomic entered into a tenth amendment to the Loan Agreement (the "Tenth Amendment"). The Tenth Amendment, among other things, (i) provides that the Lenders will waive specified events of default under the terms of the Loan Agreement until the effective time of the Merger (or the termination of the Merger Agreement in accordance with its terms), (ii) provides for the conversion of all outstanding indebtedness owed to the Lenders under

the Loan Agreement (the "Outstanding Indebtedness") into shares of Transgenomic common stock and preferred stock (collectively, the "Conversion Shares") effective as of the closing date of the Merger and (iii) the termination of the Loan Documents (as defined in the Loan Agreement) and the termination and release of all security interests and liens of the Lenders in the Collateral (as defined in the Loan Agreement) in each case immediately following the conversion of the Outstanding Indebtedness into Conversion Shares. In connection with the Tenth Amendment, the Lenders have agreed to convert the outstanding principal and accrued interest under the Revolving Line and the Term Loan into (i) approximately 9.8 million shares of New Precipio common stock immediately prior to the effectiveness of the merger at a price equal to $0.50 per share and (ii) 24.1 million shares of New Precipio preferred stock. As of December 31, 2016, the outstanding amount owed under the Revolving Line and the Term Loan was $7.243 million of principal and $556,642 of accrued interest. The issuance of the Conversion Shares is subject to the approval of the Transgenomic stockholders in accordance with Nasdaq Capital Market listing rules.

Certain affiliates of Third Security, LLC, including the Lenders, have agreed to enter into two call option agreements pursuant to which (i) the Lenders will grant an option to purchase an aggregate of approximately 7.9 million shares of New Precipio Common Stock for an aggregate exercise price of $1.00 for all such shares to, Kuzven Precipio Investor LLC, a principal investor of Precipio, and (ii) the Lenders will grant an option to purchase an aggregate of approximately 7.9 million shares of New Precipio Common Stock for an aggregate exercise price of $1.00 for all such shares to an affiliate of BV Advisory Partners, LLC.

Unsecured Convertible Promissory Notes

On December 31, 2014, Transgenomic entered into an Unsecured Convertible Promissory Note Purchase Agreement (the "Note Purchase Agreement") with an accredited investor (the "Investor"), pursuant to which Transgenomic agreed to issue and sell to the Investor in a private placement an unsecured convertible promissory note (the "Initial Note"). Transgenomic issued the Initial Note in the aggregate principal amount of $750,000 to the Investor on December 31, 2014. Pursuant to the terms of the Initial Note, interest accrued at a rate of 6% per year and the Initial Note was set to mature on December 31, 2016 (the "Maturity Date"). Under the Initial Note, the outstanding principal and unpaid interest accrued was convertible into shares of Transgenomic common stock as follows: (i) commencing upon the date of issuance of the Initial Note (but no earlier than January 1, 2015), the Investor was entitled to convert, on a one-time basis, up to 50% of the outstanding principal and unpaid interest accrued under the Initial Note, into shares of Transgenomic common stock at a conversion price equal to the lesser of (a) the average closing price of the common stock on the principal securities exchange or securities market on which Transgenomic common stock is then traded (the "Market") for the 20 consecutive trading days immediately preceding the date of conversion, and (b) $2.20 (subject to adjustment for stock splits, stock dividends, other distributions, recapitalizations and the like); and (ii) commencing February 15, 2015, the Investor was entitled to convert, on a one-time basis, any or all of the remaining outstanding principal and unpaid interest accrued under the Initial Note, into shares of Transgenomic common stock at a conversion price equal to 85% of the average closing price of Transgenomic common stock on the Market for the 15 consecutive trading days immediately preceding the date of conversion. The Initial Note has been converted in full into 502,786 shares of Transgenomic common stock, in accordance with the terms of the Initial Note.

On January 15, 2015, Transgenomic entered into the Note Purchase Agreement with seven accredited investors (the "Additional Investors") and, on January 20, 2015, issued and sold to the Additional Investors, in a private placement, notes (the "Additional Notes") in an aggregate principal amount of $925,000. The Additional Notes have the same terms and conditions as the Initial Note (except with respect to the Remaining Note as described below). As of January 19, 2017, $800,000 of the aggregate principal amount of the Additional Notes, and accrued interest thereon, has been converted into an aggregate of 654,029 shares of Transgenomic common stock. Craig-Hallum acted as the sole placement agent for the Additional Notes and Transgenomic issued to Craig-Hallum a convertible promissory note, upon the same terms and conditions as the Additional Notes, in an aggregate principal amount equal to 5% of the proceeds received by Transgenomic, or $46,250. On January 19, 2017, Craig-Hallum converted the principal amount and accrued interest on its convertible promissory note into an aggregate of 43,129 shares of Transgenomic common stock.

As of January 17, 2017, one Additional Note remains outstanding with an aggregate amount due on such Note of $139,876 ($125,000 in principal amount and $14,876 of accrued interest) (the “Remaining Note”). The Additional Investor holding the Remaining Note (the “Remaining Investor”) agreed to extend the Maturity Date of the Remaining Note pursuant to a January 17, 2017 amendment to the Remaining Note between Transgenomic and the Remaining Investor (the “Amendment”). The Amendment provides that two-thirds of the outstanding principal amount of the Remaining Note must be paid upon the earlier to occur of the closing of the merger between Merger Sub and Precipio as contemplated by the Merger Agreement or June 16, 2017 (such applicable date, the “Deferred Maturity Date”). The remaining one-third of the principal amount outstanding on the Remaining Note must be paid on the six month anniversary of the Deferred Maturity Date (the “Extended Maturity Date”). On the applicable Deferred Maturity Date, all accrued and unpaid interest on the Remaining Note as of the Deferred Maturity Date will be converted into shares of Transgenomic’s common stock at a conversion price based on the average closing price of Transgenomic common stock on the Market for the 20 consecutive trading days immediately preceding the date of conversion, but in no event will the conversion price be less than $0.25 per share. Interest that accrues on the remaining principal amount of the Remaining Note from the Deferred Maturity Date will be payable on the Extended Maturity Date, unless the Remaining Note is converted in which case such interest will be payable in shares of Transgenomic’s common stock as part of the conversion.

In exchange for extending the Maturity Date of the Remaining Note, Transgenomic will issue to the Remaining Investor on the applicable Deferred Maturity Date a warrant to purchase shares of Transgenomic's common stock having an aggregate value of $6,250 with an exercise price to be determined as of the date of issuance of the warrant based on the average closing price of Transgenomic common stock on the Market for the 20 consecutive trading days immediately preceding the date of issuance of the warrant, subject to the approval of the Market if necessary. The warrant will expire two years from the date of issuance.

Bridge Loan

On February 2, 2017, Precipio agreed to offer a line of credit to Transgenomic up to $250,000 pursuant to an unsecured promissory note (the "Bridge Loan"). All outstanding amounts under the Bridge Loan accrue interest at a rate of 10% per annum and are due and payable upon the earlier to occur of (a) the date that is 90 days following the date of the Bridge Loan or (b) the closing of the merger. The proceeds of the Bridge Loan will be used by Transgenomic to finance certain general expenses until the effective date of the merger.

Third Party Approvals Required for the Merger and the Private Placement

The Merger Agreement also provides that the consummation of the merger is conditioned on the receipt of consents from certain other third parties, including lenders, lessors and other commercial partners.

Regulatory Matters

Neither Transgenomic nor Precipio is required to make any filings or to obtain any approvals or clearances from any antirust regulatory authorities in the United States or other countries to consummate the transactions contemplated by the Merger Agreement. Transgenomic must comply with applicable federal and state securities laws and regulations and Nasdaq rules in connection with the issuance of shares of New Precipio common stock in the transaction, including the filing with the SEC of this proxy statement.

Because Transgenomic common stock is listed on Nasdaq, Transgenomic is subject to The NASDAQ Stock Market Listing Rules. The NASDAQ Stock Market Listing Rule 5635(a) requires stockholder approval with respect to issuances of Transgenomic common stock, among other instances, when the shares to be issued are being issued in connection with the acquisition of the stock or assets of another company and are equal to 20% or more of the outstanding shares of Transgenomic common stock before the issuance. The NASDAQ Stock Market Listing Rule

5635(b) requires stockholder approval when any issuance or potential issuance will result in a "change of control" of the issuer. Although Nasdaq has not adopted any rule on what constitutes a "change of control" for purposes of Rule 5635(b), Nasdaq has previously indicated that the acquisition of, or right to acquire, by a single investor or affiliated investor group, as little as 20% of the common stock (or securities convertible into or exercisable for common stock) or voting power of an issuer could constitute a change of control. In addition, Rule 5635(d) of The NASDAQ Stock Market Listing Rules requires stockholder approval if a listed company issues common stock or securities convertible into or exercisable for common stock in a private placement equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.

Nasdaq Listing

Transgenomic common stock currently is listed on Nasdaq under the symbol "TBIO." Transgenomic has filed an initial listing application with Nasdaq pursuant to Nasdaq's "change of control" rules. If such application is accepted, Transgenomic anticipates that the shares of New Precipio common stock will be listed on Nasdaq following the closing of the merger under the trading symbol "PRPO."

As previously disclosed, Transgenomic is not currently in compliance with the listing requirements for Nasdaq. To maintain listing on Nasdaq, Transgenomic must comply with Nasdaq Marketplace Rules, which requirements include a minimum bid price of $1.00 per share. On February 23, 2016, Transgenomic was notified by the staff of Nasdaq that it was not in compliance with the $1.00 minimum bid price requirement, as the common stock had traded below the $1.00 minimum bid price for 30 consecutive business days. Transgenomic was provided with a 180 calendar day period, which ended on August 22, 2016, within which to regain compliance with the minimum bid price requirement. On April 20, 2016, Transgenomic was notified by the staff of Nasdaq that Transgenomic was not in compliance with the minimum stockholders' equity requirement of the Nasdaq Marketplace Rules, which requires listed companies to maintain stockholders' equity of at least $2,500,000. Transgenomic was provided with a 180 calendar day period, which ended on October 17, 2016, within which to regain compliance with the minimum stockholders' equity requirement. On August 24, 2016, Transgenomic received a determination letter from the staff of Nasdaq stating that it had not regained compliance with the minimum bid price requirement and that it was not eligible for an additional 180 calendar day extension because it was not in compliance with the minimum stockholders' equity requirement. On August 29, 2016, Transgenomic requested a hearing before the Nasdaq Hearings Panel. On October 13, 2016, Transgenomic had a hearing before the Nasdaq Hearings Panel where it presented a plan to regain compliance with all Nasdaq listing requirements, which included the completion of the merger and private placement.

At the hearing, Transgenomic asked that the Nasdaq Hearings Panel continue its listing through December 31, 2016, to allow it to close the previously announced merger, which Transgenomic expects to result in a new entity that will meet all initial listing standards for Nasdaq; however, Transgenomic noted that it will need to effectuate a reverse stock split to ensure compliance with the minimum bid price requirement. Based on the plan presented by Transgenomic at the hearing, the Nasdaq Hearings Panel issued a decision letter granting Transgenomic's request for continued listing on Nasdaq until December 31, 2016. As a condition to allowing Transgenomic to continue its listing on Nasdaq, the Nasdaq Hearings Panel required Transgenomic, on or before November 15, 2016, to update the Nasdaq Hearing Panel on the status of the reverse stock split, the filing of a definitive proxy statement for the merger and any feedback received from the Nasdaq staff regarding the prospects of the application of the post-merger entity for listing on Nasdaq. Transgenomic provided such update to the Nasdaq Hearing Panel on November 1, 2016. On December 9, 2016, Transgenomic provided another update to the Nasdaq Hearing Panel and requested that the Nasdaq Hearing Panel extend its continued listing on Nasdaq until February 19, 2017. On December 9, 2016, confirmed by letter dated December 27, 2016, the Nasdaq Hearing Panel granted Transgenomic's request to extend its listing on Nasdaq, subject to the following condition:

- On or before February 19, 2017, Transgenomic must have closed the merger and gained approval from the Nasdaq staff for listing of shares of New Precipio common stock on Nasdaq.

In addition, in order to fully comply with the terms of the decision letter, Transgenomic must be able to demonstrate compliance with all requirements for continued listing on Nasdaq. A failure by New Precipio upon the completion of the merger to comply with the initial listing standards of Nasdaq may subject its stock to delisting from Nasdaq. Upon completion of the merger, New Precipio will be required to meet the initial listing requirements to maintain the listing and continued trading of its shares on Nasdaq. These initial listing requirements are more difficult to achieve than the continued listing requirements under which Transgenomic is now trading. Pursuant to the Merger Agreement, Transgenomic agreed to use its commercially reasonable efforts to cause the shares of Transgenomic common stock being issued in the merger to be approved for listing on Nasdaq at or prior to the effective time of the merger. Based on information currently available to Transgenomic, Transgenomic anticipates that its stock will be unable to meet the $4.00 (or, to the extent applicable, $3.00) minimum bid price initial listing requirement at the closing of the merger unless it effects a reverse stock split. On October 31, 2016, the stockholders of Transgenomic authorized the Transgenomic Board to effect a reverse stock split of the shares of Transgenomic common stock at a ratio of between one-for-ten to one-for-thirty. In addition, often times a reverse stock split will not result in a trading price for the affected common stock that is proportional to the ratio of the split. If New Precipio is unable to satisfy Nasdaq listing requirements, Nasdaq may notify Transgenomic, or New Precipio, that its shares of common stock will be subject to delisting from Nasdaq.

Transgenomic's continued listing on Nasdaq expires on February 19, 2017. The merger will not be effective prior to February 19, 2017 and accordingly Transgenomic could be delisted for a period prior to the merger effective date if Nasdaq does not otherwise agree to extend Transgenomic's continued listing. Upon a potential delisting from Nasdaq, if the New Precipio common stock is not then eligible for quotation on another market or exchange, trading of the shares could be conducted in the over-the-counter market or on an electronic bulletin board established for unlisted securities such as the Pink Sheets or the OTC Bulletin Board. In such event, it is likely that there would be significantly less liquidity in the trading of New Precipio common stock; decreases in institutional and other investor

demand for the shares, coverage by securities analysts, market making activity and information available concerning trading prices and volume; and fewer broker-dealers willing to execute trades in New Precipio common stock. Also, it may be difficult for New Precipio to raise additional capital if the New Precipio common stock is not listed on a major exchange. The occurrence of any of these events could result in a further decline in the market price of New Precipio common stock and could have a material adverse effect on New Precipio.

Federal Securities Law Consequences Resale Restrictions

The shares of New Precipio common stock to be issued to unit holders of Precipio in connection with the merger, to holders of Transgenomic Series A-1 Convertible Preferred Stock upon conversion of such stock and to holders of Transgenomic outstanding debt upon conversion of such debt as well as the New Precipio preferred stock to be issued in the merger and in the related private placement or pursuant to the conversion of outstanding debt of Transgenomic will be "restricted securities." Those shares of New Precipio common stock and New Precipio preferred stock will not be registered under the Securities Act upon issuance and will not be freely transferable. Holders of such shares of common stock and preferred stock may not sell their respective shares unless the shares are registered under the Securities Act or an exemption is available under the Securities Act. In connection with the merger, as described in "The Merger Agreement – Covenants – Form S-3 Registration Statement," Transgenomic has agreed to file promptly after the closing of the merger a resale "shelf" registration statement to register the shares of Precipio common stock issued to unit holders of New Precipio in the merger.

Anticipated Accounting Treatment

The merger will be treated by Transgenomic as a reverse acquisition under the acquisition method of accounting in accordance with GAAP. For accounting purposes, Precipio is considered to be acquiring Transgenomic in the merger. Management of Transgenomic and Precipio have made a preliminary estimate of the purchase price calculated as described in Note 2 to the section entitled "Unaudited Pro Forma Combined Financial Information of Transgenomic, Inc." beginning on page 104 of this proxy statement. The net tangible and intangible assets acquired and liabilities assumed in connection with the merger are recorded at their estimated transaction date fair values. The acquisition method of accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. A final determination of these estimated fair values, which cannot be made prior to the completion of the merger, will be based on the actual net tangible and intangible assets of Transgenomic that exist as of the date of completion of the merger.

Material U.S. Federal Income Tax Consequences of the Merger

The following discussion summarizes certain material U.S. federal income tax consequences of the merger. This discussion does not address any tax consequences arising under the laws of any state, local or non-U.S. jurisdiction, or under any U.S. federal laws other than those pertaining to income tax. This discussion is based upon the Code, the Treasury regulations promulgated under the Code and court and administrative rulings and decisions, all as in effect on the date hereof. These laws may change, possibly retroactively, and any change could affect the accuracy of the statements and conclusions set forth in this discussion.

Transgenomic and Precipio intend the merger to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. Precipio has made an election to be taxed as a corporation for U.S. federal income tax purposes. In addition, if the merger were for any reason to not qualify as a "reorganization" within the meaning of Section 368(a) of the Code, the merger, together with any contemporaneous contributions of cash and debt to Transgenomic may constitute a tax-deferred transaction under Section 351 of the Code.

No gain or loss will be recognized by Transgenomic, or Precipio or the Transgenomic stockholders as a result of the Merger, regardless of whether it qualifies as a reorganization. Additionally, as a "reorganization" within the meaning of Section 368(a) or a transaction qualifying under Section 351(a) of the Code, no gain or loss will be recognized by the Precipio unit holders as they will receive only New Precipio common stock and/or New Precipio preferred stock, as applicable, in the merger in exchange for their membership interests in Precipio. Transgenomic stockholders who are also unit holders of Precipio should consult their tax advisor as to the tax consequences to them of participating in the merger as a Precipio unit holder.

This is a summary of the material U.S. federal income tax consequences of the merger and is not tax advice.

No Appraisal Rights

Under applicable law, Transgenomic stockholders do not have the right to an appraisal of the value of their shares in connection with the merger with Precipio.

Independent Registered Public Accounting Firm

Representatives of Ernst & Young LLP ("Ernst & Young"), the independent registered public accounting firm for Transgenomic as of the date of the Merger Agreement, are not expected to be present at the special meeting.

On January 12, 2017, the Audit Committee of Transgenomic's Board approved the dismissal of Ernst & Young as Transgenomic's independent registered public accounting firm and accordingly Transgenomic notified Ernst & Young of such action effective as of January 12, 2017. The dismissal of Ernst & Young as Transgenomic's independent registered public accounting firm did not result from any dissatisfaction with the quality of professional services rendered by Ernst & Young. The audit reports of Ernst & Young on Transgenomic's consolidated financial statements as of and for the two most recent fiscal years did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the Transgenomic's two most recent fiscal years, and any subsequent interim period prior to termination of the client-auditor relationship with Ernst & Young on January 12, 2017, there were no "disagreements" (as that term is described in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between Transgenomic and Ernst & Young on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of Ernst & Young, would have caused Ernst & Young to make reference to the subject matter of such disagreements in their reports on Transgenomic's consolidated financial statements with respect to such periods.

During Transgenomic's two most recent fiscal years, and any subsequent interim period prior to termination of the client-auditor relationship with Ernst & Young on January 12, 2017, there were no "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K and the related instructions, except for the material weaknesses in Transgenomic's internal control over financial reporting disclosed in its Form 10-K for the fiscal year ended December 31, 2014 (filed April 15, 2015), related to the design of controls over proper timing and recognition of revenue and over the elements used in our analysis and evaluation of the allowance for doubtful accounts to ensure that the allowance for doubtful accounts was reasonably stated. The ineffectiveness of these controls did not result in an adjustment to the financial statements or a restatement of prior year financial statements. In response to the material weaknesses, Transgenomic's management developed remediation plans to address the control deficiencies identified in 2014. These remediation actions were implemented during 2015 and included enhancements that included (i) with respect to revenue recognition, (a) a reconciliation of proof of delivery (fax confirmation) for invoiced and unbilled reports and (b) a review of error processing queues, among other steps, and (ii) with respect to allowances for doubtful accounts, (a) a review of the payor and client accounts receivable aging (b) review of write offs, (c) a review of current and historical payment trends and (d) a review of actual cash collections and a hindsight analysis, among other steps. Transgenomic's management determined that these remediation actions were effectively designed and demonstrated effective operation for a sufficient period of time to enable Transgenomic's management to conclude that the 2014 material weaknesses were remediated as of December 31, 2015.

While Transgenomic has not engaged a new independent registered public accounting firm as of the date of this proxy statement, it has begun a search process to identify Ernst & Young's successors. The Company will disclose its engagement of a new independent registered public accounting firm once the process has been completed and as required by the SEC's rules and regulations. Ernst & Young has been given the opportunity to make a statement at the special meeting if they so desire and will be available should any matter arise requiring their presence.

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PROPOSAL NO. 1
APPROVAL OF THE ISSUANCE OF NEW PRECIPIO COMMON STOCK AND NEW PRECIPIO PREFERRED STOCK IN CONNECTION WITH THE MERGER AND PRIVATE PLACEMENT

Under the terms of the Merger Agreement, Merger Sub will merge with and into Precipio, with Precipio as the surviving entity. As a result Precipio will become a wholly owned subsidiary of Transgenomic. Precipio is a privately held company specializing in harnessing the advanced expertise of leading academic researchers to provide oncologists with a superior level of diagnostic accuracy for their cancer patients.

When the merger is completed, (i) the outstanding common units of Precipio will be converted into the right to receive approximately 160.6 million shares of New Precipio common stock, together with cash in lieu of fractional units, which will result in Precipio common unit holders owning approximately 53% of the issued and outstanding shares of New Precipio common stock on a fully diluted basis, taking into account the issuance of shares of New Precipio preferred stock in the merger and the private placement as discussed below (the "fully diluted New Precipio common stock") and (ii) the outstanding preferred units of Precipio will be converted into the right to receive approximately 24.1 million shares of New Precipio preferred stock with an aggregate face amount equal to $3 million, which will result in the Precipio preferred unit holders owning approximately 8% of the fully diluted New Precipio common stock.

In connection with the merger, at the effective time, in addition to the New Precipio preferred stock to be issued to holders of preferred units of Precipio, New Precipio also will issue shares of New Precipio preferred stock and New Precipio common stock in a related private placement, whereby:

- Holders of certain secured indebtedness of Transgenomic will receive in exchange for such indebtedness approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million, which represents approximately 8% of the fully diluted New Precipio common stock, and approximately 9.8 million shares of New Precipio common stock, which represents approximately 3% of the fully diluted New Precipio common stock; and

- New Precipio will issue for cash up to approximately 56.2 million shares of New Precipio preferred stock for $7 million to investors in a private placement, which represents approximately 18% of the fully diluted New Precipio common stock.

- New Precipio preferred stock will be issued based on a $25 million pre-money equity valuation of New Precipio and will represent, in the aggregate, approximately 34% of the outstanding shares of New Precipio common stock on an as-converted basis, including New Precipio preferred stock issued in the merger and the private placement.

- Pursuant to the rules of Nasdaq, the securities exchange on which Transgenomic's common stock is listed, the issuance of New Precipio common stock in connection with the merger, including the shares that may be issued upon future conversion of the New Precipio preferred stock, requires approval of Transgenomic's stockholders because the issuance exceeds 20% of the number of shares of Transgenomic common stock outstanding prior to the issuance and the issuance may result in a "change of control" of Transgenomic.

Third Security owns 214,705 shares of Transgenomic Series A-1 Convertible Preferred Stock which will convert into 214,705 shares of Transgenomic common stock immediately prior to the closing of the merger pursuant to the conversion provisions set forth in the Transgenomic Certificate of Incorporation. See "Description of Transgenomic Capital Stock – Preferred Stock – Series A-1 Convertible Preferred Stock".

The Lenders have agreed to convert the outstanding principal and accrued interest under the Revolving Line and the Term Loan into (i) approximately 9.8 million shares of New Precipio common stock immediately prior to the effectiveness of the merger at a price equal to $0.50 per share and (ii) approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million. As of December 31, 2016, the outstanding amount owed under the Revolving Line and the Term Loan was $7.243 million of principal and $556,642 of accrued interest. See "The Transaction – Conversion of Outstanding Debt – Conversion of the Revolving Line and Term Loan."

Effect of the Proposed Issuance of Common Stock and Preferred Stock

The shares of New Precipio common stock to be issued pursuant to Proposal No. 1 in connection with the merger and the related private placement, including the shares of New Precipio common stock that may be issued upon future conversion of the New Precipio preferred stock, would be identical to the shares of Transgenomic common stock now issued and outstanding. However, the stock issuance will dilute the ownership and voting interests of our existing stockholders. When the merger is completed, (i) the outstanding common units of Precipio will be converted into the right to receive approximately 160.6 million shares of New Precipio common stock, together with cash in lieu of fractional units, which will result in Precipio common unit holders owning approximately 53% of the fully diluted New Precipio common stock and (ii) the outstanding preferred units of Precipio will be converted into the right to receive approximately 24.1 million shares of New Precipio preferred stock with an aggregate face amount equal to $3 million, which will result in the Precipio preferred unit holders owning approximately 8% of the fully diluted New Precipio common stock. In connection with the merger, at the effective time, in addition to the New Precipio preferred stock to be issued to holders of preferred units of Precipio, New Precipio also will issue shares of New Precipio preferred stock and New Precipio common stock in a related private placement, whereby (a) the Lenders will receive in exchange for certain indebtedness approximately 24.1 million shares of New Precipio preferred stock with an aggregate face amount equal to $3 million, which represents approximately 8% of the fully diluted New Precipio common stock, and approximately 9.8 million shares of New Precipio common stock, which represents approximately 3% of the fully diluted New Precipio common stock, and (b) New Precipio will issue for cash up to approximately 56.2 million shares of New Precipio preferred stock for $7 million to investors in a private placement, which represents approximately 18% of the fully diluted New Precipio common stock. When and if the shares of New Precipio preferred stock are converted, such conversion will result in further dilution of your shares.

Vote Required and Board of Directors Recommendation

Approval of the proposal to issue shares of New Precipio common stock and New Precipio preferred stock in connection with the merger and private placement, the issuance of New Precipio common stock upon conversion of New Precipio preferred stock and the resulting “change of control” of Transgenomic requires the affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting at which a quorum is present. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Broker non-votes will have no effect on the proposal. **The approval of Proposal No. 1 is a condition to the completion of the merger with Precipio, and thus a vote against this proposal effectively will be a vote against the merger with Precipio.**

The Transgenomic Board has determined that the merger with Precipio and the issuance of New Precipio common stock and New Precipio preferred stock pursuant to the merger and related private placement, the issuance of New Precipio common stock upon conversion of the New Precipio preferred stock and the resulting “change of control” of Transgenomic is fair to and in the best interests of Transgenomic and its stockholders and has approved the issuance

of New Precipio common stock and New Precipio preferred stock in accordance with the Merger Agreement and the related private placement and recommends that you vote "**FOR**" approval of the stock issuances.

For a more detailed description of the Merger Agreement and the transactions contemplated by the Merger Agreement, see the sections below entitled "The Merger Agreement," "The Private Placement" and "The Voting Agreements."

THE MERGER AGREEMENT

The following is a summary of the material provisions of the Merger Agreement and is qualified in its entirety by reference to the Merger Agreement, a copy of which is attached to this proxy statement as Annex A and which we incorporate by reference into this document. This summary may not contain all of the information about the Merger Agreement that is important to you. We urge you to read the entire Merger Agreement carefully because it is the legal document governing the proposed merger with Precipio.

The description of the Merger Agreement in this proxy statement has been included to provide you with information regarding its terms, and we recommend that you read carefully the Merger Agreement in its entirety. Except for its status as the contractual document that establishes and governs the legal relations among the parties with respect to the transaction, we do not intend for its text to be a source of business or operational information about Transgenomic or Precipio. That kind of information can be found elsewhere in this proxy statement and in the documents incorporated herein by reference. The Merger Agreement contains representations and warranties of the parties as of specific dates and may have been used for the purposes of allocating risk between the parties other than establishing matters as facts. Those representations and warranties are qualified in several important respects, which you should consider as you read them in the Merger Agreement, including contractual standards of materiality that may be different from what may be viewed as material to stockholders. Only the parties themselves may enforce and rely on the terms of the Merger Agreement. As stockholders, you are not third party beneficiaries of the Merger Agreement and therefore may not directly enforce or rely upon its terms and conditions and you should not rely on its representations, warranties or covenants as characterizations of the actual state of facts or condition of Transgenomic or Precipio or any of their respective affiliates. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Merger Agreement and subsequently developed or new information qualifying a representation or warranty may have been included in this proxy statement.

General; Structure of Transaction

On October 12, 2016, Transgenomic entered into the Merger Agreement with Merger Sub and Precipio. Pursuant to the Merger Agreement, Merger Sub will merge with and into Precipio, with Precipio as the surviving entity.

On February 2, 2017, Transgenomic and Precipio entered into the First Amendment to the Agreement and Plan of Merger which provided for the following: (a) the Bridge Loan to Transgenomic was authorized; (b) the exchange ratio set forth in the Merger Agreement was revised to provide that outstanding common units of Precipio will be converted into the right to receive an amount of shares of New Precipio common stock equal to 80% of the outstanding shares of New Precipio common stock (not taking into account the issuance of New Precipio preferred stock in the merger or

the private placement); (c) the continual listing of the existing shares of Transgenomic's common stock on Nasdaq was waived as a condition to the closing of the merger; (d) the deadline pursuant to which a "shelf" registration statement on Form S-3 or other appropriate form is required to be filed by New Precipio with the SEC was extended to June 1, 2017; (e) certain indebtedness of Transgenomic was permitted to remain outstanding as of the effective date of the merger; (f) certain actions taken by each of Transgenomic and Precipio since the date the Merger Agreement were authorized and (g) certain additional conditions to the closing of the merger were removed from the Merger Agreement.

Closing of the Transaction

Unless the parties agree otherwise, the closing of the merger with Precipio will take place remotely via the exchange of final documents and signature pages thereto no later than the second business day following the satisfaction or waiver of all closing conditions, except for those conditions that, by their nature, have to be satisfied at the closing, but subject to the satisfaction or waiver of those conditions. See the section below entitled "— Conditions to Closing the Transaction" beginning on page 70 for a more detailed discussion of the conditions. The merger is expected to be consummated promptly after the special meeting of Transgenomic's stockholders described in this proxy statement.

Consideration for the Transaction

If the merger is completed, (i) the outstanding common units of Precipio will be converted into the right to receive approximately 160.6 million shares of New Precipio common stock, together with cash in lieu of fractional units, which will result in Precipio common unit holders owning approximately 53% of the fully diluted New Precipio common stock and (ii) the outstanding preferred units of Precipio will be converted into the right to receive approximately 24.1 million shares of New Precipio preferred stock with an aggregate face amount equal to $3 million, which will result in the Precipio preferred unit holders owning approximately 8% of the fully diluted New Precipio common stock.

If the merger is completed, at the effective time, in addition to the New Precipio preferred stock to be issued to holders of preferred units of Precipio, New Precipio also will issue shares of New Precipio preferred stock and New Precipio common stock in a related private placement, whereby:

- Holders of certain secured indebtedness of Transgenomic will receive in exchange for such indebtedness, approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million, which represents approximately 8% of the fully diluted New Precipio common stock, and approximately 9.8 million shares of New Precipio common stock, which represents approximately 3% of the fully diluted New Precipio common stock;

- New Precipio will issue for cash up to approximately 56.2 million shares of New Precipio preferred stock for $7 million to investors in a private placement, which represents approximately 18% of the fully diluted New Precipio common stock; and

- New Precipio preferred stock will be issued based on a $25 million pre-money equity valuation of New Precipio and will represent, in the aggregate, approximately 34% of the outstanding shares of New Precipio common stock on an as-converted basis, including New Precipio preferred stock issued in the merger and the private placement.

Representations and Warranties

The Merger Agreement contains representations and warranties of each of Transgenomic, Merger Sub and Precipio. These representations are subject, in some cases, to specified exceptions and qualifications contained in the Merger Agreement or in the information provided pursuant to disclosure obligations set forth in the Merger Agreement. Some of the representations and warranties are qualified as to "materiality" or "material adverse effect." For the purpose of the Merger Agreement, a "material adverse effect" with respect to either Precipio or Transgenomic, as applicable, means a material adverse effect on the business, results of operations, properties or assets of Precipio or Transgenomic and its subsidiaries, as applicable, taken as a whole, with certain exclusions.

Representations and Warranties of Precipio

The Merger Agreement contains representations and warranties of Precipio relating to, among other things:

- proper corporate organization and existence;

- the capitalization of Precipio;
- corporate records;
- subsidiaries of Precipio;
- enforceability of the Merger Agreement;
- due authorization, execution and delivery of the Merger Agreement;
- authorizations and approvals;
- permits and licenses;
- financial statements and undisclosed liabilities;
- litigation;
- compliance with laws;
- environmental matters;
- regulatory matters;
- material contracts, agreements and instruments of Precipio;

- intellectual property;
- real property;
- assets other than real property;
- employee benefit plans;
- labor and employment matters;
- transactions with affiliates;
- absence of certain changes or events;
- taxes;
- insurance;
- brokers and intermediaries; and
- required approval of Precipio's members.

Representations and Warranties of Transgenomic and Merger Sub

The Merger Agreement contains representations and warranties of Transgenomic and Merger Sub relating to, among other things:

- proper corporate organization and existence;
- capitalization of Transgenomic;

- enforceability of the Merger Agreement;
- due authorization, execution and delivery of the Merger Agreement;
- authorizations and consents;
- permits and licenses;
- SEC filings;
- financial statements and undisclosed liabilities;
- absence of certain changes or events;
- litigation;
- compliance with laws;
- regulatory matters;
- real property;
- assets other than real property;
- transactions with affiliates;
- insurance;
- brokers and intermediaries;
- controls and procedures;
- material contracts, agreements and instruments of Transgenomic;

- intellectual property;
- employee benefit plans;
- labor and employment matters;

- environmental matters;
- taxes;
- the filing of this proxy statement;
- corporate records; and
- required stockholder vote.

Covenants

The parties to the Merger Agreement have various obligations and responsibilities under the Merger Agreement, including, but not limited to, the following covenants:

Conduct of the Business of Precipio. Subject to certain exceptions, Precipio has agreed to (i) conduct its business and operations in the ordinary course consistent with past practices, and (ii) use commercially reasonable efforts to (A) preserve intact its business organization, (B) maintain in effect all of its material foreign, federal, state and local permits, (C) retain the services of its executive officers and key employees, and (D) preserve the goodwill of its material customers and suppliers. In addition, Precipio will not take any of the following actions without the prior written consent of Transgenomic:

- issue, sell or grant, or authorize or propose the issuance, sale or grant of units, or securities convertible into or exchangeable for units, rights, warrants or options to acquire units or convertible securities;
- redeem, purchase or otherwise acquire any outstanding units;
- declare, pay or otherwise make any dividend or distribution in respect of units, or adjust, split, combine, subdivide or reclassify any of its units;
- incur any indebtedness;

- make any loans, advances, capital contributions or investments;

- sell, lease, license or otherwise transfer, abandon or permit to lapse, or create or incur any encumbrance on any intellectual property or assets Precipio except (1) as required to be effected prior to the effective time of the merger, pursuant to Precipio's contracts in force on the date of the Merger Agreement, or (2) dispositions of inventory, equipment or other assets that are no longer used or useful in the conduct of the business of Precipio;

- make any capital expenditures in excess or incur any obligations or liabilities in the amount of $5,000 in the aggregate;

- acquire any business, by merger or consolidation, purchase of substantial assets or equity interests, or by any other manner;

- except as required by applicable law or to comply with the terms of any employee benefit plan, increase in any material manner the compensation, bonuses or benefits of any directors, officers, employees, former employees or consultants except, in the case of employees that are not officers or members of board of managers of Precipio, increases in salaries, wages and benefits of employees made in the ordinary course of business;

- except as required by applicable law or as contemplated by the terms of the Merger Agreement, adopt, enter into, terminate or amend any employee benefit plan;

- grant any severance, change of control, retention or termination benefits to any director, officer, employee, former employee or consultant, except in the ordinary course of business with respect to an employee or independent contractor who is not a member of the board of managers of Precipio or an executive officer of Precipio;

- take any action to accelerate the vesting or payment of any compensation or benefit under any employee benefit plan, except as provided in the Merger Agreement;

- hire any officer or other employee, except to replace existing officers or employees in the ordinary course of business;

- terminate the employment of any director, officer, employee or consultant of Precipio, except in the ordinary course of business;

- make any change in any method of accounting other than those required by GAAP;

- make or change any material tax election that is inconsistent with past practice, change any material annual tax accounting period, adopt or change any material method of tax accounting, enter into any closing agreement with respect to a material tax, or settle any material tax claim, audit or assessment;

- settle, or propose to settle, any legal proceeding;

- other than in the ordinary course of business consistent with past practice, amend or modify certain material contracts;

- other than in the ordinary course of business consistent with past practice, enter into any material contract;

- amend the organizational documents of Precipio;

- form any subsidiary;

- adopt a plan or agreement of complete or partial liquidation or dissolution or resolutions providing for a complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of Precipio;

- take any action that would reasonably be expected to prevent or materially impede, interfere with, hinder or delay the consummation by Transgenomic the transactions contemplated by the Merger Agreement;

- conduct any research or development activities, including the conduct of any clinical trial or study, except for research and development activities related to the goods and services of Precipio in the ordinary course of business; and

- engage in any action that could reasonably be expected to cause the merger to fail to qualify as a "reorganization" within the meaning of Section 368(a) of the Code.

Conduct of the Business of Transgenomic. Subject to certain exceptions, Transgenomic has agreed, and has agreed to cause its subsidiaries to agree, to (i) conduct its business and operations in the ordinary course consistent with past

practices, (ii) use commercially reasonable efforts to preserve intact its business organization, (iii) maintain in effect all of its material foreign, federal, state and local permits and (iv) use commercially reasonable efforts to retain the services of its executive officers and key employees, and to preserve the goodwill of its material customers and suppliers. In addition, Transgenomic and its subsidiaries will not take any of the following actions without the prior written consent of Precipio:

- issue, sell or grant, or authorize or propose the issuance, sale or grant of additional shares of capital stock of any class, or securities convertible into or exchangeable for shares, rights, warrants or options to acquire shares or convertible securities;
- redeem, purchase or otherwise acquire any outstanding shares of capital stock of Transgenomic and its subsidiaries;
- incur any indebtedness;
- except as contemplated by the Merger Agreement, amend the organizational documents of Transgenomic in a manner that would result in a material adverse effect;
- form any subsidiary;
- adopt a plan or agreement of complete or partial liquidation or dissolution or resolutions providing for a complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of Transgenomic or any of its subsidiaries;
- take any action that would reasonably be expected to prevent or materially impede, interfere with, hinder or delay the consummation by Transgenomic the transactions contemplated by the Merger Agreement;

- conduct any research or development activities, including the conduct of any clinical trial or study, except for research and development activities related to the goods and services of Transgenomic in the ordinary course of business;

- make any loans, advances, capital contributions or investments;

- sell, lease, license or otherwise transfer, abandon or permit to lapse, or create or incur any encumbrance on any intellectual property or assets of Transgenomic except (1) as required to be effected prior to the effective time of the merger, pursuant to Transgenomic's contracts in force on the date of the Merger Agreement, or (2) dispositions of inventory, equipment or other assets that are no longer used or useful in the conduct of the business of Transgenomic;

- make any capital expenditures in excess or incur any obligations or liabilities in the amount of $5,000 in the aggregate;

- acquire any business, by merger or consolidation, purchase of substantial assets or equity interests, or by any other manner;

- except as required by applicable law or to comply with the terms of any employee benefit plan, increase in any material manner the compensation, bonuses or benefits of any directors, officers, employees, former employees or consultants except, in the case of employees that are not officers or members of the Transgenomic Board, increases in salaries, wages and benefits of employees made in the ordinary course of business;

- except as required by applicable law or as contemplated by the terms of the Merger Agreement, adopt, enter into, terminate or amend any employee benefit plan;

- grant any severance, change of control, retention or termination benefits to any director, officer, employee, former employee or consultant, except in the ordinary course of business with respect to an employee or independent contractor who is not a member of the Transgenomic Board or an executive officer of Transgenomic;

- take any action to accelerate the vesting or payment of any compensation or benefit under any employee benefit plan, except as provided in the Merger Agreement;

- hire any officer or other employee, except to replace existing officers or employees in the ordinary course of business;

- terminate the employment of any director, officer, employee or consultant of Transgenomic, except in the ordinary course of business;

- adopt, enter into, terminate or amend any stock plan, except as required by law;
- grant any awards under any stock plan;
- make any change in any method of accounting other than those required by GAAP;
- make or change any material tax election that is inconsistent with past practice, change any material annual tax accounting period, adopt or change any material method of tax accounting, enter into any closing agreement with respect to a material tax, or settle any material tax claim, audit or assessment;
- settle, or propose to settle, any legal proceeding;
- other than in the ordinary course of business consistent with past practice, amend or modify certain material contracts;
- other than in the ordinary course of business consistent with past practice, enter into any material contract;
- engage in any action that could reasonably be expected to cause the merger to fail to qualify as a "reorganization" within the meaning of Section 368(a) of the Code.

Access to Information. Precipio and Transgenomic each have agreed to give the other party and its authorized representatives reasonable access during normal business hours to its books, contracts, records, offices, employees, agents, facilities, properties and other assets as Precipio or Transgenomic, as the case may be, may from time to time reasonably request. Any such access must be conducted in a manner that does not materially interfere with the businesses or operations of Precipio or Transgenomic, as the case may be. In addition, all information accessed by Precipio or Transgenomic or their respective representatives will be treated as confidential by the party accessing such information.

Public Announcements. No party to the Merger Agreement will issue or cause to be published a press release or other public announcement regarding the transaction without the prior written consent of Precipio and Transgenomic. If, upon advice of counsel, any party is required by law to issue a press release or other public announcement, then such party will use reasonable efforts to allow Transgenomic reasonable time to comment on such release or announcement in advance of its issuance.

Private Placement. Precipio and its members will provide all certifications and documentation, including investor questionnaires, reasonably requested by Transgenomic to allow Transgenomic to issue the shares of New Precipio common stock and New Precipio preferred stock to such holders in a manner that satisfies the requirements of Rule 506 of Regulation D under the Securities Act, including certifications to Transgenomic that the shares of New Precipio are being acquired by each member of Precipio for investment only and not with a view towards, or with any intention of, a distribution or resale thereof for at least a period of six months following the closing of the merger.

Proxy Statement; Special Meeting. The Merger Agreement requires Transgenomic to call and hold a special meeting of stockholders as promptly as practicable to approve the issuance of New Precipio common stock, including the shares issuable upon conversion of the New Precipio preferred stock, in connection with the Merger Agreement and the related private placement. Transgenomic agreed, as promptly as practicable, to file with the SEC a proxy statement, containing the recommendation of the Transgenomic Board that its stockholders vote in favor of the Transgenomic stock issuance proposal, respond promptly to any SEC comments with respect to the preliminary proxy statement, mail a definitive proxy statement to Transgenomic stockholders and solicit proxies from its stockholders for approval of the Transgenomic stock issuance proposal. Precipio has agreed to cooperate with Transgenomic in connection with the preparation and filing of this proxy statement, including providing Transgenomic promptly upon request with the information concerning Precipio required to be included in this proxy statement.

Mutual Non-Solicitation. Under the Merger Agreement, Precipio and Transgenomic are subject to customary “no shop” provisions that limit their respective abilities to solicit alternative acquisition proposals from third parties or to provide confidential information to third parties, subject to a “fiduciary out” provision that allows Precipio and Transgenomic to provide information and participate in discussions with respect to certain unsolicited written proposals and to terminate the Merger Agreement and enter into an acquisition agreement with respect to a superior proposal in compliance with the terms of the Merger Agreement. Precipio and Transgenomic shall notify the other as promptly as practicable, and in no event later than twenty-four hours after receipt of any inquiries, discussions, negotiations, proposals or expressions of interest with respect to an alternate acquisition proposal received by Transgenomic or Precipio, as applicable. Both Precipio and Transgenomic shall keep the other fully informed, on a current basis, of the status and material developments (including any changes to the terms) of such alternate acquisition proposal.

Employment Arrangements. Precipio has agreed to cause certain employment agreements to be terminated at or prior to the effective time of the merger. Prior to the effective time of the merger, Transgenomic has agreed to terminate certain of its employees, and will require any employees that will not continue with New Precipio to execute a separation agreement.

Listing. Transgenomic will use commercially reasonable efforts to maintain its existing listing on Nasdaq and cause the shares of New Precipio common stock to be approved for listing on Nasdaq within a reasonable period of time following the effective time of the merger.

Board Designation and Resignations. The Merger Agreement provides that Transgenomic will cause the number of members of its board of directors to be fixed at seven. Subject to certain adjustments in the Merger Agreement, three directors of New Precipio will be designated by Precipio, two directors of New Precipio will be designated by Transgenomic, and two directors of New Precipio will be designated by the holders of New Precipio preferred shares immediately following the private placement. Transgenomic will obtain the necessary resignations of the directors of Transgenomic serving immediately prior to the effective time of the merger who are not among the directors designated to serve on the board of directors of New Precipio.

Indemnification of Officers and Directors. The organizational documents of New Precipio will continue to contain provisions no less favorable with respect to indemnification than are set forth in such organizational documents as of the date of the Merger Agreement. From the effective time of the merger through the sixth anniversary thereof, New Precipio will, (i) to the fullest extent permitted by law, indemnify and hold harmless each present and former director, manager and officer of Precipio or Transgenomic or any of its subsidiaries against all costs and expenses, judgments, fines, fees, losses, claims, damages, liabilities and settlement amounts paid in connection with any claim, action, suit, proceeding or investigation (whether arising before or after the closing), arising out of or pertaining to the fact of his or her capacity as an officer, director, employee, fiduciary or agent, occurring on or before the closing and (ii) subject to certain conditions, advance the expenses incurred by any indemnified party in connection with any such matter to the fullest extent permitted by law. In addition, Precipio will obtain and pay for "tail" insurance coverage for the managers and officers of Precipio. Such "tail" insurance coverage will be in an amount and scope at least as favorable as Precipio's existing policies with respect to claims arising out of or relating to events which occurred before or at the effective time of the merger.

Tax Matters. Under the terms of the Merger Agreement, the holders of Precipio's securities will prepare and timely file all required tax returns of Precipio, and pay all taxes due and owing, relating to periods of Precipio ending on or prior to the closing of the merger. Unless the parties agree that the merger does not qualify as a reorganization under Section 368(a) of the Code, each of Precipio and Transgenomic agree to use reasonable best efforts to cause the merger to qualify as a "reorganization" within the meaning of Section 368(a) of the Code, and agree that they will not take any actions (or fail to take any action) which would prevent the merger with from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code. From the date of the Merger Agreement through and after the closing of the merger, the holders of Precipio's securities, Transgenomic, Precipio, and New Precipio shall reasonably cooperate and shall provide such assistance to the other party, and make available to the other party, as reasonably requested, the books and records, documents, information or data, in each case relating to taxes of Precipio or Transgenomic, as applicable, for taxable periods ending on or prior to the closing of the merger for purposes of preparing or reviewing tax returns, for complying with or representing Precipio's, New Precipio's, or Transgenomic's interests in any tax controversy or other investigative demand, for reporting purposes, or for any other legitimate tax-related reason not injurious to the other party.

Form S-3 Registration Statement. Under the Merger Agreement, Transgenomic has agreed to file promptly after the closing of the merger with the SEC a "shelf" registration statement on Form S-3 or other appropriate form no later than June 1, 2017.

Further Assurances. Each party to the Merger Agreement agrees that the officers of New Precipio will be authorized to execute such documents and perform such further acts as may be reasonably required to perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in New Precipio or to carry out the provisions of the Merger Agreement and the transactions contemplated thereby.

Conditions to Closing the Transaction

The parties obligations to consummate the merger is conditioned on (i) Precipio's members approval of the merger, the execution of the Merger Agreement and the consummation of the transactions contemplated therein; (ii) Transgenomic's stockholders adopting and approving the proposal to issue New Precipio common stock, including the shares issuable upon conversion of the New Precipio preferred stock, in connection with the merger and the private placement at the special meeting of stockholders called for this purpose; (iii) no governmental order or any other law shall have been adopted, issued, enacted, promulgated, enforced or entered that remains in effect and restrains, enjoins or otherwise prohibits the consummation of the merger; (iv) no legal proceeding, pending or threatened, challenging the merger, seeking to restrain the merger, relating to the merger and seeking to obtain from Transgenomic, Precipio or Merger Sub any material damages or other relief, or seeking to prohibit or limit in any material or adverse respect a party's ability to vote, transfer or receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of Transgenomic; (v) the execution of employment agreements by certain individuals identified in the Merger Agreement; (vi) consummation of the private placement; and (vii) the approval of the listing of the shares of Transgenomic's common stock to be offered in connection with the merger for listing on Nasdaq.

In addition, the obligation of Transgenomic to effect the transactions contemplated by the Merger Agreement is conditioned on the satisfaction or waiver of various other conditions, including:

- Precipio unit holders having approved the merger and Precipio's execution of the Merger Agreement and the consummation of the transactions contemplated therein;

- the representations and warranties of Precipio being true and correct as of the date of closing, or, to the extent they expressly relate to a specific date, then as of that specific date, with only those exceptions which would not reasonably be expected to have a material adverse effect;

- prior to the effective time of the merger, the conversion of all outstanding warrants, membership interests, promissory notes of Precipio issued to members of Precipio into Precipio common units or preferred units, and the termination of all related warrants and promissory notes;

- Precipio having delivered to Transgenomic a lock-up agreement executed by certain of its stockholders; and

- Precipio having satisfied other customary closing conditions.

The obligation of Precipio to effect the transactions contemplated by the Merger Agreement is conditioned on the satisfaction or waiver of various conditions, including:

- Transgenomic's stockholders having approved the proposal to issue New Precipio common stock, including shares issuable upon conversion of the New Precipio preferred stock, in connection with the Merger Agreement and the related private placement;

- the representations and warranties of Transgenomic and Merger Sub being true and correct in all material respects as of the date of closing, or, to the extent they expressly related to a specific date, then as of the specific date, with only those exceptions which would not reasonably be expected to have a material adverse effect;

- the size of the Transgenomic Board being increased to seven and the appointment of certain designees to the Transgenomic Board;

- the amendment of Transgenomic's Certificate of Incorporation contemplating the issuance of the New Precipio preferred stock and changing the name to Precipio, Inc. at the effective time of the merger;

- Transgenomic having delivered to Precipio a lock-up agreement executed by Transgenomic and certain of its stockholders;

- there being no outstanding indebtedness of Transgenomic immediately prior to the effective time of the merger other than accounts payable to trade creditors, accrued expenses and certain indebtedness of Transgenomic, including indebtedness, to its stockholders that will be converted into common stock and new preferred stock of New Precipio;

- Transgenomic having terminated certain of its employees and all severance, retention, change of control, COBRA or other payments due to such employees being paid in full prior to the effective time of the merger or included as a liability of Transgenomic in pursuant to the Merger Agreement; and

- Transgenomic having satisfied other customary closing conditions.

Termination

The Merger Agreement may be terminated on or prior to the date of closing of the merger as follows:

- by mutual written consent of Transgenomic and Precipio; or

- by either Transgenomic or Precipio if the closing date has not occurred by June 30, 2017, but only if the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the Merger Agreement and such has been the cause of, or resulted in, the failure of a timely closing; or

- by either Transgenomic or Precipio if any judgment, statute, law, ordinance, rule, regulation or other legal restraint or prohibition that restrains, enjoins or otherwise prohibits the consummation of the merger shall be in effect and shall have become final and non-appealable; or

- by Precipio, if Transgenomic has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the Merger Agreement such that the conditions to closing set forth in Merger Agreement cannot be satisfied and such breach is not capable of being cured or has not been cured within 30 days after the giving of notice thereof by Precipio to Transgenomic; or

- by Transgenomic, if Precipio has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the Merger Agreement such that the conditions to closing set forth in Merger Agreement cannot be satisfied and such breach is not capable of being cured or has not been cured within 30 days after the giving of notice thereof by Transgenomic to Precipio; or

- by Precipio, if Transgenomic has entered into any letter of intent or similar document or any contract relating to any alternate acquisition proposal; or

- by Transgenomic, if Precipio has entered into any letter of intent or similar document or any contract relating to any alternate acquisition proposal; or

- by Precipio, if Transgenomic enters into a definitive agreement to effect an unsolicited acquisition proposal made by a third party determined in good faith by the Transgenomic Board to be (1) more favorable from a financial point of view to the stockholders of Transgenomic than as provided under the Merger Agreement, and (2) reasonably capable of being completed on the terms proposed without unreasonable delay; or

- by Transgenomic, if Precipio enters into a definitive agreement to effect an unsolicited acquisition proposal made by a third party determined in good faith by the board of managers of Precipio to be (1) more favorable from a financial point of view to the members of Precipio than as provided under the Merger Agreement, and (2) reasonably capable of being completed on the terms proposed without unreasonable delay.

Effect of Termination

In the event of termination of the Merger Agreement by the parties in accordance with the provisions described above under the heading "— Termination," the Merger Agreement will become void and of no further force and effect, and none of the parties to the Merger Agreement will have any liability in respect of such termination, except that nothing in the Merger Agreement will relieve any party from liability for any intentional or willful breach of the provisions of the Merger Agreement prior to the termination of the Merger Agreement. Certain provisions, including the treatment of confidential information, will survive the termination of the Merger Agreement.

If the Merger Agreement is terminated by Precipio or Transgenomic pursuant to (i) the Transgenomic Board failing to recommend that Transgenomic's stockholders vote to approve the issuance of New Precipio common stock in connection with the merger; (ii) Transgenomic failing to include in this proxy statement a recommendation by the Transgenomic Board to vote in favor of the each of the proposals in this proxy statement; (iii) the Transgenomic Board failing to make, withholding, withdrawing, amending, changing, qualifying or publicly proposing to withhold, withdraw, amend, change or qualify in a manner adverse to Precipio, its recommendation that the stockholders of Transgenomic vote in favor and adopt each of the proposals in this proxy statement, knowingly making any public statement inconsistent with such recommendation, failing to recommend against acceptance of any alternate

acquisition proposal within ten business days after the public announcement of any such alternate acquisition proposal, approving, adopting, recommending or proposing publicly to approve, adopt or recommend any alternate acquisition proposal, or making any public statement inconsistent with its recommendation; (iv) Transgenomic entering into any letter of intent or similar document or any contract relating to any alternate acquisition proposal or (v) Transgenomic entering into a definitive agreement to effect an alternate acquisition proposal, then Transgenomic shall pay to Precipio, by wire transfer of immediately available funds within three business days after termination of the Merger Agreement, a nonrefundable fee in an amount equal to $256,500.

If the Merger Agreement is terminated by Transgenomic or Precipio pursuant to (i) Precipio's board of managers failing to recommend that its members vote or act by written consent to approve the merger; (ii) Precipio's board of managers failing to make, withholding, withdrawing, amending, changing, qualifying or publicly proposing to withhold, withdraw, amend, change or qualify in a manner adverse to Transgenomic, its recommendation that the members of Precipio vote in favor of each of the merger, the execution of the Merger Agreement and the consummation of the transaction contemplated therein, knowingly making any public statement inconsistent with such recommendation, failing to recommend against acceptance of any alternate acquisition proposal within ten business days after the public announcement of any such alternate acquisition proposal, approving, adopting, recommending or proposing publicly to approve, adopt or recommend any alternate acquisition proposal, or making any public statement inconsistent with its recommendation; (iii) Precipio entering into any letter of intent or similar document or any contract relating to any alternate acquisition proposal; or (iv) Precipio entering into a definitive agreement to effect an alternate acquisition proposal, Precipio shall pay to Transgenomic, by wire transfer of immediately available funds within three business days after termination of the Merger Agreement, a nonrefundable fee in an amount equal to $256,500.

Expenses

Except as expressly provided in the Merger Agreement, all costs and expenses incurred in connection with Merger Agreement and the transactions contemplated by the Merger Agreement will be paid by the party incurring such costs and expenses.

Amendments

The Merger Agreement may not be amended except in writing signed on behalf of each of the parties thereto.

THE PRIVATE PLACEMENT

In connection with entering into the Merger Agreement, Transgenomic, Precipio and BV Advisory Partners, LLC entered into a non-binding term sheet (the "Term Sheet") for the private placement whereby New Precipio will issue up to $10 million in a new Senior Convertible Preferred Stock (the "New Precipio preferred stock"). The proceeds received from this offering of New Precipio preferred stock will be used to finance the merger, for working capital and growth capital to expand into new markets. This summary is based upon the Term Sheet, which may not reflect the final terms of the New Precipio preferred stock or the private placement.

General

Subject to the approval of the matters set forth in this proxy statement by the Transgenomic stockholders, the Transgenomic Board will approve and file a Certificate of Designation with Secretary of State of the State of Delaware amending Transgenomic's Certificate of Incorporation to designate the New Precipio preferred stock. In connection with the merger, at the effective time, New Precipio will issue shares of New Precipio preferred stock and New Precipio common stock in a related private placement, whereby (i) holders of certain secured indebtedness of Transgenomic will receive in exchange for such indebtedness approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million, which represents approximately 8% of the fully diluted New Precipio common stock, and approximately 9.8 million shares of New Precipio common stock, which represents approximately 3% of the fully diluted New Precipio common stock; and (ii) New Precipio will issue in a private placement for cash up to approximately 56.2 million shares of New Precipio preferred stock for $7 million to new investors who will invest individually or through a special purpose vehicle, which represents approximately 18% of the fully diluted New Precipio common stock.

The number of shares of New Precipio preferred stock that will be issued in connection with the private placement is approximately 80.3 million shares. The New Precipio preferred stock issued in the merger and the private placement will be issued based on a $25 million pre-money equity valuation of New Precipio and will represent, in the aggregate, approximately 34% of the outstanding shares of New Precipio common stock on an as-converted basis, including New Precipio preferred stock issued in the merger and the private placement.

Summary of Terms of the New Precipio Preferred Stock

Convertibility

The New Precipio preferred stock will be convertible into New Precipio common stock at any time at the then applicable conversion price. The initial conversion price will equal the purchase price for the New Precipio preferred stock, but will be subject to anti-dilution protections including adjustments for stock splits, stock dividends, other distributions, recapitalizations and the like. Additionally, each holder of the New Precipio preferred stock will have a right to convert his, her or its New Precipio preferred stock into securities issued in any future private offering of New Precipio stock at a 15% discount to the proposed price in such private offering.

Dividends

The New Precipio preferred stock will be entitled to an annual 8% cumulative payment in lieu of interest or dividends, payable in-kind for the first two years and in cash or in-kind thereafter, at the option of the holder. The New Precipio preferred stock also will be entitled to share in any dividends paid on the New Precipio common stock.

Liquidation Preference

In the event of New Precipio's liquidation, dissolution or winding up, holders of the New Precipio preferred stock will be entitled to receive assets or surplus funds of New Precipio in an amount equal to the greater of (i) 1.5 times the original purchase price of the New Precipio preferred stock, *plus* an amount equal to all unpaid and accrued dividends and dividend equivalents and (ii) the amount that would be payable on the New Precipio preferred stock if it were converted into New Precipio common stock (the "Liquidation Preference"). This Liquidation Preference also would be due in the event of a future merger or sale of New Precipio, unless a supermajority of holders of New Precipio preferred stock elect otherwise.

Board Representation

In connection with the private placement, and as provided in the Merger Agreement, the New Precipio board of directors will increase its size to seven at the effective time of the merger. Two members of the New Precipio board of directors will be current directors, three will be nominated by Precipio and two will be nominated by the holders of the New Precipio preferred stock.

Protective Provisions

Certain material corporate events will require the consent of a supermajority of holders of the New Precipio preferred stock or approval of at least one of the members of the Transgenomic Board appointed by the holders of New Precipio preferred stock.

Investor Rights Agreement

In connection with the private placement, New Precipio will enter into an investor rights agreement with the holders of the New Precipio preferred stock. The investor rights agreement will contain transfer restrictions and standstill restrictions relating to shares of New Precipio preferred stock and New Precipio common stock issuable upon conversion of the New Precipio preferred stock that will be issued to such parties in connection with the merger and the private placement. In addition, the investor rights agreement will give such parties rights with respect to the registration under the Securities Act of the shares of New Precipio common stock to be issued to such parties, including the shares that may be issued upon future conversion of the New Precipio preferred stock.

The investor rights agreement also will provide each holder of New Precipio preferred stock with (i) *pro rata* preemptive rights with respect to any new issuance of preferred stock and (ii) *pro rata* rights of first refusal on any transfers of New Precipio preferred stock.

Fees and Expenses

New Precipio will be required to pay certain fees and expenses of BV Advisory Partners, LLC, including a monthly consulting fee and a break-up fee in the event the merger is not consummated.

Conversion of Outstanding Debt and Convertible Preferred Stock

The Lenders have agreed to convert the outstanding principal and accrued interest under the Revolving Line and the Term Loan into (i) approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million and (ii) approximately 9.8 million shares of New Precipio common stock at a price equal to $0.50 per share. As of December 31, 2016, the outstanding amount owed under the Revolving Line and the Term Loan was $7.243 million of principal and $556,642 of accrued interest. See “The Transaction—Conversion of Outstanding Debt—Conversion of Revolving Line and Term Loan.” Holders of Series A-1 Convertible Preferred Stock have agreed to convert their shares into 214,705 shares of New Precipio common stock immediately prior to the effectiveness of the merger in accordance with the terms of Transgenomic’s Certificate of Incorporation. See “Description of Transgenomic Capital Stock – Preferred Stock – Series A-1 Convertible Preferred Stock.”

THE VOTING AGREEMENTS

In connection with entering into the Merger Agreement, Transgenomic, Precipio and certain Transgenomic security holders entered into a Voting Agreement (the "Transgenomic Voting Agreement"), and Transgenomic, Precipio and certain unit, warrant and note holders of Precipio also entered into a Voting Agreement (the "Precipio Voting Agreement" and, together with the Transgenomic Voting Agreement, the "Voting Agreements"). A copy of the Transgenomic Voting Agreement is attached hereto as Annex C. A copy of the Precipio Voting Agreement is attached hereto as Annex D. This summary may not contain all of the information about the Voting Agreements that is important to you. We urge you to read the Transgenomic Voting Agreement carefully because it is the legal document relating to how certain directors, executive officers and significant stockholders of Transgenomic will vote their stock, options and other rights to acquire stock in connection with the proposals described in this proxy statement. Additionally, we urge you to read the Precipio Voting Agreement carefully because it is the legal document relating to how certain directors, executive officers and significant unit holders of Precipio will vote in connection with the transactions with Transgenomic described in this proxy statement.

Transgenomic Voting Agreement

General

On October 12, 2016, Transgenomic, Precipio, all of the executive officers and directors of Transgenomic and certain significant Transgenomic security holders entered into the Transgenomic Voting Agreement. Collectively, the voting interests held by these holders represent approximately 31.84 % of Transgenomic's voting interests as of October 12, 2016. In this description, these individuals and entities are referred to collectively as the "Supporting Stockholders" and to each individually as a "Supporting Stockholder."

Agreement of Supporting Stockholders to Vote

Pursuant to the Transgenomic Voting Agreement, each of the Supporting Stockholders has agreed to take the following actions at any meeting of the stockholders of Transgenomic or any adjournment or postponement thereof, or in connection with any written consent of such stockholders, with respect to the merger, the Merger Agreement or Acquisition Proposal (as defined in the Merger Agreement):

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appear at such meeting or otherwise cause the all shares owned by the Supporting Stockholder to be counted as present thereat for purposes of calculating a quorum;

- vote (or cause to be voted), or deliver a written consent (or cause a written consent to be delivered) covering all of the shares owned by the Supporting Stockholder: (i) in favor of adoption and approval of all matters contemplated by the Merger Agreement as to which stockholders of Transgenomic are called upon to vote as necessary for consummation of the merger and the other transactions contemplated by the Merger Agreement; and (ii) against any Acquisition Proposal; and

- vote (or cause to be voted), or deliver a written consent (or cause a written consent to be delivered) covering all of the shares owned by the Supporting Stockholder against any of the following actions (other than those actions that relate to the merger and any other transactions contemplated by the Merger Agreement): (i) any merger, consolidation, business combination, sale of assets or reorganization of Transgenomic or any subsidiary thereof, (ii) any sale, lease or transfer of all or substantially all of the assets of Transgenomic or any subsidiary thereof, (iii) any reorganization, recapitalization, dissolution, liquidation or winding up of Transgenomic or any subsidiary thereof, (iv) any material change in the capitalization of Transgenomic or any subsidiary thereof, or the corporate structure of Transgenomic or any subsidiary thereof or (v) any other action that is intended, or would reasonably be expected to, impede, interfere with, delay, postpone or materially and adversely affect the merger or any other transactions contemplated by the Merger Agreement.

Covenants

The Supporting Stockholders have various obligations and responsibilities under the Transgenomic Voting Agreement, including, but not limited to, the following covenants:

Agreement to Retain Shares. Each Supporting Stockholder has agreed that he, she or it shall not, directly or indirectly:

- sell, pledge, encumber, assign, grant an option with respect to, transfer or dispose of any share or any interest in a share or enter into an agreement to do any of the foregoing (each, a "Transfer") any of the shares owned by such Supporting Stockholder (i) unless the transferee has executed a counterpart to the Transgenomic Voting Agreement and agreed in writing to hold such shares (or interest in such shares) subject to all of the terms and provisions of the Transgenomic Voting Agreement, (ii) except by will or operation of law or (iii) as contemplated by the Merger Agreement,

- grant any proxies or powers of attorney that are not consistent with the terms of the Transgenomic Voting Agreement, or deposit any shares into a voting trust or enter into a voting agreement with respect to any shares or

- take any action that would make any representation or warranty of any Supporting Stockholder contained in the Transgenomic Voting Agreement untrue or incorrect in any material respect or have the effect of preventing or disabling such Supporting Stockholder from performing such Supporting Stockholder's material obligations under the Transgenomic Voting Agreement.

No Solicitation. Each Supporting Stockholder (on behalf of itself and any subsidiaries or affiliates) has agreed in his capacity as a stockholder not to (i) initiate, solicit, seek or knowingly encourage or support any inquiries, proposals or offers that constitute or may reasonably be expected to lead to, any Acquisition Proposal, (ii) engage or participate in, or facilitate, any discussions or negotiations regarding, or furnish any nonpublic information to any person in connection with, any inquiries, proposals or offers that constitute, or may reasonably be expected to lead to, any Acquisition Proposal, (iii) enter into any letter of intent, agreement in principle or other similar type of agreement relating to any Acquisition Proposal, or enter into any agreement or agreement in principle requiring Transgenomic to abandon, terminate or fail to consummate the transactions contemplated by the Transgenomic Voting Agreement, (iv) initiate a stockholders' vote or action by consent of Transgenomic's stockholders with respect to any Acquisition Proposal, (v) become a member of a "group" (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with respect to any voting securities of Transgenomic that takes any action in support of any Acquisition Proposal or (vi) propose or agree to do any of the foregoing.

Further Assurances. Each Supporting Stockholder has agreed to execute and deliver, or cause to be executed and delivered, such additional or further consents, documents and other instruments as Transgenomic or Precipio may reasonably request for the purpose of carrying out the transactions contemplated by the Transgenomic Voting Agreement and the Merger Agreement.

Irrevocable Proxy

Each Supporting Stockholder has given Transgenomic an irrevocable proxy to vote such Supporting Stockholder's shares if such Supporting Stockholder is unable to perform his, her or its obligations under the Transgenomic Voting Agreement. Such irrevocable proxy automatically terminates upon the termination of the Transgenomic Voting Agreement.

Waiver of Appraisal Rights

Pursuant to the Transgenomic Voting Agreement, each Supporting Stockholder has agreed to waive any and all rights he, she or it may have as to appraisal, dissent or any similar or related matter with respect to any of such Stockholder's shares of Transgenomic that may arise with respect to the merger or any of the transactions contemplated by the Merger Agreement.

Termination

The Transgenomic Voting Agreement will terminate upon the earlier to occur of (i) the effective time of the merger, (ii) such date and time as the Merger Agreement shall be terminated pursuant to the terms thereof or otherwise, (iii) such time as there is a Parent Change of Recommendation (as such term is defined in the Merger Agreement) or (iv) upon mutual written agreement of the parties to terminate the Transgenomic Voting Agreement.

Specific Performance

Each of the parties to the Transgenomic Voting Agreement has agreed that irreparable damage would occur in the event any provision of the Transgenomic Voting Agreement was not performed in accordance with the terms thereof or was otherwise breached. Accordingly, the Supporting Stockholders agreed that the parties to the Transgenomic Voting Agreement shall be entitled to seek specific relief thereunder, including, without limitation, an injunction or injunctions to prevent and enjoin breaches of the provisions of the Transgenomic Voting Agreement and to enforce specifically the terms and provisions thereof, in addition to any other remedy to which they may be entitled at law or in equity. Additionally, the parties agreed to waive any requirements for the securing or posting of any bond with respect to any such remedies.

Amendment

The Transgenomic Voting Agreement may not be amended, supplemented or modified, and no provisions may be modified or waived, except by an instrument in writing signed on behalf of each of the parties thereto.

Precipio Voting Agreement

General

On October 12, 2016, Transgenomic, Precipio, certain Precipio executive officers, directors and significant security holders entered into the Precipio Voting Agreement. Collectively, the voting interests held by these holders represent approximately 71% of Precipio's voting interests as of October 12, 2016. In this description, these individuals and entities are referred to collectively as the "Holders" and to each individually as a "Holder."

Agreement of Holders to Vote

Pursuant to the Precipio Voting Agreement, each of the Holders has agreed to take the following actions at any meeting of the unit holders of Precipio or any adjournment or postponement thereof, or in connection with any written consent of such unit holders, with respect to the merger, the Merger Agreement or any Acquisition Proposal (as defined in the Merger Agreement):

- appear at such meeting or otherwise cause the all units owned by the Holder to be counted as present thereat for purposes of calculating a quorum;

- vote (or cause to be voted), or deliver a written consent (or cause a written consent to be delivered) covering all of the units owned by the Holder: (i) in favor of adoption and approval of all matters contemplated by the Merger Agreement as to which unit holders of Precipio are called upon to vote as necessary for consummation of the merger and the other transactions contemplated by the Merger Agreement; and (ii) against any Acquisition Proposal; and

- vote (or cause to be voted), or deliver a written consent (or cause a written consent to be delivered) covering all of the units owned by the Holder against any of the following actions (other than those actions that relate to the merger and any other transactions contemplated by the Merger Agreement): (i) any merger, consolidation, business combination, sale of assets or reorganization of Precipio or any subsidiary thereof, (ii) any sale, lease or transfer of all or substantially all of the assets of Precipio or any subsidiary thereof, (iii) any reorganization, recapitalization, dissolution, liquidation or winding up of Precipio or any subsidiary thereof, (iv) any material change in the capitalization of Precipio or any subsidiary thereof, or the corporate structure of Precipio or any subsidiary thereof or (v) any other action that is intended, or would reasonably be expected to, impede, interfere with, delay, postpone or materially and adversely affect the merger or any other transactions contemplated by the Merger Agreement.

Covenants

The Holders have various obligations and responsibilities under the Precipio Voting Agreement, including, but not limited to, the following covenants:

Agreement to Retain Units. Each Holder has agreed that he, she or it shall not, directly or indirectly:

- Transfer any of the units owned by such Holder (i) unless the transferee has executed a counterpart to the Precipio Voting Agreement and agreed in writing to hold such units (or interest in such units) subject to all of the terms and provisions of the Precipio Voting Agreement, (ii) except by will or operation of law or (iii) as contemplated by the Merger Agreement,

- grant any proxies or powers of attorney that are not consistent with the terms of the Precipio Voting Agreement, or deposit any units into a voting trust or enter into a voting agreement with respect to any units or

- take any action that would make any representation or warranty of any Holder contained in the Precipio Voting Agreement untrue or incorrect in any material respect or have the effect of preventing or disabling such Holder from performing such Holder's material obligations under the Precipio Voting Agreement.

No Solicitation. Each Holder (on behalf of itself and any subsidiaries or affiliates) has agreed in his capacity as a unit holder not to (i) initiate, solicit, seek or knowingly encourage or support any inquiries, proposals or offers that constitute or may reasonably be expected to lead to, any Acquisition Proposal, (ii) engage or participate in, or facilitate, any discussions or negotiations regarding, or furnish any nonpublic information to any person in connection with, any inquiries, proposals or offers that constitute, or may reasonably be expected to lead to, any Acquisition Proposal, (iii) enter into any letter of intent, agreement in principle or other similar type of agreement relating to any Acquisition Proposal, or enter into any agreement or agreement in principle requiring Precipio to abandon, terminate or fail to consummate the transactions contemplated by the Precipio Voting Agreement, (iv) initiate a unit holders' vote or action by consent of Precipio's unit holders with respect to any Acquisition Proposal, (v) become a member of a "group" (within the meaning of Section 13(d) of the Exchange Act) with respect to any voting securities of Precipio that takes any action in support of any Acquisition Proposal or (vi) propose or agree to do any of the foregoing.

Further Assurances. Each Holder has agreed to execute and deliver, or cause to be executed and delivered, such additional or further consents, documents and other instruments as Transgenomic or Precipio may reasonably request for the purpose of carrying out the transactions contemplated by the Precipio Voting Agreement and the Merger Agreement.

Irrevocable Proxy

Each Holder has given Precipio an irrevocable proxy to vote such Holder's units if such Holder is unable to perform his, her or its obligations under the Precipio Voting Agreement. Such irrevocable proxy automatically terminates upon the termination of the Precipio Voting Agreement.

Waiver of Appraisal Rights

Pursuant to the Precipio Voting Agreement, each Holder has agreed to waive any and all rights he, she or it may have as to appraisal, dissent or any similar or related matter with respect to any of such Holder's units of Precipio that may arise with respect to the merger or any of the transactions contemplated by the Merger Agreement.

Termination

The Precipio Voting Agreement will terminate upon the earlier to occur of (i) the effective time of the merger, (ii) such date and time as the Merger Agreement shall be terminated pursuant to the terms thereof or otherwise, (iii) such time as there is a Company Change of Recommendation (as such term is defined in the Merger Agreement) or (iv) upon mutual written agreement of the parties to terminate the Precipio Voting Agreement.

Specific Performance

Each of the parties to the Precipio Voting Agreement has agreed that irreparable damage would occur in the event any provision of the Precipio Voting Agreement was not performed in accordance with the terms thereof or was otherwise breached. Accordingly, the Holders agreed that the parties to the Precipio Voting Agreement shall be entitled to seek specific relief thereunder, including, without limitation, an injunction or injunctions to prevent and enjoin breaches of the provisions of the Precipio Voting Agreement and to enforce specifically the terms and provisions thereof, in addition to any other remedy to which they may be entitled at law or in equity. Additionally, the parties agreed to waive any requirements for the securing or posting of any bond with respect to any such remedies.

Amendment

The Precipio Voting Agreement may not be amended, supplemented or modified, and no provisions may be modified or waived, except by an instrument in writing signed on behalf of each of the parties thereto.

Lock Up Agreements

The parties to the Voting Agreements have agreed to execute lock up agreements with New Precipio pursuant to which such parties will agree not to sell any shares of New Precipio common stock that such parties hold after the merger for a period of six months following the effectiveness of the merger.

* * *

**THE BOARD OF DIRECTORS HAS APPROVED
THE ISSUANCE OF NEW PRECIPIO COMMON STOCK AND NEW PRECIPIO PREFERRED STOCK IN THE MERGER AND THE RELATED PRIVATE PLACEMENT, THE ISSUANCE OF NEW PRECIPIO COMMON STOCK UPON CONVERSION OF THE NEW PRECIPIO PREFERRED STOCK AND THE RESULTING "CHANGE OF CONTROL" OF TRANSGENOMIC
AND RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL NO 1.**

PROPOSAL NO. 2
APPROVAL OF THE ISSUANCE OF TRANSGENOMIC, INC. COMMON STOCK
UPON EXERCISE OR EXCHANGE OF THE WARRANTS

In 2016, Transgenomic issued certain warrants ("Warrants") to certain affiliates of Third Security, LLC ("Third Security Investors") and Crede Capital Group, LLC or its affiliates ("Crede"). At the time of issuance, these Warrants included a maximum aggregate amount of 4,773,765 shares of Transgenomic common stock (the "Maximum Warrant Shares") that were issuable to Third Security Investors and Crede, as applicable, upon the exercise or exchange thereof.

Pursuant to the rules of Nasdaq, the securities exchange on which Transgenomic's common stock is listed, the issuance of 3,000,000 of the Maximum Warrant Shares pursuant to the exercise and/or exchange provisions in the Warrants requires approval of Transgenomic's stockholders because the issuance exceeds 20% of the number of shares of Transgenomic common stock outstanding as of the date of the Warrants. Accordingly, the terms of the Warrants require Transgenoimc's stockholders to approve certain further issuances of common stock pursuant to the Warrants.

Certain Terms of the Warrants

Placement Warrants

In January 2016, Transgenomic issued warrants to Crede and Third Security Investors to purchase an aggregate of 1,773,929 shares of Transgenomic common stock (the "Placement Warrants"). The Placement Warrants were immediately exercisable upon issuance, have a term of five years and have an exercise price of $1.21 per share of Transgenomic common stock. Each Placement Warrant includes both cash and "cashless exercise" features and an exchange feature whereby the holder of the Placement Warrant may exchange (the "Exchange Right") all or any portion of the Placement Warrant for a number of shares of Transgenomic common stock equal to the quotient obtained by dividing the "Exchange Amount" by the closing bid price of Transgenomic common stock on the second trading day prior to the date the Placement Warrant is exchanged (the "Exchange Price"). Under the Placement Warrants, the "Exchange Amount" is based upon a Black Scholes option pricing model. Each Placement Warrant provides that the number of shares that may be issued upon exercise of the Exchange Right is limited to the number of shares that may be purchased pursuant to the terms of the Placement Warrant, unless Transgenomic has previously obtained stockholder approval or approval from The Nasdaq Stock Market LLC to issue any additional shares of Transgenomic common stock (the "Additional Shares") pursuant to the Exchange Right (the "Required Approvals"). For any Exchange Right exercised more than 90 days following the issuance of the Placement Warrants, if Transgenomic has not obtained either of the Required Approvals, Transgenomic will be required to pay the Placement Warrant holder an amount in cash for any Additional Shares that Transgenomic cannot issue without the Required Approvals based on the Exchange Amount.

The Placement Warrants further provide that, to the extent the closing bid price of Transgenomic common stock on the second trading day prior to the date the Placement Warrant is exchanged is less than $0.50, the Exchange Price will be deemed to be equal to $0.50, and, in addition to issuing shares of Transgenomic common stock based on this Exchange Price, Transgenomic will be required to pay to the Placement Warrant holder an amount in cash equal to the product obtained by multiplying (a) $0.50 minus the closing bid price of Transgenomic common stock on the second trading day prior to the date the Placement Warrant is exchanged, by (b) the aggregate number of shares of Transgenomic common stock issued to the Placement Warrant holder by Transgenomic in such exchange at an Exchange Price equal to $0.50.

Amended Warrant

In January 2016, Transgenomic also issued a warrant (the "Amended Warrant") that amended an outstanding warrant previously issued to Crede in July 2015 to purchase up to 1,161,972 shares of Transgenomic common stock (the "Original Warrant"). The Amended Warrant amended the Original Warrant to provide that the Amended Warrant is subject to the same terms and conditions as the Placement Warrants and, therefore, includes both cash and "cashless exercise" features and an Exchange Right whereby the number of shares issuable pursuant to the Exchange Right is equal to the "Amended Warrant Exchange Amount", which is based on a Black Scholes option pricing model. The Amended Warrant is exercisable for up to 1,161,972 shares of Transgenomic common stock in the event Transgenomic has obtained either of the Required Approvals with respect to the Amended Warrant. In the event Crede exercises the Amended Warrant more than 90 days following the issuance of the Amended Warrant, if Transgenomic has not obtained either of the Required Approvals, Transgenomic will be required to pay Crede an amount in cash for the shares of Transgenomic common stock that Transgenomic cannot issue under the Amended Warrant pursuant to such exercise without the Required Approvals based on the Amended Warrant Exchange Amount.

The Amended Warrant also provides that, to the extent the closing bid price of Transgenomic common stock on the second trading day prior to the date the Amended Warrant is exchanged is less than $0.50, the Exchange Price will be deemed to be equal to $0.50, and, in addition to issuing shares of Transgenomic common stock based on this Exchange Price (assuming receipt of the Required Approvals), Transgenomic will be required to pay to Crede an amount in cash equal to the product obtained by multiplying (a) $0.50 minus the closing bid price of Transgenomic common stock on the second trading day prior to the date the Amended Warrant is exchanged, by (b) the aggregate number of shares of Transgenomic common stock issued to Crede by us in such exchange at an Exchange Price equal to $0.50.

Crede Warrants

An aggregate maximum amount of 4,512,903 shares of Transgenomic common stock are issuable to Crede under the Warrants. The Placement Warrants issued to Crede provide for the issuance of up to 1,612,903 shares of Transgenomic common stock issuable upon the exercise or the exchange of the warrant, with a maximum amount of up to 2,612,903 shares of Transgenomic common stock issuable upon any exchange of such Placement Warrant in accordance with the Exchange Right (the "Crede Placement Warrant"). The Amended Warrant issued to Crede provides for the issuance of up to 1,161,972 shares of Transgenomic common stock issuable upon the exercise or the exchange of the Amended Warrant, with a maximum amount of up to 1,900,000 shares of Transgenomic common stock issuable upon the exchange of the warrant in accordance with the Exchange Right.

As of January 17, 2017, 606,484 of the original 1,612,903 shares of Transgenomic common stock subject to the Crede Placement Warrant remain to be issued under the warrant. Pursuant to the terms of the Crede Placement Warrant, 1,000,000 Additional Shares of the 2,612,903 maximum number of shares of Transgenomic common stock issuable upon the exchange of the Crede Placement Warrant are subject to the approval of Transgenomic stockholders before such Additional Shares may be issued in connection with any exchange of the Crede Placement Warrant pursuant to the Exchange Right.

As of January 17, 2017, all 1,161,972 shares of Transgenomic common stock subject to the Amended Warrant remain to be issued under the warrant. Pursuant to the terms of the Amended Warrant, no shares of Transgenomic common stock may be issued, whether pursuant to an exercise or exchange, without the approval of Transgenomic stockholders.

Third Security Investors Warrant

An aggregate maximum amount of 260,862 shares of Transgenomic common stock are issuable to Third Security Investors under the Placement Warrants. The Placement Warrants issued to Third Security Investors provide for the issuance of up to 161,026 shares of Transgenomic common stock issuable upon the exercise or exchange of the warrant, with a maximum amount of up to 260,862 shares of Transgenomic common stock issuable upon the exchange of the warrant in accordance with the Exchange Right (the “Third Security Investors Warrant”).

As of January 17, 2017, all 161,026 shares of Transgenomic common stock subject to the Third Security Investors Warrant remain to be issued under the warrant. Pursuant to the terms of the Third Security Investors Warrant, 99,836 Additional Shares of the 260,862 maximum number of shares of Transgenomic common stock issuable upon the exchange of the Third Security Investors Warrant are subject to the approval of Transgenomic stockholders before such Additional Shares may be issued in connection with any exchange of the Third Security Investors Warrant pursuant to the Exchange Right.

Effect of the Proposed Issuance of Common Stock

The shares of Transgenomic common stock to be issued pursuant to Proposal No. 2 in connection with the exercise and/or exchange of the Warrants would be identical to the shares of Transgenomic common stock now issued and outstanding. However, the stock issuance will dilute the ownership and voting interests of our existing stockholders.

Vote Required and Board of Directors Recommendation

Approval of the proposal to issue 3,000,000 shares of Transgenomic common stock upon exercise of the Warrants requires the affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting at which a quorum is present. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Broker non-votes will have no effect on the proposal. The approval of Proposal No. 2 is not a condition to the completion of the merger with Precipio.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL NO 2.

PROPOSAL NO. 3
APPROVAL OF 2017 STOCK OPTION AND INCENTIVE PLAN

Proposal

The Transgenomic Board believes that stock options, restricted stock units, restricted stock awards and other stock-based incentive awards can play an important role in the success of the Transgenomic (and, after the merger, New Precipio) (Transgenomic or New Precipio, as applicable, is referred to in this proposal as the "Company") by encouraging and enabling the employees, officers, non-employee directors and other key persons of the Company and its subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. The Transgenomic Board anticipates that providing these people with a direct ownership stake will assure a closer identification of the interests of these individuals with those of the Company and its stockholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company. All share numbers set forth below do not take into account the proposed reverse stock split at a ratio of between one to ten and one to thirty approved by the Transgenomic stockholders on October 31, 2016.

Vote Required and Board of Directors Recommendation

Approval of the 2017 Stock Option and Incentive Plan (the "2017 Plan") which is attached to this proxy statement as Annex E, requires the affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting at which a quorum is present. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Broker non-votes will have no effect on the proposal. The approval of Proposal No. 3 is not a condition to the completion of the merger with Precipio.

The 2017 Plan is intended to serve as a successor to and replacement for the Transgenomic, Inc. 2006 Equity Incentive Plan, as amended (the "Amended 2006 Plan"), which expired pursuant to its terms on July 12, 2016. If approved, the 2017 Plan will take effect on March [ ], 2017, the day of the Special Meeting, and will expire on March [ ], 2027. If the Transgenomic stockholders do not approve the 2017 Plan, then Transgenomic will not be able to make additional awards under the Amended 2006 Plan and Transgenomic does not expect to be able to offer competitive equity packages to retain our current employees or hire new employees.

Transgenomic executive officers and members of the Transgenomic Board will be eligible to receive awards under the 2017 Plan and therefore have an interest in this proposal. Effective December 13, 2016, the Board approved the issuance of options to acquire 5,000 shares of Transgenomic common stock to Mya Thomae, Doit Koppler II, Michael A. Luther, and Robert M. Patzig, as well as an additional grant of an option to acquire 100,000 shares of Transgenomic common stock to Robert M. Patzig, Chairman of the Transgenomic Board, in connection with his role in negotiating the Merger Agreement and related transactions, all of which options are subject to the approval of the 2017 Plan by the Transgenomic stockholders. Upon such approval by the Transgenomic stockholders, these options will be effective as of December 13, 2016.

Summary of Material Features of the 2017 Plan

The material features of the 2017 Plan are:

- 20,000,000 shares of common stock have been reserved for the issuance under the 2017 Plan; *provided, however,* in the event the merger with Precipio is not consummated, the Company will reduce the number of shares reserved under the 2017 Plan to 2,000,000;

- Until the merger with Precipio is completed, awards with respect to no more than 2,000,000 shares may be granted under the 2017 Plan;

- Shares of common stock that are forfeited, cancelled, held back upon the exercise or settlement of an award to cover the exercise price or tax withholding, reacquired by the Company prior to vesting, satisfied without the issuance of common stock or otherwise terminated (other than by exercise) under the 2017 Plan are added back to the shares of common stock available for issuance under the 2017 Plan;

- Shares of common stock reacquired by the Company on the open market will not be added to the reserved pool under the 2017 Plan;

- The award of stock options (both incentive and non-qualified options), stock appreciation rights, restricted stock awards, restricted stock units, unrestricted stock awards, cash-based awards, performance share awards and dividend equivalent rights is permitted under the 2017 Plan;

- No dividends or dividend equivalents may be paid on full value awards (restricted stock, restricted stock units and performance share awards) subject to performance vesting until such shares are actually earned upon satisfaction of the performance criteria;

- The value of all equity awards made under the 2017 Plan and all other cash compensation paid by the Company to any non-employee director in any calendar year may not exceed $500,000.

- Any material amendment to the 2017 Plan is subject to approval by the Company's stockholders; and

- The term of the 2017 Plan will expire on March [ ], 2027.

The maximum aggregate market value of the common stock that could potentially be issued under the 2017 Plan assuming the merger with Precipio is completed will be based on the closing price of Transgenomic's common stock on the date the 2017 Plan is approved and the number of shares to be reserved under the 2017 Plan, which is 20,000,000. For example, assuming the 2017 Plan was approved on February [ ], 2017, the most recent date prior to the date of this proxy statement, based on the closing price of Transgenomic's common stock as reported on such date, the maximum aggregate market value of the common stock that could potentially be issued under the 2017 Plan would be $[ ]. The shares the Company issues under the 2017 Plan will be authorized but unissued shares or shares that the Company reacquires.

Qualified Performance-Based Compensation under Section 162(m) of the Code

To ensure that certain awards granted under the 2017 Plan to "covered employees" (as defined in the 2017 Plan) qualify as "performance-based compensation" under Section 162(m) of the Code, the 2017 Plan provides that the administrator of the 2017 Plan may require that the vesting of such awards be conditioned on the satisfaction of performance criteria that may include any or all of the following: (1) total stockholder return, (2) earnings before interest, taxes, depreciation and amortization, (3) net income (loss) (either before or after interest, taxes, depreciation and/or amortization), (4) changes in the market price of the common stock, (5) economic value-added, (6) funds from operations or similar measure, (7) sales or revenue, (8) acquisitions or strategic transactions, (9) operating income (loss), (10) cash flow (including, but not limited to, operating cash flow and free cash flow), (11) return on capital, assets, equity or investment, (12) return on sales, (13) gross or net profit levels, (14) productivity, (15) expense, (16) margins, (17) operating efficiency, (18) customer satisfaction, (19) working capital, (20) earnings (loss) per share of common stock, (21) sales or market shares and (22) number of customers, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The

administrator of the 2017 Plan will select the particular performance criteria within 90 days following the commencement of a performance cycle. Subject to adjustments for stock splits and similar events, the maximum award granted to any one individual that is intended to qualify as "performance-based compensation" under Section 162(m) of the Code will not exceed 3,000,000 shares of common stock (*provided, however,* that if the merger with Precipio is not consummated, the Company will reduce such number to 300,000 shares of common stock) for any performance cycle and options or stock appreciation rights with respect to no more than 2,000,000 shares of common stock (*provided, however,* that if the merger with Precipio is not consummated, the Company will reduce such number to 200,000 shares of common stock) may be granted to any one individual during any calendar year period. If a performance-based award is payable in cash, it cannot exceed $1,000,000 for any performance cycle.

Summary of the 2017 Plan

The following description of certain features of the 2017 Plan is intended to be a summary only. The summary is qualified in its entirety by the full text of the 2017 Plan, which is attached hereto as Annex E.

Plan Administration. The 2017 Plan will be administered by the Transgenomic Compensation Committee. The administrator has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2017 Plan. The administrator may delegate to the Company's Chief Executive Officer the authority to grant awards to employees who are not subject to the reporting and other provisions of Section 16 of the Exchange Act, and not subject to Section 162(m) of the Code, subject to certain limitations and guidelines.

Eligibility. Persons eligible to participate in the 2017 Plan will be those full or part-time officers, employees, non-employee directors and other key persons (including consultants) of the Company and its subsidiaries as selected from time to time by the administrator in its discretion. Approximately 25 individuals would be currently eligible to participate in the 2017 Plan, which includes one officer, 20 employees who are not officers, and four non-employee directors.

Plan Limits. A total of 20,000,000 shares of common stock have been reserved under the 2017 Plan. In the event the merger with Precipio is not consummated, the Company will reduce such number to 2,000,000 shares of common stock. Awards with respect to no more than 2,000,000 shares may be granted under the 2017 Plan after the merger with Precipio is completed. The maximum award of stock options or stock appreciation rights granted to any one individual will not exceed 2,000,000 shares of common stock (*provided, however,* that if the merger with Precipio is not consummated, the Company will reduce such number to 200,000 shares of common stock) (in each case, subject to adjustment for stock splits and similar events) for any calendar year period. If any award of restricted stock, restricted stock units or performance shares granted to an individual is intended to qualify as "performance-based compensation" under Section 162(m) of the Code, then the maximum award shall not exceed 1,000,000 shares of common stock (*provided, however,* that if the merger with Precipio is not consummated, the company will reduce such number to 100,000 shares of common stock) (in each case, subject to adjustment for stock splits and similar events) to any one such individual in any performance cycle. If any cash-based award is intended to qualify as "performance-based compensation" under Section 162(m) of the Code, then the maximum award to be paid in cash in any performance cycle may not exceed $1,000,000. In addition, no more than 20,000,000 shares of common stock (provided, however, that if the merger with Precipio is not consummated, the Company will reduce such number to 200,000 shares of common stock) (in each case, subject to adjustment for stock splits and similar events) may be issued in the form of incentive stock options.

Stock Options. The 2017 Plan permits the granting of (1) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code and (2) options that do not so qualify. Options granted under the 2017 Plan will be non-qualified options if they fail to qualify as incentive options or exceed the annual limit on incentive stock options. Incentive stock options may only be granted to employees of the Company and its subsidiaries. Non-qualified options may be granted to any persons eligible to receive incentive options and to non-employee directors and consultants of the Company. The option exercise price of each option will be determined by the administrator but may not be less than 100% of the fair market value of the common stock on the date of grant. In the case of an incentive stock option granted to a 10% owner of the Company, the exercise price may not be less than 110% of the fair market value on the date of grant. Fair market value for this purpose will be the last reported sale price of the shares of common stock on Nasdaq on the date of grant. The administrator has discretion to reduce the exercise price of outstanding stock options or to effect the repricing of stock options through cancellation and re-grants.

The term of each option will be fixed by the administrator and may not exceed ten years from the date of grant. The administrator will determine at what time or times each option may be exercised. Options may be made exercisable in installments and the exercisability of options may be accelerated by the administrator. In general, unless otherwise permitted by the administrator, no option granted under the 2017 Plan is transferable by the optionee other than by

will or by the laws of descent and distribution, and options may be exercised during the optionee's lifetime only by the optionee, or by the optionee's legal representative or guardian in the case of the optionee's incapacity.

Upon exercise of options, the option exercise price must be paid in full either in cash, by certified or bank check or other instrument acceptable to the administrator or by delivery (or attestation to the ownership) of shares of common stock that are not then subject to any restrictions under any Company plan. Subject to applicable law, the exercise price may also be delivered to us by a broker pursuant to irrevocable instructions to the broker from the optionee. In addition, the administrator may permit non-qualified options to be exercised using a net exercise feature, which reduces the number of shares issued to the optionee by the number of shares with a fair market value equal to the exercise price.

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

Stock Appreciation Rights. The administrator may award stock appreciation rights subject to such conditions and restrictions as the administrator may determine. Stock appreciation rights entitle the recipient to shares of common stock equal to the value of the appreciation in the stock price over the exercise price. The exercise price may not be less than the fair market value of the common stock on the date of grant. The administrator has discretion to reduce the exercise price of outstanding stock appreciation rights or to effect the repricing of stock appreciation rights through cancellation and re-grants. The maximum term of a stock appreciation right is ten years.

Restricted Stock Awards. The administrator may award shares of common stock to participants subject to such conditions and restrictions as the administrator may determine. These conditions and restrictions may include the achievement of certain performance goals (as summarized above) and/or continued employment with the Company through a specified restricted period.

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

Unrestricted Stock Awards. The administrator may also grant shares of common stock that are free from any restrictions under the 2017 Plan. Unrestricted stock may be granted to any participant in recognition of past services or other valid consideration and may be issued in lieu of cash compensation due to such participant.

Cash-Based Awards. The administrator may grant cash bonuses under the 2017 Plan to participants. The cash bonuses may be subject to the achievement of certain performance goals (as summarized above).

Performance Share Awards. The administrator may grant performance share awards to any participant that entitle the recipient to receive shares of common stock upon the achievement of certain performance goals (as summarized above) and such other conditions as the administrator shall determine.

Dividend Equivalent Rights. The administrator may grant dividend equivalent rights to participants, which entitle the recipient to receive credits for dividends that would be paid if the recipient had held specified shares of common stock. Dividend equivalent rights may be granted as a component of another award (other than a stock option or stock appreciation right) or as a freestanding award. Dividend equivalent rights may be settled in cash, shares of common stock or a combination thereof, in a single installment or installments, as specified in the award.

Sale Event Provisions. The 2017 Plan provides that upon the effectiveness of a "sale event," as defined in the 2017 Plan, all awards under the 2017 Plan will automatically terminate unless the parties to the sale event agree that such awards will be assumed, continued or substituted by the successor entity. In the event of such termination, except as otherwise provided in the relevant award certificate, all stock options and stock appreciation rights will automatically

become fully exercisable and the restrictions and conditions on all other awards with time-based conditions will become fully vested and nonforfeitable as of the effective time of the sale event. All awards with conditions and restrictions relating to the attainment of performance goals may become vested and nonforfeitable in the administrator's discretion or to the extent specified in the relevant award agreement. In the event of such termination, (i) the Company may make or provide for a cash payment to participants holding options and stock appreciation rights, in exchange for the cancellation thereof, equal to the difference between the per share cash consideration in the sale event and the exercise price of the options or stock appreciation rights or (ii) each participant shall be permitted, within a specified period of time prior to the consummation of the sale event, as determined by the administrator, to exercise all outstanding options and stock appreciation rights held by such participant. The Company shall also have the option to make or provide for payment, in cash or in kind, to grantees holding other awards in an amount equal to the sale price multiplied by the number of vested shares underlying such awards.

Adjustments for Stock Dividends, Stock Splits, Etc. The 2017 Plan requires the administrator to make appropriate adjustments to the number of shares of common stock that are subject to the 2017 Plan, to certain limits in the 2017 Plan, and to any outstanding awards to reflect stock dividends, stock splits, extraordinary cash dividends and similar events.

Tax Withholding. Participants in the 2017 Plan are responsible for the payment of any federal, state or local taxes that the Company required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. Subject to approval by the administrator, participants may elect to have the minimum tax withholding obligations satisfied by authorizing the Company to withhold shares of common stock to be issued pursuant to exercise or vesting.

Amendments and Termination. The Transgenomic Board may at any time amend or discontinue the 2017 Plan and the administrator may at any time amend or cancel any outstanding award for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may adversely affect any rights under any outstanding award without the holder's consent. To the extent required under Nasdaq rules, any amendments that materially change the terms of the 2017 Plan will be subject to approval by the Company's stockholders. Amendments shall also be subject to approval by the Company's stockholders if and to the extent determined by the administrator to be required by the Code to preserve the qualified status of incentive options or to ensure that compensation earned under the 2017 Plan qualifies as performance-based compensation under Section 162(m) of the Code.

Effective Date of 2017 Plan. The Transgenomic Board initially adopted the 2017 Plan on December 13, 2016 and it will become effective on March [ ], 2017, subject to stockholder approval. Awards of incentive options may be granted under the 2017 Plan until March [ ], 2027. No other awards may be granted under the 2017 Plan after March [ ], 2027.

Plan Benefits

Because the grant of awards under the 2017 Plan is within the discretion of the administrator, Transgenomic cannot determine the dollar value or number of shares of common stock that will in the future be received by or allocated to any participant in the 2017 Plan. Accordingly, in lieu of providing information regarding benefits that will be received under the 2017 Plan, the following table provides information concerning the benefits that were received by the following persons and groups for all past grants up to and including December 31, 2016: each named executive officer; all current executive officers, as a group; all current directors who are not executive officers, as a group; and all employees who are not executive officers, as a group.

	Options		Other Awards	
Name and Position	Average Exercise Price ($)	Number (#)	Dollar Value ($)	Number (#)
Paul Kinnon President and Chief Executive Officer	3.62	274,166	284,882	83,333
	2.14	108,624	29,304	15,000

Leon Richards Former Chief Accounting Officer[1]				
All current executive officers, as a group	3.62	274,166	284,882	83,333
All current directors who are not executive officers, as a group[2]	3.37	95,998	—	—
All current employees who are not executive officers, as a group	6.45	350,522	—	—

(1) Mr. Richards resigned from Transgenomic effective September 30, 2016, and the unvested option awards included in this table were terminated as of that date in accordance with their terms.

(2) Does not include the issuance of options to acquire 5,000 shares of Transgenomic common stock to Mya Thomae, Doit Koppler II, Michael A. Luther, and Robert M. Patzig, as well as an additional grant of an option to acquire 100,000 shares of Transgenomic common stock to Robert M. Patzig, Chairman of the Transgenomic Board, in connection with his role in negotiating the Merger Agreement and related transactions, all of which options were approved by the Board on December 13, 2016 and are subject to approval of the 2017 Plan by the Transgenomic stockholders. Upon the approval of the 2017 Plan by Transgenomic stockholders, these options will be effective as of December 13, 2016.

Tax Aspects under the Code

The following is a summary of the principal federal income tax consequences of certain transactions under the 2017 Plan. It does not describe all federal tax consequences under the 2017 Plan, nor does it describe state or local tax consequences.

Incentive Options. No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares of common stock issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then (i) upon sale of such shares, any amount realized in excess of the option price (the amount paid for the shares) will be taxed to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (ii) the company will not be entitled to any deduction for federal income tax purposes. The exercise of an incentive option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares of common stock acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a “disqualifying disposition”), generally (i) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares of common stock at exercise (or, if less, the amount realized on a sale of such shares of common stock) over the option price thereof and (ii) the company will be entitled to deduct such amount. Special rules apply where all or a portion of the exercise price of the incentive option is paid by tendering shares of common stock.

If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above, the option is treated as a non-qualified option. Generally, an incentive option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment (or one year in the case of termination of employment by reason of disability). In the case of termination of employment by reason of death, the three-month rule does not apply.

Non-Qualified Options. No income is realized by the optionee at the time the option is granted. Generally (i) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares of common stock on the date of exercise, and the Company receives a tax deduction for the same amount and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of common stock have been held. Special rules apply where all or a portion of the exercise price of the non-qualified option is paid by tendering shares of common stock. Upon exercise, the optionee will also be subject to Social Security taxes on the excess of the fair market value over the exercise price of the option.

Other Awards. The Company generally will be entitled to a tax deduction in connection with an award under the 2017 Plan in an amount equal to the ordinary income realized by the participant at the time the participant recognizes such income. Participants typically are subject to income tax and recognize such tax at the time that an award is exercised, vests or becomes non-forfeitable, unless the award provides for a further deferral.

Parachute Payments. The vesting of any portion of an option or other award that is accelerated due to the occurrence of a change in control (such as a sale event) may cause a portion of the payments with respect to such accelerated awards to be treated as "parachute payments," as defined in the Code. Any such parachute payments may be non-deductible to the company, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

Limitation on Deductions. Under Section 162(m) of the Code, the company's deduction for certain awards under the 2017 Plan may be limited to the extent that the chief executive officer or other executive officer whose compensation is required to be reported in the summary compensation table (other than the principal financial officer) receives compensation in excess of $1 million a year (other than performance-based compensation that otherwise meets the requirements of Section 162(m) of the Code). The 2017 Plan is structured to allow certain awards to qualify as performance-based compensation.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" PROPOSAL NO 3.

2016 Executive Compensation

Summary Compensation Table

The following table sets forth compensation awarded to, paid to or earned by Transgenomic's "named executive officers" for services rendered during fiscal years 2016 and 2015.

Name and Principal Position	Year	Salary ($)	SARs and Option Awards(1) ($)	All Other Compensation ($)		Total ($)
Paul Kinnon (2)	2016	350,000	—	11,075	(3)	361,075
President, Chief Executive Officer and Interim Chief Financial Officer	2015	350,000	68,925	11,075	(3)	430,000
Leon Richards (4)	2016	150,000	—	21,669	(5)	171,669
Former Chief Accounting Officer	2015	200,000	73,520	8,380	(6)	281,900

(1) The amounts in this column reflect the aggregate grant date fair value of the stock appreciation rights ("SARs") and stock option awards granted during the respective fiscal year as computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, excluding the effect of estimated forfeitures. The amounts shown for 2015 do not correspond to the actual value that will be recognized by the named executive officer. The assumptions used in the calculation of these amounts are included in Note 12 "Equity Incentive Plan" to the consolidated financial statements contained in Transgenomic's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on April 14, 2016. See the table entitled "2015 Grants of Plan-Based Awards" for information on SARs and stock options granted in 2015.

(2) See "Agreements with Transgenomic's Named Executive Officers – Paul Kinnon Employment Agreement" for a description of the Kinnon Employment Agreement with Transgenomic. Mr. Kinnon was appointed as Transgenomic's President and Chief Executive Officer effective as of September 30, 2013 and Transgenomic's Interim Chief Financial Officer effective as of October 31, 2014.

(3) Amounts paid to Mr. Kinnon in 2016 and 2015 consisted of $10,600 in 401(k) matching contributions and $475 in long term disability insurance.

(4) Mr. Richards resigned from Transgenomic effective September 30, 2016.

(5) Amounts paid to Mr. Richards in 2016 consisted of $6,000 in 401(k) matching contributions, accrued vacation pay of $15,384 and $285 in long term disability insurance.

(6) Amounts paid to Mr. Richards in 2015 consisted of $8,000 in 401(k) matching contributions and $380 in long term disability insurance.

2016 Grants of Plan-Based Awards

There were no grants of plan-based awards in fiscal year 2016 to Transgenomic's named executive officers.

Outstanding Equity Awards at Fiscal 2016 Year-End

The following table provides certain information concerning outstanding option awards and SARs held by Transgenomic's named executive officers as of December 31, 2016. As of December 31, 2016, no other equity awards granted to Transgenomic's named executive officers were outstanding.

Stock Appreciation Rights and Option Awards

Name	SARs and Option Award Grant Date	Number of Securities Underlying Unexercised SARs and Options (#) (Exercisable)	Number of Securities Underlying Unexercised SARs and Options (#) (Unexercisable)		SARs and Option Exercise Price ($)	SARS and Option Expiration Date
Paul Kinnon						
Stock options	9/30/2013	179,166	—		4.32	9/30/2023
SARs	9/30/2013	83,333	—		4.32	9/30/2023
Stock options	2/18/2014	13,333	6,667	(1)	5.54	2/18/2024
Stock options	4/1/2015	25,000	50,000	(1)	1.44	4/1/2025
Leon Richards (2)						

(1) The award vests over three years, with one-third of the shares subject to the award vesting on each anniversary of the grant date.

(2) Mr. Richards resigned from Transgenomic effective September 30, 2016, and all unvested option and SARs awards were terminated as of that date in accordance with their terms.

Fiscal Year 2016 SARs and Option Exercises and Stock Vested

No SARs or stock options were exercised by either of Transgenomic's named executive officers during fiscal year 2016.

Agreements with Transgenomic's Named Executive Officers

Paul Kinnon Employment Agreement

Transgenomic has entered into the Kinnon Employment Agreement with Paul Kinnon, its President and Chief Executive Officer. The Kinnon Employment Agreement provides that Mr. Kinnon will be employed by Transgenomic for a period of one year, subject to automatic renewal for additional one-year periods, unless terminated by either party upon written notice to the other at least three months prior to the expiration of the then-current term. Under the terms of the Kinnon Employment Agreement, Mr. Kinnon is paid an initial base salary of $350,000 per year. His base salary will be reviewed by the Compensation Committee of the Transgenomic Board for an increase on at least an annual basis and may be adjusted at any time in the Compensation Committee's sole and absolute discretion, provided that any decrease in base salary must either be with Mr. Kinnon's written permission, or be part of an across-the-board reduction that affects all senior executives of Transgenomic by the same percentage. Commencing January 1, 2014, Mr. Kinnon became eligible to receive an annual bonus based on his performance under agreed-upon goals, objectives and formulas, provided that his target bonus for any year may not be less than 40% of his then-current base salary. The Kinnon Employment Agreement provides for a severance payment to Mr. Kinnon equal to 12 months of Mr. Kinnon's then-current base salary if he is discharged other than for "Cause" (as defined in the Kinnon Employment Agreement), other than due to Mr. Kinnon's disability, or if Mr. Kinnon resigns for "Good Reason" (as defined in the Kinnon Employment Agreement), regardless of whether or not the termination follows a change in control, in each case provided that Mr. Kinnon executes a severance agreement and general release in favor of Transgenomic. The severance payments will be made over 12 months in accordance with Transgenomic's payroll practices, provided that payment of these amounts is subject to the provisions of Section 409A of the Code which may require that payments be delayed for six months (with interest) following termination of employment. If Mr. Kinnon breaches any of the covenants in the Kinnon Employment Agreement related to the protection of Transgenomic's interests, including non-solicitation of employees for six months following termination of employment and confidentiality and non-disparagement following termination of employment, he is not entitled to further severance payments. The Kinnon Employment Agreement also provides that Transgenomic will reimburse Mr. Kinnon for certain expenses associated with commuting from Solana Beach, California to Transgenomic's offices in Omaha, Nebraska and New Haven, Connecticut. The Kinnon Employment Agreement further provides that the vesting of the equity awards granted by Transgenomic to Mr. Kinnon described below, as well as all future equity awards granted to Mr. Kinnon by Transgenomic, will accelerate in full and become fully vested upon a Change in Control, as defined in the Amended 2006 Plan.

Pursuant to the terms of the Kinnon Employment Agreement, Mr. Kinnon was granted an option to purchase 179,166 shares of Transgenomic common stock with a per share exercise price equal to the fair market value of one share of Transgenomic common stock on the date of grant, which was September 30, 2013. One-third of the shares subject to the option vested on the first anniversary of the date of grant, and the remaining shares vested in 24 substantially equal installments thereafter.

Mr. Kinnon was also granted stock appreciation rights ("SARs") pursuant to the terms of the Kinnon Employment Agreement with respect to 83,333 shares of common stock with a per share exercise price equal to the fair market value of one share of Transgenomic common stock on the date of grant, which was September 30, 2013. 34% of the SARs vested on the first anniversary of the date of grant, and the remaining SARs vested ratably over the remaining 24 months. The SARs were granted pursuant to the Amended 2006 Plan and a SARs agreement. Upon exercise of the SARs, Mr. Kinnon will be entitled to receive shares of Transgenomic common stock or cash, subject to the terms of the SARs agreement.

On May 3, 2013, in connection with Mr. Kinnon's services to Transgenomic and pursuant to the terms of a Consulting Agreement between Transgenomic and Mr. Kinnon, Mr. Kinnon was granted an option to purchase 12,500 shares of common stock. Pursuant to the terms of the Kinnon Employment Agreement, the option was rescinded and terminated on September 30, 2013.

On February 18, 2014, Mr. Kinnon was granted an option to purchase 20,000 shares of common stock. The option vests over a three-year period, with one-third of the shares subject to the option vesting on each of the first three anniversaries of the date of grant, subject to Mr. Kinnon's continued employment with (or providing continuous service to) Transgenomic on each such date. Additionally, on April 1, 2015, Mr. Kinnon was granted an option to purchase 75,000 shares of common stock. The option vests over a three-year period, with one-third of the shares subject to the option vesting on each of the first three anniversaries of the date of grant, subject to Mr. Kinnon's continued employment with (or providing continuous service to) Transgenomic on each such date.

Transgenomic previously granted 124,886 incentive stock options and 149,280 non-qualified stock options to Mr. Kinnon under the Transgenomic, Inc. 2006 Equity Incentive Plan. On December 13, 2016, the Board agreed to extend the period during which these stock options may be exercised following Mr. Kinnon's termination of employment (i) by Transgenomic without "Cause" or (ii) by Mr. Kinnon for "Good Reason" (each of the foregoing capitalized terms as defined in the Kinnon Employment Agreement) to 24 months after such termination, but in no event shall such period extend beyond the Term of Options as defined in the applicable award agreements, and for purposes of any incentive stock option, such extension shall be considered the grant of a new award on the same terms except that the exercise price shall be the greater of (i) the exercise price set forth in the original grant or (ii) the fair market value on the date of the extension.

The Kinnon Employment Agreement includes a modified cutback provision, such that if payments or benefits received or to be received by Mr. Kinnon pursuant to the Kinnon Employment Agreement or any other agreement, contract, award or arrangement would constitute a “parachute payment” as described in Section 280G of the Code and would subject Mr. Kinnon and Transgenomic to golden parachute penalties under Section 280G of the Code and related provisions, the aggregate payments or benefits will either be paid to Mr. Kinnon in full or reduced to an amount that would not result in golden parachute penalties, whichever results in the receipt by Mr. Kinnon of the greatest amount of aggregate payments or benefits, after taking into account all taxes, including the excise tax imposed under Section 4999 of the Code on excess parachute payments. The determinations regarding Section 280G parachute payments and the application of the Modified Cutback Provision are to be made in good faith by Transgenomic’s independent auditors. For purposes of this disclosure, Transgenomic does not expect that the aggregate payments and benefits to Mr. Kinnon following termination of his employment in connection with the merger will exceed the maximum amount that may be paid to Mr. Kinnon without triggering golden parachute penalties under Section 280G of the Code.

Leon Richards Offer Letter

Transgenomic has entered into an Offer Letter dated November 6, 2012 with Leon Richards, its Chief Accounting Officer (the "Richards Offer Letter"). Under the terms of the Richards Offer Letter, Mr. Richards agreed to serve as Transgenomic's Corporate Controller and is paid a base salary of $7,291.67 per semi-monthly pay period. Mr. Richards is entitled to a bonus opportunity equal to 25% of his salary for meeting the corporate objectives as defined by the Transgenomic Board. Mr. Richards resigned from Transgenomic effective September 30, 2016.

On June 2, 2015, Transgenomic entered into an amendment (the "Richards Offer Letter Amendment") to the Richards Offer Letter, which provides that, in the event Mr. Richards' employment with Transgenomic is terminated without "Cause" (as defined in the Richards Offer Letter Amendment) prior to or within 12 months following a "Change in Control" (as defined in the Richards Offer Letter Amendment) of Transgenomic, he shall be entitled to receive an amount equal to nine months of his base salary at the time of his termination, subject to Mr. Richards signing and delivering a release of claims to Transgenomic. The Richards Offer Letter Amendment further provides that in the event Mr. Richards is employed with Transgenomic upon a Change in Control, any stock options that are outstanding and unvested as of immediately prior to such Change in Control shall vest in their entirety, and become fully exercisable, as of immediately prior to, and contingent upon, such Change in Control. The Richards Offer Letter Amendment also provides that unless Mr. Richards' employment is terminated by Transgenomic for Cause, he will have until the earlier of the following dates to exercise any then-vested and outstanding stock options: (i) 180 days after the termination of his employment, or (ii) the date on which the stock options otherwise would become unexercisable, ignoring the fact that his employment terminated.

Pursuant to the terms of the Richards Offer Letter, Mr. Richards was granted an option to purchase 4,166 shares of common stock with a per share exercise price equal to the fair market value of one share of Transgenomic common stock on the date of grant, which was January 1, 2013. The option vested over a three-year period, with one-third of the shares subject to the option vesting on each of the first three anniversaries of the date of grant.

On May 3, 2013, Mr. Richards was granted an option to purchase 1,458 shares of common stock. The option vests over a three-year period, with one-third of the shares subject to the option vesting on each of the first three anniversaries of the date of grant, subject to Mr. Richards' continued employment with Transgenomic on each such date. Mr. Richards was also granted an option to purchase 3,000 shares of common stock on February 18, 2014. The option vests over a three-year period, with one-third of the shares subject to the option vesting on each of the first three anniversaries of the date of grant, subject to Mr. Richards' continued employment with Transgenomic on each such date.

On November 4, 2014, Mr. Richards was granted an option to purchase 20,000 shares of common stock. The option vests over a three-year period, with one-third of the shares subject to the option vesting on each of the first three

anniversaries of the date of grant, subject to Mr. Richards' continued employment with Transgenomic on each such date. Mr. Richards was also granted SARs on November 4, 2014 with respect to 15,000 shares of common stock with a per share exercise price equal to the fair market value of one share of common stock on the date of grant. The SARs vest over a three-year period, with 34% of the SARs vesting on the first anniversary of the date of grant and the balance vesting ratably over the remaining 24 months, subject to Mr. Richards' continued employment with Transgenomic on each such date.

On April 1, 2015, Mr. Richards was granted an option to purchase 80,000 shares of common stock. The option vests over a three-year period, with one-third of the shares subject to the option vesting on each of the first three anniversaries of the date of grant, subject to Mr. Richards' continued employment with (or providing continuous service to) Transgenomic on each such date.

Potential Payments Upon Termination or Change of Control

Transgenomic has entered into the Kinnon Employment Agreement. The Kinnon Employment Agreement provides for a severance payment to Mr. Kinnon equal to 12 months of Mr. Kinnon's then-current base salary if he is discharged without "Cause" (as defined in the Kinnon Employment Agreement), other than due to Mr. Kinnon's disability, or if Mr. Kinnon resigns for "Good Reason" (as defined in the Kinnon Employment Agreement), regardless of whether or not the termination follows a change in control, in each case provided that Mr. Kinnon executes a severance agreement and general release in favor of Transgenomic. The Kinnon Employment Agreement further provides that the vesting of the equity awards granted by Transgenomic to Mr. Kinnon will accelerate in full and become fully vested upon a Change in Control, as defined in the Transgenomic, Inc. 2006 Equity Incentive Plan. It is currently anticipated that Mr. Kinnon will be terminated at or prior to the effective time of the merger and that Mr. Danieli will serve as Chief Executive Officer of New Precipio. Further, the consummation of the merger would trigger a Change in Control as defined under the Kinnon Employment Agreement with regard to the equity awards granted by Transgenomic to Mr. Kinnon. Therefore, pursuant to the terms of the Kinnon Employment Agreement, it is anticipated that the equity awards granted to Mr. Kinnon will accelerate in full and become fully vested, and Mr. Kinnon will be entitled to receive a severance payment equal to 12 months of Mr. Kinnon's then-current base salary. As of February 1, 2017, Mr. Kinnon holds 56,666 unvested stock options under the 2006 Equity Incentive Plan for which vesting is expected to accelerate in connection with the merger. As described in "The Transaction – Interests of Transgenomic's Executive Officers and Directors in the Transaction – Payments and Benefits to Transgenomic's Named Executive Officers" on page 52, using an assumed stock price of $0.206, the average closing price per share of Transgenomic common stock over the first five business days following the announcement of the merger, all unvested equity awards for Mr. Kinnon are out of the money, and therefore no value is included in connection with the acceleration. In addition, such unvested equity awards for Mr. Kinnon are out of the money as of February 1, 2017. During the period in which the stock options may be exercised following the merger, the market price of the common stock may be higher or lower than the assumed stock price disclosed above. The severance payments will be made over 12 months in accordance with Transgenomic's payroll practices, provided that payment of these amounts is subject to the provisions of Section 409A of the Code which may require that payments be delayed for six months following termination of employment. If Mr. Kinnon breaches any of the covenants in the Kinnon Employment Agreement related to the protection of Transgenomic's interests, including non-solicitation of employees for six months (with interest) following termination of employment and confidentiality and non-disparagement following termination of employment, he is not entitled to further severance payments.

Additionally, pursuant to the terms of the Richards Offer Letter, as amended by the Richards Offer Letter Amendment, in the event Mr. Richards' employment with Transgenomic is terminated without "Cause" (as defined in the Richards Offer Letter Amendment) prior to or within 12 months following a "Change in Control" (as defined in the Richards Offer Letter Amendment) of Transgenomic, he will be entitled to receive an amount equal to nine months of his base salary at the time of his termination, subject to Mr. Richards signing and delivering a release of claims to Transgenomic. Mr. Richards resigned effective September 30, 2016 and, therefore, no payments will be made to Mr. Richards in connection with a change of control transaction.

Compensation Risk Analysis

Transgenomic has reviewed its material compensation policies and practices for all employees and has concluded that these policies and practices are not reasonably likely to have a material adverse effect on Transgenomic. While risk-taking is a necessary part of growing a business, Transgenomic's compensation philosophy is focused on aligning compensation with the long-term interests of its stockholders as opposed to rewarding short-term management decisions that could pose long-term risks.

Director Compensation

It is the Transgenomic Board's general policy that compensation for independent directors should be a mix of cash and equity-based compensation. As part of a director's total compensation, and to create a direct linkage between corporate performance and stockholder interests, the Transgenomic Board believes that a meaningful portion of a director's compensation should be provided in, or otherwise based on, the value of appreciation in Transgenomic's common stock.

The Transgenomic Board has the authority to approve all compensation payable to Transgenomic's directors, although Transgenomic's Compensation Committee is responsible for making recommendations to the Transgenomic Board regarding this compensation. Additionally, Transgenomic's Chief Executive Officer may also make recommendations or assist Transgenomic's Compensation Committee in making recommendations regarding director compensation. The Transgenomic Board and Compensation Committee annually review Transgenomic's director compensation. In connection with director compensation decisions in 2016, the Transgenomic Board and the Compensation Committee reviewed in 2012 the market director compensation data paid by companies in the life sciences industry as reported by Top 5 Data Services, Inc. (the "2011 Director Competitive Analysis"). The 2011 Director Competitive Analysis contained data for 217 publicly traded medical device companies and 331 biopharmaceutical companies, with 65 companies assigned to both sectors based on their mix of products. Based on its review of the 2011 Director Competitive Analysis, the Transgenomic Board did not make any changes to Transgenomic's director compensation program in 2016 and continued with the program adopted in 2011 and used in 2012, 2013, 2014 and 2015, which is further discussed below.

Cash Compensation

Directors who are also one of Transgenomic's employees are not separately compensated for serving on the board of directors other than reimbursement for out-of-pocket expenses related to attendance at board of directors meetings and committee meetings. Independent directors are paid an annual retainer of $20,000 and receive reimbursement for out-of-pocket expenses related to attendance at board of directors and committee meetings. Independent directors serving on any committee of the board of directors are paid an additional annual retainer of $2,500 unless they are also a chairperson of a committee. The chairperson of the Audit Committee receives an additional annual retainer of $8,000 and the chairperson of any other committee receives an additional annual retainer of $4,000. All directors' fees paid annually or quarterly were prorated for partial periods. In addition, any independent director who attends more than four meetings per quarter, which includes committee meetings, receives $500 for each meeting attended over the four.

Equity-Based Compensation

From 2011 through 2013, Transgenomic's director compensation policy was to grant annually to each continuing independent director an option to purchase 2,083 shares of Transgenomic common stock. In 2014, the amount of that grant was 3,000 shares and in 2015 it was 5,000 shares. These options vest in full after one year, subject to the director's continued service with Transgenomic through the vesting date. Under Transgenomic's policy, additional annual grants of options may be made each year by the Transgenomic Compensation Committee in its sole discretion. Upon initial appointment to the Transgenomic Board, Transgenomic's independent directors are also entitled to receive an option to purchase shares of Transgenomic's common stock under the Amended 2006 Plan, with the number of shares as determined by the Transgenomic Board or the Compensation Committee, which option vests in full after one year, subject to the director's continued service with Transgenomic through the vesting date. All options granted to independent directors have exercise prices equal to the fair market value of Transgenomic's common stock on the grant

date, as determined in accordance with the Amended 2006 Plan.

On April 1, 2015, Transgenomic's independent directors, as of that date, were each granted a non-qualified option to purchase 5,000 shares of Transgenomic's common stock with an exercise price equal to $1.44. The options vested in full on April 1, 2016, the one year anniversary of the grant date. Effective December 13, 2016, the Board approved the issuance of options to acquire 5,000 shares of Transgenomic common stock to Mya Thomae, Doit Koppler II, Michael A. Luther, and Robert M. Patzig, as well as an additional grant of an option to acquire 100,000 shares of Transgenomic common stock to Robert M. Patzig, Chairman of the Transgenomic Board, in connection with his role in negotiating the Merger Agreement and related transactions, all of which options are subject to the approval of the 2017 Plan by the Transgenomic stockholders. Upon such approval by the Transgenomic stockholders, these options will be effective as of December 13, 2016. Other than these options, no options were granted to Transgenomic's independent directors during 2016.

Director Summary Compensation Table

The following table provides information regarding Transgenomic's compensation for non-employee directors during the year ended December 31, 2016. Directors who are Transgenomic's employees did not receive compensation for serving on the Transgenomic Board or its committees in fiscal 2016.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($) (1)	Total ($)
Doit L. Koppler, II	30,000	—	30,000
Robert M. Patzig	42,000	—	42,000
Michael A. Luther, Ph.D.	35,000	—	35,000
Mya Thomae	28,000	—	28,000
John D. Thompson (2)	—	—	—

(1) Does not include the issuance of options to acquire 5,000 shares of Transgenomic common stock to Mya Thomae, Doit Koppler II, Michael A. Luther, and Robert M. Patzig, as well as an additional grant of an option to acquire 100,000 shares of Transgenomic common stock to Robert M. Patzig, Chairman of the Transgenomic Board, in connection with his role in negotiating the Merger Agreement and related transactions, all of which options were approved by the Board on December 13, 2016 and are subject to approval of the 2017 Plan by the Transgenomic stockholders. Upon the approval of the 2017 Plan by Transgenomic stockholders, these options will be effective as of December 13, 2016. Other than these options, there were no grants of plan-based awards in fiscal year 2016 to Transgenomic Directors.

(2) Mr. Thompson resigned from the board of directors effective January 14, 2016.

The following table sets forth each independent director's aggregate number of option awards outstanding as of December 31, 2016:

Name	Vested Stock Option Awards(1)	Unvested Stock Option Awards(1)	Aggregate Stock Option Awards(1)
Doit L. Koppler, II	15,499	—	15,499
Robert M. Patzig	65,499	—	65,499
Michael A. Luther, Ph.D.	10,000	—	10,000
Mya Thomae	5,000	—	5,000
John D. Thompson (2)	—	—	—

(1) Does not include the issuance of options to acquire 5,000 shares of Transgenomic common stock to Mya Thomae, Doit Koppler II, Michael A. Luther, and Robert M. Patzig, as well as an additional grant of an option to acquire 100,000 shares of Transgenomic common stock to Robert M. Patzig, Chairman of the Transgenomic Board, in connection with his role in negotiating the Merger Agreement and related transactions, all of which options were approved by the Board on December 13, 2016 and are subject to approval of the 2017 Plan by the Transgenomic stockholders. Upon the approval of the 2017 Plan by Transgenomic stockholders, these options will be effective as of December 13, 2016.

(2) Mr. Thompson resigned from the Board effective January 14, 2016 and all unvested option awards were terminated as of that date in accordance with their terms.

PROPOSAL NO. 4
APPROVAL OF ADVISORY COMPENSATION PROPOSAL

As required by Section 14A of the Exchange Act and the applicable SEC rules issued thereunder, Transgenomic is required to submit a proposal to Transgenomic stockholders for a non-binding, advisory vote to approve payment by Transgenomic of certain compensation to Transgenomic's named executive officers that is based on or otherwise relates to the merger. This proposal, commonly known as the "say-on-golden-parachute" proposal, gives Transgenomic stockholders the opportunity to vote, on a non-binding, advisory basis, on the compensation that Transgenomic's named executive officers may be entitled to receive that is based on or otherwise relates to the merger.

This compensation is summarized and included in the section entitled "Interests of Transgenomic's Executive Officers and Directors in the Transaction," including the table and the footnotes to the table, beginning on page 51. That summary includes all compensation and benefits that may be paid or become payable to Transgenomic's named executive officers that are based on or otherwise relate to the merger.

The Transgenomic Board encourages you to review carefully the named executive officer merger-related compensation information disclosed in this proxy statement.

The Transgenomic Board unanimously recommends that Transgenomic's stockholders approve the following resolution:

"RESOLVED, that the stockholders of Transgenomic approve, on a non-binding, advisory basis, the compensation that will or may become payable to Transgenomic's named executive officers that is based on or otherwise relates to the merger as disclosed pursuant to Item 402(t) of Regulation S-K in the in the section entitled "Interests of Transgenomic's Executive Officers and Directors in the Transaction," including the Golden Parachute Compensation table and the footnotes to that table."

Because the vote on this proposal is advisory only, it will not be binding on Transgenomic. Accordingly, if the merger is completed, the compensation will be payable, subject only to the conditions applicable thereto, regardless of the outcome of the non-binding, advisory vote of Transgenomic's stockholders.

Vote Required

The affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting, whether or not a quorum is present, is required to approve the non-binding, advisory compensation proposal. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Failures to vote and broker “non-votes” will have no effect on this proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE ADVISORY COMPENSATION PROPOSAL.

PROPOSAL NO. 5
APPROVAL OF POSSIBLE ADJOURNMENT OF THE SPECIAL MEETING

You may be asked to vote to approve a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approval the other proposals. Transgenomic currently does not intend to propose adjournment of the special meeting of stockholders if there are sufficient votes to approve each of the other proposals.

Vote Required

The affirmative vote of the holders of a majority of the shares of Transgenomic common stock and Series A-1 Convertible Preferred Stock, voting together as a single class (with each one share of Series A-1 Convertible Preferred Stock being entitled to 0.93 votes), present in person or represented by proxy at the special meeting, whether or not a quorum is present, is required to approve the adjournment of the special meeting of stockholders. Abstentions with respect to this proposal will have the same effect as a vote against the proposal. Failures to vote and broker “non-votes” will have no effect on this proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF THE OTHER PROPOSALS.

PRECIPIO BUSINESS DESCRIPTION

Precipio is a cancer diagnostics company providing diagnostic services to the oncology market. Precipio has partnered with premier academic institutions to capture the expertise, experience and technologies developed within academia, and utilize them to solve the growing problem of misdiagnosis. It has built a platform that successfully translates that expertise into a commercial setting, enabling Precipio to provide the highest level of diagnostic accuracy within clinical services to the oncology market. Precipio is building a nationwide sales team that offers its services to oncologists and hospitals around the country. Specimens are shipped to its laboratory in New Haven, Connecticut where they are processed and diagnosed by academic experts at Yale School of Medicine; the end product is a pathology report which guides its customers, oncologists, as to the nature of their patients' disease and helps them determine how best to care for their patient.

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

Forward-Looking Information

Management's Discussion and Analysis contains forward-looking statements. These statements are based on management's current views, assumptions or beliefs of future events and financial performance and are subject to uncertainty and changes in circumstances. Readers of this report should understand that these statements are not guarantees of performance or results. Many factors could affect our actual financial results and cause them to vary materially from the expectations contained in the forward-looking statements. These factors include, among other things: our expected revenue, income (loss), receivables, operating expenses, supplier pricing, availability and prices of raw materials, insurance reimbursements, product pricing, sources of funding operations and acquisitions, our ability to raise funds, sufficiency of available liquidity, future interest costs, future economic circumstances, business strategy, industry conditions, our ability to execute our operating plans, the success of our cost savings initiatives, competitive environment and related market conditions, actions of governments and regulatory factors affecting our business, retaining key employees and other risks. In some cases these statements are identifiable through the use of words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "shou the negative versions of these terms and other similar expressions.

You are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements we make are not guarantees of future performance and are subject to various assumptions, risks and other factors that could cause actual results to differ materially from those suggested by these forward-looking statements. Actual results may differ materially from those suggested by the forward-looking statements that we make. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The following discussion should be read together with our financial statements and related notes contained in this report. Results for the nine months ended September 30, 2016 are not necessarily indicative of results that may be attained in the future.

Overview

We are a cancer diagnostics company providing clinical diagnostic services to the oncology market. As the field of cancer continues to evolve and gain complexity, the resources needed to accurately diagnose cancer require increased specialization and the further development of expertise. The market however, has driven the field towards a generalist

approach, and thus is not providing the level of specialization required to accurately diagnose the many cancer sub-classifications understood today.

This generalist approach to cancer diagnostics results in an alarmingly high rate of diagnostic error that increases:

- patient pain and suffering,
- oncologists' inability to treat patients correctly,
- waste of critical and expensive healthcare resources, and
- potential risk of litigation

Business model:

We have partnered with premier academic institutions to capture the expertise, experience and technologies developed within academia, and utilize them to address the growing problem of misdiagnosis. We have built a platform that successfully translates that expertise into a commercial setting, enabling us to provide the highest level of diagnostic accuracy within clinical services to the oncology market. Since our inception in 2011, throughout the thousands of patients we have diagnosed, we have demonstrated a superior level of accuracy. We are building a nationwide sales team that offers our services to oncologists and hospitals around the country. Specimens are shipped to our laboratory in New Haven, CT where they are processed and diagnosed by academic experts at Yale School of Medicine, resulting in a pathology report which guides oncologists as to the nature of their patients' disease and helps them determine how best to care for their patient.

As part of our academic collaboration, we have been introduced to several intellectual property (IP) technologies developed within these academic institutions; these technologies have often been proven, patented and published, and are ready for commercialization. Our ability to commercially adapt academic expertise, and our place in the marketplace, has provided academia with an attractive partner to commercialize and monetize these technologies. As we grow, our plan is to incorporate into our platform additional IP developed within academic institutions, which support our vision of reducing diagnostic error. Our platform will combine a service side of the business, characterized by good margins, steady recurring revenue, and healthy growth; and an IP side of the business which exclusively licenses technology from academia (thus avoiding costly R&D), and which can generate significant shareholder value.

2016 Overview and Recent Highlights

During 2016, we have continued to grow our business and build our sales force nationwide. Our revenue has grown as compared to the prior year, with most of it coming from recurring revenue from long-term physician customers. The key drivers of our growth include the ability to build a strong direct-to-the-physician sales team; deliver a clear message that differentiates us from our competition; and duplicate the customer adoption and retention success that we have seen in the market place. We believe that the avenue to grow the business as rapidly as possible and maximize shareholder values will require several changes including a capital infusion to grow the Company. We recently hired Carl R. Iberger as Chief Financial Officer of the Company. This is a key addition to our management team as we move forward with our growth plans. In October 2016, we entered into a Merger Agreement with an industry leader in genetic technology that we feel provides the Company with additional market opportunities to expand our service offerings, grow revenues and leverage existing infrastructure and capacity. See Note 12-Subsequent Events in the Notes to Unaudited Condensed Financial Statements for more discussion on the merger.

Uncertainties

We have suffered recurring losses from operations. At September 30, 2016, we had cash and cash equivalents of $68,000. Our losses from operations and our net member deficit raise substantial doubt about our ability to continue as a going concern. Our plans in regard to these matters are described in Note 1 of the Notes to Unaudited Condensed Financial Statements. The outcome of these plans cannot be predicted with any certainty at this time and raises substantial doubt that we will be able to continue as a going concern.

Results of Operations

Nine Months Ended September 30, 2016 and 2015

Net Revenue. Net revenue is as follows:

	Nine Months Ended September 30,		Change	
	2016	2015	$	%
Total Net Revenue	$1,407,232	$1,021,599	$385,633	38%

Net revenue increased by approximately $386,000, or 38%, during the nine months ended September 30, 2016 as compared to the same period in 2015. The increase reflects increased net patient service revenues of approximately $450,000, which is due to a 30% increase in cases processed during the nine months ended September 30, 2016 as compared to the same period of 2015. This increase was partially offset by an increase of approximately $65,000 in the allowance for doubtful accounts recorded for the nine months of 2016 as compared to the prior year period.

Cost of Diagnostic Services. Cost of diagnostic services includes material and supply costs for the patient tests performed and other direct costs (primarily personnel costs and rent) associated with the operations of our laboratory. Cost of diagnostic services increased by approximately $140,000, or 24%, to $710,000 for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. The increase is due to personnel costs and reagent supplies as a result of the increased revenues in the current year period.

Gross Profit. Gross profit was as follows:

	Nine Months Ended September 30,		Profit %	
	2016	2015	2016	2015
Gross Profit	$697,470	$451,286	50%	44 %

Gross profit was $0.7 million, or 50% of total net revenue, during the first nine months of 2016, compared to $0.5 million, or 44% of total net revenue, during the same period of 2015. The increase in gross profit in the current year is a result of increased revenue during the nine months ended September 30, 2016 as compared to the first nine months of 2015. The gross profit as a percent of revenue increased 6 basis points during the nine months ended September 30, 2016 as compared to the first nine months of 2015 and is due to increased volume and improved laboratory processes. Our cost of diagnostic services includes a number of fixed costs and our laboratory is operating below capacity for the current cost structure. As such, we believe that our gross profit as a percent of revenue will grow as our revenue increases.

Operating Expenses. Operating expenses primarily consist of personnel costs, professional fees, travel costs, facility costs, depreciation and amortization. Our operating expenses of approximately $1.6 million during the nine month period ended September 30, 2016 remained flat as compared to the same period in 2015.

Other Income (Expense). Other expense for the nine months ended September 30, 2016 and 2015 includes interest expense related to our capital leases and debt and equity instruments of approximately $379,000 and $121,000, respectively. The increase in the current year is due to increased interest bearing instruments outstanding during the nine months ended September 30, 2016 as compared to the same period of 2015.

Liquidity and Capital Resources

Our working capital positions at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016	December 31, 2015	Change
Current assets (including cash and cash equivalents of $67,963 and $234,688, respectively)	$ 655,264	$ 778,753	$ (123,489)
Current liabilities	5,914,722	2,853,882	3,060,913
Working capital (deficit)	$ (5,259,458)	$ (2,075,129)	$ (3,184,402)

During 2016, we entered into 12% senior notes aggregating $175,000 with unit holders of the Company. The senior notes are payable at the closing of a qualified public offering as outlined in the agreements, but no later than five years from issuance. During 2016, the Company also issued additional convertible bridge notes for $455,000. The notes accrue interest at a rate of 14% and were payable no later than December 31, 2016. Subsequent to December 31, 2016, the holders of the notes agreed to waive the maturity date and the notes are now payable on demand and accrue interest until paid.

Also during the nine months ended September 30, 2016, the Company restructured equity through a redemption and exchange agreement by exchanging Member Equity comprised of Series A and Series B Convertible Preferred Units in the amount of $1,715,000, plus declared dividends on these preferred units of $432,716, and Convertible Bridge Notes of $1,120,000 for new Senior Notes of $2,683,895 and new Junior Notes of $583,821. The Senior and Junior Notes accrue interest at a rate of 12% and 15%, respectively, and have maturity dates ranging from March 2021 to September 2021, or earlier based on certain qualifying events as outlined in the note agreements.

During the nine months ended September 30, 2016, the Company also issued $61,072 of new Senior Notes to satisfy an accumulated interest obligation on existing member debt, under the same terms as the Senior Notes.

See Note 5 - “Notes Payable” and Note 6 - “Convertible Bridge Notes Payable” in the Notes to Unaudited Condensed Financial Statements for additional information regarding our outstanding debt and debt servicing obligations.

At September 30, 2016, we had cash on hand of $68,000. Our current operating plan projects improved operating results. As with any operating plan, there are risks associated with our ability to execute it. Therefore, there can be no assurance that we will be able to satisfy our obligations, or achieve the operating improvements as contemplated by the current operating plan. If we are unable to execute this plan, we will need to find additional sources of cash not contemplated by the current operating plan and/or raise additional capital to sustain continuing operations as currently contemplated. However, there can be no assurance that the additional funding sources will be available to us at reasonable terms or at all. If we are unable to achieve our operating plan or obtain additional financing, our business would be jeopardized and we may not be able to continue as a going concern

Analysis of Cash Flows - Nine Months Ended September 30, 2016 and 2015

Net Change in Cash and Cash Equivalents. Cash and cash equivalents decreased by $167,000 during the nine months ended September 30, 2016, compared to a decrease of $488,000 during the nine months ended September 30, 2015.

Cash Flows Used in Operating Activities. The cash flows used in operating activities of $642,000 during the nine months ended September 30, 2016 included a net loss of $1,252,000, an increase in accounts receivable of $314,000 and other working capital uses of $65,000, less non-cash adjustments of $533,000. These were partially offset by an increase in accrued expenses and accounts payable of $364,000 and an increase in deferred revenue of $92,000. The cash flows used in operating activities in the first nine months of 2015 included the net loss of $1,248,000 and an increase in accounts receivable of $527,000, less non-cash adjustments of $426,000. These were partially offset by an increase in accounts payable of $81,000 and other working capital uses of $69,000.

Cash Flows Used in Investing Activities. There were no cash flows used in investing activities for the nine months ended September 30, 2016 and $11,000 in capital expenditure purchases for the nine months ended September 30, 2015.

Cash Flows Provided by Financing Activities. Cash flows provided by financing activities totaled $475,000 for the nine months ended September 30, 2016, which included proceeds of $15,000 from the issuance of convertible bridge notes and $615,000 from the issuance of senior notes. These proceeds were partially offset by payments on our debt and capital lease obligations of $155,000. Cash flows provided by financing activities during the nine months ended September 30, 2015 included proceeds of $945,000 from the issuance of convertible bridge notes partially offset by $85,000 of payments on our debt, capital lease obligations and for deferred financing costs. The senior notes are payable at the closing of a qualified public offering as outlined in the agreements, but no later than five years from issuance. Subsequent to December 31, 2016, the holders of the bridge notes agreed to waive the maturity date and the notes are now payable on demand and accrue interest until paid.

Off-Balance Sheet Arrangements

At each of September 30, 2016 and December 31, 2015, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations and Commitments

We have entered into certain capital and operating leases and purchase commitments as part of our normal course of business. Our contractual obligations and commitments are discussed in Note 8 - “Commitments and Contingencies” in the Notes to Unaudited Condensed Financial Statements.

Critical Accounting Policies and Estimates

Accounting policies used in the preparation of our financial statements may involve the use of management judgments and estimates. Certain of our accounting policies are considered critical as they are both important to the portrayal of our financial statements and require significant or complex judgments on the part of management. Our judgments and estimates are based on experience and assumptions that we believe are reasonable under the circumstances. Further, we evaluate our judgments and estimates from time to time as circumstances change. Actual financial results based on judgments or estimates may vary under different assumptions or circumstances. Our critical accounting policies are discussed in Note 2 - “Summary of Significant Accounting Policies” in the Notes to Unaudited Condensed Financial Statements.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are discussed in Note 2 - “Summary of Significant Accounting Policies” in the Notes to Unaudited Condensed Financial Statements.

Impact of Inflation

We do not believe that price inflation or deflation had a material adverse effect on our financial condition or results of operations during the periods presented.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION OF TRANSGENOMIC, INC.

The following unaudited pro forma condensed combined financial information has been prepared to assist you in your analysis of the financial effects of the merger of Merger Sub, a wholly owned subsidiary of Transgenomic, with Precipio. The unaudited pro forma condensed combined financial information was prepared using the historical consolidated financial statements of Transgenomic and Precipio. This information should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and accompanying notes of Transgenomic and Precipio included in or incorporated by reference into this proxy statement. All Transgenomic historical financial statement information can be derived from the Transgenomic's Form 10-K and 10-Q filings.

The merger will be accounted for as a reverse acquisition under the acquisition method of accounting in accordance with GAAP. The accompanying unaudited pro forma condensed combined financial information gives effect to the merger, assuming the issuance of New Precipio common stock and preferred stock. The pro forma adjustments related to the merger are preliminary and do not reflect the final purchase price, final debt components, final New Precipio common and preferred stock agreements or final allocation of the excess of the purchase price over the fair value of the assets and liabilities assumed in connection with the merger, as the process to assign a fair value to the various tangible and intangible assets acquired and liabilities assumed has only just commenced. A final determination of these estimated fair values, which cannot be made prior to the completion of the merger, will be based on the actual net tangible and intangible assets of Transgenomic that exist as of the date of completion of the merger. Accordingly, the pro forma adjustments, including the allocations of purchase price, are very preliminary and have been made solely for the purpose of providing unaudited pro forma condensed consolidated financial information. Final adjustments will result in modifications to the final purchase price, debt components and allocation of the purchase price, which will affect the fair value assigned to the tangible or intangible assets and amount of interest expense, depreciation and amortization expense, and other recorded in the statement of operations. The effect of the changes to the statements of operations could be material. The unaudited pro forma condensed combined financial information is not necessarily indicative of the combined results of operations or financial position that might have been achieved for the dates or periods indicated, nor is it necessarily indicative of the results of operations or financial position that may occur in the future.

The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results. The pro forma condensed combined financial information does not reflect revenue opportunities and cost savings that New Precipio expects to realize after the merger. No assurance can be given with respect to the estimated revenue opportunities and operating cost savings that are expected to be realized as a result of the merger. The pro forma condensed combined financial information also does not reflect expenses related to integration activity or exit costs that may be incurred by Transgenomic or Precipio in connection with this merger.

The unaudited pro forma condensed combined balance sheet assumes that the merger took place on September 30, 2016 and combines Transgenomic's unaudited September 30, 2016 condensed consolidated balance sheet with the unaudited condensed consolidated balance sheet of Precipio as of September 30, 2016. The unaudited pro forma condensed combined statements of operations for the fiscal year ended December 31, 2015 and the nine months ended September 30, 2016 assume that the merger took place on January 1, 2015. The unaudited pro forma condensed combined statement of operations for the fiscal year ended December 31, 2015 combines Transgenomic's audited consolidated statement of operations for the fiscal year ended December 31, 2015 with Precipio's audited statement of operations for the fiscal year ended December 31, 2015. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2016 combines Transgenomic's unaudited condensed consolidated statement of operations for the nine months ended September 30, 2016 with Precipio's unaudited condensed statement of operations for the nine months ended September 30, 2016.

TRANSGENOMIC, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of September 30, 2016

(in thousands)

	Historical Transgenomic (j)	Precipio (k)	Pro Forma Adjustments	Notes	New Precipio Combined
ASSETS					
Current Assets:					
Cash and cash equivalents	$71	$ 68	$ 7,000	g	$ 7,139
Accounts receivable, net	180	460	-		640
Inventories, net	36	95	-		131
Other current assets	314	32	-		346
Assets held for sale	265	-	-		265
Total current assets	866	655	7,000		8,521
Property and Equipment, net	172	293	-		465
Other Assets:					
Goodwill	-	-	6,821	a	6,821
Acquired intangibles	-	-	28,950	b	28,950
Intangibles, net	982	-	(982)	c	-
Other assets	58	10	-		68
	$2,078	$ 958	$ 41,789		$ 44,825
LIABILITIES AND STOCKHOLDERS' DEFICIT					
Current Liabilities:					
Current maturities of long-term debt	$7,814	$ 4,549	$ (12,004)	f,h	$ 359
Accounts payable	6,273	798	-		7,071
Accrued Compensation	225	49	-		274
Accrued Expenses	2,704	382	(317)	f	2,769
Deferred revenue	176	92	-		268
Other liabilities	1,068	45	-		1,113
Liabilities held for sale	-	-	-		-
Total current liabilities	18,260	5,915	(12,321)		11,854
Long Term Liabilities:					
Deferred tax liability	-	-	9,525	a	9,525
Long-term debt	-	356	-		356
Common stock warrant liability	1,430	-	(1,430)	l	-
Other long-term liabilities	212	175	-		387
Total liabilities	19,902	6,446	(4,226)		22,122
Stockholders' deficit:					
Convertible preferred stock	2	2,895	(2,897)	e,i	

			231	f	
			538	g	
			231	h	1,000
Common stock	241	47	1,491	d	
			2	e	
			99	f	
			42	l	1,922
Additional paid-in capital	201,522	-	(186,690)	a-h	
			11,991	d,f	
			1,388	l	28,211
Accumulated other comprehensive income	-	-	-		-
Accumulated deficit	(219,589)	(8,430)	219,589	a	(8,430)
Total stockholders' deficit	(17,824)	(5,488)	46,015		22,703
	$2,078	$ 958	$ 41,789		$ 44,825

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TRANSGENOMIC, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Twelve Months Ended December 31, 2015

(dollars in thousands)

	Historical Transgenomic (e)	Precipio (g)	Pro Forma Adjustments	Notes	New Precipio Combined
Net sales	$1,653	$ 1,480	$-		$3,133
Cost of goods sold	1,940	815	(173)	a	2,582
Gross profit	(287)	665	173		551
Operating Expenses	8,908	2,169	1,917	a,b	12,994
Operating loss from continuing operations	(9,195)	(1,504)	(1,744)		(12,443)
Other Income (Expense):					
Interest expense, net	(724)	(188)	718	c	(194)
Warrant revaluation	(205)	-	-		(205)
Other, net	(14)	12	-		(2)
Total other income (expense)	(943)	(176)	718		(401)
Loss from continuing operations before income taxes	(10,138)	(1,680)	(1,026)		(12,844)
Income tax	-	-	-		-
Net loss from continuing operations	(10,138)	(1,680)	(1,026)		(12,844)
Preferred stock dividends	(1,324)	-	284	d	(1,040)
NET LOSS FROM CONTINUING OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS	$(11,462)	$ (1,680)	$(742)		$(13,884)
Basic and diluted loss per common share from continuing operations	$(0.93)				$(0.07)
Basic and diluted weighted-average shares of common stock outstanding	12,321,739		179,914,951		192,236,690

TRANSGENOMIC, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2016

(dollars in thousands)

	Historical Transgenomic (f)	Precipio (g)	Pro Forma Adjustments	Notes	New Precipio Combined
Net sales	$1,198	$1,407	$-		$2,605
Cost of goods sold	1,477	710	(158)	a	2,029
Gross profit	(279)	697	158		576
Operating Expenses	5,457	1,573	1,439	a,b	8,469
Operating loss from continuing operations	(5,736)	(876)	(1,281)		(7,893)
Other Income (Expense):					
Interest expense, net	(782)	(379)	782	c	(379)
Warrant revaluation	357	-	(7)	h	350
Other, net	(1)	3	-		2
Total other income (expense)	(426)	(376)	775		(27)
Loss from continuing operations before income taxes	(6,162)	(1,252)	(506)		(7,920)
Income tax	-	-	-		-
Net loss from continuing operations	(6,162)	(1,252)	(506)		(7,920)
Preferred stock/unit dividends	(21)	(432)	(327)	d	(780)
Deemed dividends on exchange of preferred units	-	(1,422)	1,422		-
NET LOSS FROM CONTINUING OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS	$(6,183)	$(3,106)	$589		$(8,700)
Basic and diluted loss per common share from continuing operations	$(0.28)				$(0.05)
Basic and diluted weighted-average shares of common stock outstanding (Note 4)	21,896,943		170,339,747		192,236,690

TRANSGENOMIC, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of Transaction and Basis of Presentation

Description of Transaction.

On October 12, 2016, Transgenomic entered into a merger agreement, as amended on February 2, 2017, with New Haven Labs Inc. ("Merger Sub"), which is a wholly owned subsidiary of Transgenomic and Precipio (as amended, the "Merger Agreement"). Pursuant to the Merger Agreement, at the effective time of the merger, Merger Sub will merge with and into Precipio, with Precipio as the surviving entity. When the merger is completed, (i) the outstanding common units of Precipio will be converted into the right to receive approximately 160.6 million shares of New Precipio common stock, together with cash in lieu of fractional units, in the merger and the private placement as discussed below and (ii) the outstanding preferred units of Precipio will be converted into the right to receive approximately 24.1 million shares of New Precipio preferred stock with an aggregate face amount equal to $3 million.

In connection with the merger, at the effective time, in addition to the New Precipio preferred stock to be issued to holders of preferred units of Precipio, New Precipio also will issue shares of New Precipio preferred stock and New Precipio common stock in a related private placement, whereby:

- Holders of certain secured indebtedness of Transgenomic will receive in exchange for such indebtedness approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million, and approximately 9.8 million shares of New Precipio common stock; and

- New Precipio will issue for cash up to approximately 56.2 million shares of New Precipio preferred stock for $7 million to investors in a private placement.

Basis of Presentation.

The historical consolidated financial information has been adjusted in the unaudited pro forma combined financial information to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results. The pro forma condensed combined financial information does not reflect revenue opportunities and cost savings that

New Precipio expects to realize after the merger. No assurance can be given with respect to the estimated revenue opportunities and operating cost savings that are expected to be realized as a result of the merger. The pro forma financial information also does not reflect expenses related to integration activity or exit costs that may be incurred by Transgenomic or Precipio in connection with this merger. The final determination of the purchase price allocation will be based on the fair values of assets acquired and liabilities assumed as of the date the transaction closes, and could result in a significant change to the unaudited pro forma condensed combined financial information, including goodwill.

The final terms of the New Precipio preferred stock have not been finalized and as such the accounting treatment could change from what is presented.

2. Estimated Purchase Consideration

The estimated purchase consideration based on the value of the equity of Transgenomic, the accounting acquiree, is as follows:

(in thousands)	
Estimated equity market cap	$5,317
Fair value of warrant conversions	2,273
Fair value of preferred share conversions	47
Fair value of debt conversions	9,047
Estimated purchase consideration	$16,684

Preliminary Allocation of Estimated Purchase Consideration

The following table sets forth a preliminary allocation of the estimated purchase consideration to the identifiable tangible and intangible assets of Transgenomic, the accounting acquiree, with the excess recorded as goodwill:

(in thousands)	
Current and other assets	$924
Property and equipment	172
Goodwill	6,821
Other intangible assets	28,950
Total assets	$36,867
Current liabilities	$10,446
Deferred tax liability	9,525
Other liabilities	212
Total liabilities	20,183
Net assets acquired	$16,684

3. Pro Forma Adjustments

The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

Pro Forma Adjustments – Balance Sheet

a) Reflects goodwill and deferred tax liability resulting from the acquisition method of accounting based on preliminary estimates of the fair value of the assets and liabilities of Transgenomic. This also includes the elimination of Transgenomic's historical stockholders' deficit accounts because Transgenomic is not considered to be the accounting acquirer.

b) Reflects newly acquired intangibles resulting from the acquisition method of accounting based on preliminary estimates of the fair value of the assets and liabilities of Transgenomic.

c) Elimination of historical intangibles of Transgenomic.

d) Issuance of New Precipio common stock.

e) Transgenomic pre-merger preferred stock converted to common stock.

f) Transgenomic pre-merger debt and accrued interest converted to common stock and $3 million of New Precipio preferred stock with an 8% annual dividend.

g) Issuance of New Precipio preferred stock to investors in a private placement.

h) Precipio pre-merger debt and accrued interest converted to common stock and $3 million of New Precipio preferred stock with an 8% annual dividend.

i) Precipio pre-merger preferred shares converted to New Precipio common stock.

j) Refer to Transgenomic's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on April 14, 2016.

k) Refer to Precipio financial information beginning on page F-1 of this Proxy Statement.

l) Issuance of common shares for cashless exercise of Transgenomic warrants and elimination of related warrant liability.

Pro Forma Adjustments – Statements of Operations

a) Eliminate amortization expense related to Transgenomic historical intangibles.

b) Record amortization expense related to newly acquired intangibles assuming useful lives of 15 years.

c) Eliminate interest expense for Transgenomic interest bearing debt that is converted to New Precipio common stock and New Precipio preferred stock.

d) Elimination of historical dividends.

e) Refer to Transgenomic's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on April 14, 2016.

f) Refer to Transgenomic's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed with the SEC on November 14, 2016.

g) Refer to Precipio financial information beginning on page F-1 of this Proxy Statement.

h) Elimination of warrant revaluation related to exercised warrants.

4. Preliminary estimate of New Precipio Common Shares and Preferred Shares

New Precipio Common Shares:

	Shares
Transgenomic:	
Outstanding common shares	24,166,410
Conversion of preferred stock, debt and warrants	14,280,928
Precipio:	
Conversion of common units, preferred units and debt	153,789,352
Total New Precipio common shares, par value $0.01	192,236,690

New Precipio Preferred Shares:

Total New Precipio preferred shares, par value $0.01	99,963,079

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DESCRIPTION OF TRANSGENOMIC CAPITAL STOCK

General

Under Transgenomic's Third Amended and Restated Certificate of Incorporation, as amended from time to time (the "Certificate of Incorporation"), Transgenomic is authorized to issue up to 150,000,000 shares of Transgenomic common stock, from time to time, as provided in a resolution or resolutions adopted by the Transgenomic Board.

Common Stock

As of January 17, 2017, 26,446,927 shares of Transgenomic common stock, par value $0.01 per share, were issued and outstanding, held by approximately 77 stockholders of record, not including beneficial holders whose shares are held in names other than their own.

Dividends, Voting Rights and Liquidation

Holders of Transgenomic common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders and do not have cumulative voting rights. Holders of Transgenomic common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Transgenomic Board out of funds legally available for dividend payments. All outstanding shares of Transgenomic common stock are fully paid and non-assessable. The holders of Transgenomic common stock have no preferences or rights of conversion, exchange, pre-emption or other subscription rights. There are no redemption or sinking fund provisions applicable to the Transgenomic common stock. In the event of any liquidation, dissolution or winding-up of Transgenomic's affairs, holders of Transgenomic common stock will be entitled to share ratably in Transgenomic's assets that are remaining after payment or provision for payment of all of Transgenomic's debts and obligations. The rights, preferences and privileges of the Transgenomic common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock currently outstanding or which Transgenomic may designate and issue in the future.

Preferred Stock

General Matters

Under the Certificate of Incorporation, Transgenomic has the authority to issue up to 15,000,000 shares of preferred stock, $0.01 par value per share (the "Preferred Stock"), issuable in specified series and having specified voting, dividend, conversion, liquidation and other rights and preferences as Transgenomic's board of directors may determine, subject to limitations set forth in the Certificate of Incorporation. The Preferred Stock may be issued for any lawful corporate purpose without further action by Transgenomic's stockholders. The issuance of any Preferred Stock having conversion rights might have the effect of diluting the interests of Transgenomic's other stockholders. In addition, shares of Preferred Stock could be issued with rights, privileges and preferences which would deter a tender or exchange offer or discourage the acquisition of control of Transgenomic.

Of the number of shares of Preferred Stock authorized by Transgenomic's Certificate of Incorporation, as of January 17, 2017, 2,365,243 shares had been designated Series A-1 Preferred with such rights, privileges and preferences as set forth in the Certificate of Designation of Series A-1 Convertible Preferred Stock filed with the Secretary of State of the State of Delaware on January 8, 2016. As of January 17, 2017, 214,705 shares of Series A-1 Preferred were issued and outstanding.

Series A-1 Convertible Preferred Stock

Certain rights of the holders of the Series A-1 Preferred are senior to the rights of the holders of Transgenomic's Transgenomic common stock. The Series A-1 Preferred has a liquidation preference equal to its original price per share, plus any accrued and unpaid dividends thereon.

All outstanding shares of Series A-1 Preferred will be automatically converted into Transgenomic common stock, at an initial conversion rate of 1:1, at the election of the holders of a majority of the then-outstanding shares of Series A-1 Preferred, voting as a single class on an as-converted basis. The initial conversion rate for the Series A-1 Preferred is subject to adjustment in the event of certain stock splits, stock dividends, mergers, reorganizations and reclassifications.

Generally, the holders of the Series A-1 Preferred are entitled to vote as a single voting group with the holders of the Transgenomic common stock, and the holders of the Series A-1 Preferred are generally entitled to that number of votes as is equal to the product obtained by multiplying: (i) the number of whole shares of Transgenomic common stock into which the Series A-1 Preferred may be converted as of the record date of such vote or consent, by (ii) 0.93, rounded down to the nearest whole number.

Anti-Takeover Effects Under Section 203 of the General Corporation Law of the State of Delaware

Transgenomic is subject to Section 203 of the General Corporation Law of the State of Delaware (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 (i) by 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 an exchange offer; or

- on or after such date, the business combination is approved by the board of directors and authorized at an annual or a 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 of the DGCL defines "business combination" to include the following:

- any merger or consolidation involving the corporation or any direct or indirect majority owned subsidiary of the corporation and the interested stockholder or any other corporation, partnership, unincorporated association, or other entity if the merger or consolidation is caused by the interested stockholder and as a result of such merger or consolidation the transaction is not excepted as described above;

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any sale, transfer, pledge, or other disposition (in one transaction or a series) 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 loss, advances, guarantees, pledges, or other financial benefits by or through the corporation.

In general, Section 203 of the DGCL defines an "interested stockholder" as an entity or a 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.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. Transgenomic has not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of Transgenomic may be discouraged or prevented.

Anti-Takeover Effects Under Certain Provisions of Transgenomic's Certificate of Incorporation and Bylaws

Transgenomic's Certificate of Incorporation and Transgenomic's Amended and Restated Bylaws (the "Bylaws") include a number of provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of the management of Transgenomic.

First, Transgenomic's Certificate of Incorporation provides that all stockholder actions must be effected at a duly called meeting of holders and not by a consent in writing.

Second, Transgenomic's Bylaws provide that special meetings of the holders may be called only by the chairman of the board of directors, the Chief Executive Officer or Transgenomic's board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors.

Third, Transgenomic's Certificate of Incorporation provides that Transgenomic's board of directors can issue up to 15,000,000 shares of Preferred Stock without further action by Transgenomic's stockholders, as described above.

Fourth, Transgenomic's Certificate of Incorporation and Bylaws provide for a classified board of directors in which approximately one-third of the directors are elected each year. Consequently, any potential acquirer would need to successfully complete two proxy contests in order to take control of Transgenomic's board of directors. As a result of the provisions of the Certificate of Incorporation and Delaware law, stockholders will not be able to cumulate votes for directors.

Fifth, Transgenomic's Certificate of Incorporation prohibits a business combination with an interested stockholder without the approval of the holders of 75% of all voting shares and the vote of a majority of the voting shares held by disinterested stockholders, unless it has been approved by a majority of the disinterested directors.

Finally, Transgenomic's Bylaws establish procedures, including advance notice procedures, with regard to the nomination of candidates for election as directors and stockholder proposals. These provisions of Transgenomic's Certificate of Incorporation and Bylaws could discourage potential acquisition proposals and could delay or prevent a change in control of the management of Transgenomic.

Existing Warrants

As of January 17, 2017, warrants to purchase 7,302,771 shares of Transgenomic common stock with a weighted-average exercise price of $3.59 per share were outstanding. Series A Warrants to purchase an aggregate of 15,400 shares of Transgenomic common stock (the “Series A Warrants”) and warrants to purchase 1,929,482 shares of Transgenomic common stock (the “Exchangeable Warrants”), are subject to a blocker provision (the “Warrant Blocker”), which restricts the exercise of the warrants if, as a result of such exercise, the warrant holder, together with its affiliates and any other person whose beneficial ownership of Transgenomic common stock would be aggregated with the warrant holder’s for purposes of Section 13(d) of the Exchange Act, would beneficially own in excess of 9.99% of Transgenomic’s then issued and outstanding shares of Transgenomic common stock (including the shares of Transgenomic common stock issuable upon such exercise), as such percentage ownership is determined in accordance with the terms of the Series A Warrants. The Series A Warrants and the Exchangeable Warrants are currently exercisable, in each case except to the extent such exercise is restricted by the Warrant Blocker and with respect to the Exchangeable Warrants, Transgenomic stockholder approval. The Warrant Blocker for the Series A Warrants will automatically expire 61 calendar days prior to January 7, 2021, the expiration date of the Series A Warrants and the Warrant Blocker for the Exchangeable Warrants will automatically expire 61 calendar days prior to January 8, 2021, the expiration date of the Exchangeable Warrants. The Exchangeable Warrants may be exchanged for shares of Transgenomic common stock, subject to certain exceptions and limitations. All of Transgenomic’s other outstanding warrants are currently exercisable, except for an Exchangeable Warrant to purchase 1,900,000 shares of Transgenomic common stock, which may not be exercised or exchanged until Transgenomic obtains stockholder approval or approval from Nasdaq to issue shares of Transgenomic common stock upon exercise or exchange. All of Transgenomic’s outstanding warrants contain provisions for the adjustment of the exercise price in the event of stock dividends, stock splits, reorganizations, reclassifications or mergers. In addition, certain of the warrants contain a “cashless exercise” feature that allows the holders thereof to exercise the warrants without a cash payment to Transgenomic under certain circumstances.

Unsecured Convertible Promissory Notes

On December 31, 2014, Transgenomic entered into an Unsecured Convertible Promissory Note Purchase Agreement (the "Note Purchase Agreement") with an accredited investor (the "Investor"), pursuant to which Transgenomic agreed to issue and sell to the Investor in a private placement an unsecured convertible promissory note (the "Initial Note"). Transgenomic issued the Initial Note in the aggregate principal amount of $750,000 to the Investor on December 31, 2014. Pursuant to the terms of the Initial Note, interest accrued at a rate of 6% per year and the Initial Note was set to mature on December 31, 2016. Under the Initial Note, the outstanding principal and unpaid interest accrued was convertible into shares of Transgenomic common stock as follows: (i) commencing upon the date of issuance of the Initial Note (but no earlier than January 1, 2015), the Investor was entitled to convert, on a one-time basis, up to 50% of the outstanding principal and unpaid interest accrued under the Initial Note, into shares of Transgenomic common stock at a conversion price equal to the lesser of (a) the average closing price of the Transgenomic common stock on the principal securities exchange or securities market on which the Transgenomic common stock is then traded (the "Market") for the 20 consecutive trading days immediately preceding the date of conversion, and (b) $2.20 (subject to adjustment for stock splits, stock dividends, other distributions, recapitalizations and the like); and (ii) commencing February 15, 2015, the Investor was entitled to convert, on a one-time basis, any or all of the remaining outstanding principal and unpaid interest accrued under the Initial Note, into shares of Transgenomic common stock at a conversion price equal to 85% of the average closing price of Transgenomic common stock on the Market for the 15 consecutive trading days immediately preceding the date of conversion. The Initial Note has been converted in full into 502,786 shares of Transgenomic common stock, in accordance with the terms of the Initial Note.

On January 15, 2015, Transgenomic entered into the Note Purchase Agreement with seven accredited investors (the "Additional Investors") and, on January 20, 2015, issued and sold to the Additional Investors, in a private placement, notes (the "Additional Notes") in an aggregate principal amount of $925,000. The Additional Notes have the same terms and conditions as the Initial Note (except with respect to the Remaining Note as described below). As of January 19, 2017, $800,000 of the aggregate principal amount of the Additional Notes, and accrued interest thereon, has been converted into an aggregate of 654,029 shares of Transgenomic common stock. Craig-Hallum acted as the sole placement agent for the Additional Notes and Transgenomic issued to Craig-Hallum a convertible promissory note, upon the same terms and conditions as the Additional Notes, in an aggregate principal amount equal to 5% of the proceeds received by Transgenomic, or $46,250. On January 19, 2017, Craig-Hallum converted the principal amount and accrued interest on its convertible promissory note into an aggregate of 43,129 shares of Transgenomic common stock.

As of January 17, 2017, one Additional Note remains outstanding with an aggregate amount due on such Note of $139,876 ($125,000 in principal amount and $14,876 of accrued interest) (the "Remaining Note"). The Additional Investor holding the Remaining Note (the "Remaining Investor") agreed to extend the Maturity Date of the Remaining Note pursuant to a January 17, 2017 amendment to the Remaining Note between Transgenomic and the Remaining Investor (the "Amendment"). The Amendment provides that two-thirds of the outstanding principal amount of the Remaining Note must be paid upon the earlier to occur of the closing of the merger between Merger Sub and Precipio as contemplated by the Merger Agreement or June 16, 2017 (such applicable date, the "Deferred Maturity Date"). The remaining one-third of the principal amount outstanding on the Remaining Note must be paid on the six month

anniversary of the Deferred Maturity Date (the “Extended Maturity Date”). On the applicable Deferred Maturity Date, all accrued and unpaid interest on the Remaining Note as of the Deferred Maturity Date will be converted into shares of Transgenomic’s common stock at a conversion price based on the average closing price of Transgenomic common stock on the Market for the 20 consecutive trading days immediately preceding the date of conversion, but in no event will the conversion price be less than $0.25 per share. Interest that accrues on the remaining principal amount of the Remaining Note from the Deferred Maturity Date will be payable on the Extended Maturity Date, unless the Remaining Note is converted in which case such interest will be payable in shares of Transgenomic’s common stock as part of the conversion.

In exchange for extending the Maturity Date of the Remaining Note, Transgenomic will issue to the Remaining Investor on the applicable Deferred Maturity Date a warrant to purchase shares of Transgenomic’s common stock having an aggregate value of $6,250 with an exercise price to be determined as of the date of issuance of the warrant based on the average closing price of Transgenomic common stock on the Market for the 20 consecutive trading days immediately preceding the date of issuance of the warrant, subject to the approval of the Market if necessary. The warrant will expire two years from the date of issuance.

Listing

The Transgenomic common stock is listed on the Nasdaq Capital Market under the symbol “TBIO”.

Transfer Agent and Registrar

The transfer agent and registrar for the Transgenomic common stock is Wells Fargo Shareowner Services. Its address is 1110 Centre Pointe Curve, Suite 101, Mendota Heights, MN 55120 and its telephone number is 1-855-217-6361.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT OF TRANSGENOMIC

The following table provides information known to Transgenomic with respect to beneficial ownership of Transgenomic's common stock by its directors, by its named executive officers, by all of its current executive officers and directors as a group, and by each person Transgenomic believes beneficially owns more than 5% of its outstanding common stock as of January 17, 2017. Except as indicated in the footnotes to this table, to Transgenomic's knowledge the persons named in the table below have sole voting and investment power with respect to all Transgenomic common stock beneficially owned and such shares are owned directly by such person. The number of shares beneficially owned by each person or group as of January 17, 2017 includes shares of Transgenomic common stock that such person or group had the right to acquire on or within 60 days after January 17, 2017, including, but not limited to, upon the exercise of options, stock appreciation rights or warrants to purchase common stock or the conversion of securities into common stock. Beneficial ownership information of persons other than Transgenomic's current executive officers and directors is based on available information including, but not limited to, Schedules 13D, 13F or 13G filed with the Securities and Exchange Commission (the "SEC") or information supplied by these persons.

Name and Address of Beneficial Owner[1]	Number of Shares Beneficially Owned		Percent of Class	
Directors and Executive Officers				
Paul Kinnon, President, Chief Executive Officer, Interim Chief Financial Officer and Director	307,499	(2)	1.1	%
Doit L. Koppler, II, Director	24,823	(3)	*	
Robert M. Patzig, Director	72,515	(4)	*	
Michael A. Luther, Director	10,000	(5)	*	
Mya Thomae, Director	5,000	(6)	*	
All directors and executive officers as a group (6 persons)	419,837	(7)	1.6	%
Other Stockholders				
Randal J. Kirk	8,458,607	(8)	30.9	%
Kevin Douglas	1,400,737	(10)	5.2	%

* Represents less than 1% of Transgenomic's outstanding common stock.

(1) The address for all of Transgenomic's directors and executive officers is the address of its principal executive offices located at 12325 Emmet Street, Omaha, Nebraska 68164.

(2) Includes 307,499 shares issuable upon the exercise of stock options and stock appreciation rights that are exercisable or will become exercisable within 60 days after January 17, 2017.

(3) Includes (i) 4,166 shares owned by Mr. Koppler, (ii) 15,499 shares issuable upon the exercise of stock options that are exercisable or will become exercisable within 60 days after January 17, 2017, and (iii) 5,158 shares issuable upon the exercise of warrants that are exercisable or will become exercisable within 60 days after January 17, 2017.

(4) Includes (i) 3,333 shares owned by Mr. Patzig, (ii) 65,499 shares issuable upon the exercise of stock options that are exercisable or will become exercisable within 60 days after January 17, 2017, and (iii) 3,683 shares issuable upon the exercise of warrants that are exercisable or will become exercisable within 60 days after January 17, 2017.

(5) Includes 10,000 shares issuable upon the exercise of stock options that are exercisable or will become exercisable within 60 days after January 17, 2017.

(6) Includes 5,000 shares issuable upon the exercise of stock options that are exercisable or will become exercisable within 60 days after January 17, 2017.

(7) Includes shares which may be acquired by executive officers and directors as a group within 60 days after January 17, 2017 through the exercise of stock options, stock appreciation rights or warrants.

(8) Consists of (i) 7,550,669 shares of common stock, (ii) 693,233 shares of common stock issuable upon exercise of warrants to purchase shares of common stock that are currently exercisable, and (iii) 214,705 shares of common stock issuable upon conversion of 214,705 shares of Series A-1 Convertible Preferred Stock. Excludes 161,026 shares of common stock issuable upon exercise or exchange of warrants to purchase shares of common stock (the "Placement Warrants") that are not currently exercisable as the exercise thereof is restricted by a blocker provision (the "Warrant Blocker") that restricts the exercise of each Placement Warrant if, as a result of such exercise, the holder of the Placement Warrant, together with its affiliates and any other person whose beneficial ownership of common stock would be aggregated with such holder's for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, would beneficially own in excess of 9.99% of the Company's then issued and outstanding shares of common stock (including the shares of common stock issuable upon such exercise), as such percentage ownership is determined in accordance with the terms of the Placement Warrants. The Warrant Blocker will automatically expire 61 calendar days prior to the expiration date of the Placement Warrants. In addition, if certain approvals from the Company's stockholders and The Nasdaq Stock Market LLC to issue any additional shares of common stock pursuant to the exchange right under the Placement Warrants are obtained (the "Placement Warrants Required Approvals"), an additional 100,000 shares of common stock may be issued upon exercise of an exchange right under the Placement Warrants for an aggregate of up to 260,862 shares of common stock issuable upon exchange of the Placement Warrants. The total of the shares of common stock, the warrants to purchase shares of common stock and the shares of Series A-1 Convertible Preferred Stock are held by the following companies, which are managed by Third Security, LLC ("Third Security"), which is managed by Randal J. Kirk. Mr. Randal J. Kirk could be deemed to have indirect beneficial ownership of these shares: Third Security Senior Staff 2008 LLC beneficially owns 3,383,444 shares of common stock, which consist of (a) 3,020,267 shares of common stock, (b) 85,882 shares of common stock issuable upon conversion of 85,882 shares of Series A-1 Convertible Preferred Stock, and (c) 277,295 shares of common stock issuable upon exercise of warrants to purchase shares of common stock that are not Placement Warrants and are currently exercisable; Third Security Staff 2010 LLC beneficially owns 2,445,890 shares of common stock, which consist of (x) 2,125,654 shares of common stock, (y) 42,941 shares of common stock issuable upon conversion of 42,941 shares of Series A-1 Convertible Preferred Stock, and (z) 277,295 shares of common stock issuable upon exercise of warrants to purchase shares of common stock that are not Placement Warrants and are currently exercisable; Third Security Incentive 2010 LLC beneficially owns 1,691,719 shares of common stock, which consist of (1) 1,510,135 shares of common stock, (2) 42,941 shares of common stock issuable upon conversion of 42,941 shares of Series A-1 Convertible Preferred Stock, and (3) 138,643 shares of common stock issuable upon exercise of warrants to purchase shares of common stock that are not Placement Warrants and are currently exercisable; Third Security Staff 2014 LLC beneficially owns 937,554 shares of common stock, which consist of (A) 894,613 shares of common stock, and (B) 42,941 shares of common stock issuable upon conversion of 42,941 shares of Series A-1 Convertible Preferred Stock. The business address of these beneficial owners is 1881 Grove Avenue, Radford, Virginia 24141.

(9) Based solely on Transgenomic's review of a Schedule 13G/A filed with the SEC on February 13, 2015, Mr. Douglas has dispositive power over all of the shares owned by the Douglas affiliates. The Douglas affiliates include shares owned directly by James E. Douglas, III as well as shares held in the following trusts: K&M Douglas Trust, Douglas Family Trust and the James Douglas and Jean Douglas Irrevocable Descendants' Trust. The business address of this beneficial owner is 125 East Sir Francis Drake Boulevard, Suite 400, Larkspur, California 94939.

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FUTURE TRANSGENOMIC STOCKHOLDER PROPOSALS

Whether or not the merger with Precipio is completed, Transgenomic will hold its regular annual meeting of stockholders in 2017. Pursuant to Transgenomic's Bylaws, stockholder proposals submitted for presentation at Transgenomic's 2017 annual meeting of stockholders, including nominations for common stock directors, must be received by the Corporate Secretary at c/o Transgenomic, Inc., 12325 Emmet Street, Omaha, NE 68164 no later than 35 days prior to the date of Transgenomic's 2017 annual meeting of stockholders. If less than 35 days' notice of the 2017 annual meeting of stockholders is given, then stockholder proposals must be received by Transgenomic's Corporate Secretary no later than seven days after the mailing date of the notice of the 2017 annual meeting of stockholders, and in the case of a special meeting of stockholders, received not later than the close of business on the 10th day following the day on which notice of the date of the meeting was mailed. Any stockholder nomination for a director, who is not an incumbent director, must set forth the name, age, address and principal occupation of the person nominated, the number of shares of Transgenomic's common stock owned by the nominee and the nominating stockholder and other information required to be disclosed about the nominee under federal proxy solicitation rules.

In order to be included in Transgenomic's proxy statement relating to the 2017 annual meeting of stockholders, stockholder proposals must have been submitted in writing by December 30, 2016 to Transgenomic's Corporate Secretary at c/o Transgenomic, Inc., 12325 Emmet Street, Omaha, NE 68164. The inclusion of any such proposal in Transgenomic's proxy materials will be subject to the requirements of the proxy rules adopted under the Exchange Act.

IMPORTANT NOTICE REGARDING DELIVERY OF STOCKHOLDER DOCUMENTS

Transgenomic is sending only one proxy statement to "street name" stockholders who share a single address unless it received contrary instructions from any stockholder at that address. This practice, known as "householding," is designed to reduce printing and postage costs. However, if a stockholder is residing at such an address and wishes to receive a separate proxy statement in the future, such stockholder may request them by calling Transgenomic's Corporate Secretary at (402) 452-5400 , or by submitting a request in writing to Transgenomic's Corporate Secretary, c/o Transgenomic, Inc., 12325 Emmet Street, Omaha, NE 68164. If a stockholder is receiving multiple copies of the proxy statement, such stockholder can request householding by contacting the Corporate Secretary in the same manner described above. In addition, Transgenomic will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the proxy statement to a stockholder at a shared address to which a single copy of the documents was delivered.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Transgenomic is subject to the informational requirements of the Exchange Act. Accordingly, Transgenomic files annual, quarterly and current reports, proxy statements and other information with the SEC. Transgenomic also furnishes to its stockholders annual reports, which include financial statements audited by independent certified public accountants and other reports which the law requires to be sent to stockholders. The public may read and copy any reports, proxy statements or other information that Transgenomic files at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information at the public reference room by calling the SEC at 1-800-SEC-0330. Transgenomic's SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at www.sec.gov. You may obtain a copy of any of these documents, at no cost, by writing or telephoning at the following address:

Transgenomic, Inc.
12325 Emmet Street
Omaha, Nebraska
Attention: Corporate Secretary
(402)-452-5400

Transgenomic's common stock is listed on Nasdaq under the symbol "TBIO." You can read and copy reports, proxy statements and other information about Transgenomic at Nasdaq's offices at One Liberty Plaza, 165 Broadway, New York, N.Y. 10006.

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INFORMATION INCORPORATED BY REFERENCE

Certain information has been “incorporated by reference” information into this proxy statement, which means that Transgenomic has disclosed important information to you by referring you to another document filed separately with the SEC. The documents incorporated by reference into this proxy statement contain important information that you should read about Transgenomic.

The following documents are incorporated by reference into this proxy statement:

(a) Transgenomic’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on April 14, 2016; and

(b) Transgenomic’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed with the SEC on November 14, 2016.

Transgenomic is delivering to its stockholders with this proxy statement the aforementioned annual and quarterly reports in accordance with Item 13(b)(2) of Schedule 14A. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this proxy statement.

Documents incorporated by reference are also available, without charge. You may obtain documents incorporated by reference in this proxy statement by requesting them in writing or by telephone at the following address:

Transgenomic, Inc.
Attn: Investor Relations
12325 Emmet Street
Omaha, Nebraska 68164
Phone: (402) 452-5400
Fax: (402) 452-5461
E-mail: investorrelations@transgenomic.com

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INDEPENDENT AUDITORS' REPORT

To the Members

Precipio Diagnostics, LLC

We have audited the accompanying balance sheets of Precipio Diagnostics, LLC (the Company) as of December 31, 2015 and 2014, and the related statements of operations, changes in members' deficit and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Precipio Diagnostics, LLC as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net member deficiency that raises substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the Company has restated the financial statements for the years ended December 31, 2015 and 2014 to correct certain misstatements. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements effective January 1, 2015, the Company early adopted Financial Accounting Standard Board issued ASU 2015-03, S*implifying the Presentation of Debt Issuance Costs.*

/s/ Marcum

Hartford, CT

February 3, 2017

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PRECIPIO DIAGNOSTICS, LLC

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

	2015 (Restated)	2014 (Restated)
Assets		
Current Assets		
Cash and cash equivalents	$234,688	$573,317
Accounts receivable - net	455,744	197,366
Inventory	83,411	86,711
Prepaids and other current assets	4,910	5,971
Total Current Assets	778,753	863,365
Property and Equipment - net	343,214	308,122
Security Deposit	10,000	10,000
Total Assets	$1,131,967	$1,181,487
Liabilities and Members' Deficit		
Current Liabilities		
Accounts payable	$739,719	$546,460
Accrued expenses	123,386	82,420
Current maturities of long-term debt, less discounts	575,157	189,751
Current maturities of capital leases	36,440	10,914
Deferred rent	28,107	50,621
Convertible bridge notes, less debt issuance costs	1,351,073	—
Total Current Liabilities	2,853,882	880,166
Capital Leases, less current maturities	164,185	82,090
Long-Term Debt, less current maturities and discounts	210,639	646,612
Total Liabilities	3,228,706	1,608,868
Members' Deficit	(2,096,739)	(427,381)
Total Liabilities and Members' Deficit	$1,131,967	$1,181,487

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

PRECIPIO DIAGNOSTICS, LLC

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015 (Restated)	2014 (Restated)
Revenue		
Patient service revenue, less contractual allowance	$1,804,828	$1,833,060
Less allowance for doubtful accounts	(324,869)	(107,561)
	1,479,959	1,725,499
Less: Cost of Diagnostic Services	814,660	1,063,118
Gross Profit	665,299	662,381
Operating Expenses	2,168,655	2,251,938
Operating Loss before Other Income (Expense)	(1,503,356)	(1,589,557)
Other Income (Expense)		
Interest expense	(188,240)	(44,937)
Other income	11,838	(903)
Total Other Expenses	(176,402)	(45,840)
Net Loss	$(1,679,758)	$(1,635,397)

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

PRECIPIO DIAGNOSTICS, LLC

STATEMENTS OF CHANGES IN MEMBERS' DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Balance - January 1, 2014, as previously reported	$438,790
Prior period adjustments, net	4,380
Balance - January 1, 2014, as restated	443,170
Net loss	(1,635,397)
Issuances of warrants	11,898
Unit-based compensation expense	6,620
Issuance of Series B as compensation to management	15,004
Issuance of Series B units, net of origination costs	731,324
Balance - December 31, 2014 (as restated)	(427,381)
Net loss	(1,679,758)
Unit-based compensation expense	10,400
Balance - December 31, 2015 (as restated)	$(2,096,739)

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

PRECIPIO DIAGNOSTICS, LLC

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015 (Restated)	2014 (Restated)
Cash Flow from Operating Activities		
Net loss	$(1,679,758)	$(1,635,397)
Adjustment to reconcile net loss to cash used in Operating activities:		
Provision for allowance of doubtful accounts	432,430	261,715
Depreciation and amortization	111,571	110,989
Amortization of deferred financing and debt discount	33,437	9,329
Accrual of interest	87,818	—
Unit-based compensation expense	10,400	21,624
Changes in operating assets and liabilities:		
Accounts receivable	(690,808)	(97,775)
Inventory	3,300	(19,851)
Prepaids and other current assets	1,061	1,389
Accounts payable	193,259	(52,582)
Accrued expenses	40,966	19,248
Deferred rent	(22,514)	(18,907)
Net Cash Used in Operating Activities	(1,478,838)	(1,400,218)
Cash Flow from Investing Activities		
Purchases of property and equipment	(10,734)	(55,894)
Net Cash Used in Investing Activities	(10,734)	(55,894)
Cash Flow from Financing Activities		
Proceeds from convertible bridge notes	1,263,275	—
Proceeds from member contributions	—	738,705
Origination costs on member contributions	—	(7,381)
Payments on capital leases payable	(28,308)	(18,895)
Proceeds from note payable	—	488,102
Payments of notes payable	(63,106)	(54,815)
Payments for deferred financing costs	(20,918)	(47,318)
Net Cash Provided by Financing Activities	1,150,943	1,098,398
Net Change in Cash and Cash Equivalents	(338,629)	(357,714)
Cash and Cash Equivalents - Beginning	573,317	931,031
Cash and Cash Equivalents - Ending	$234,688	$573,317

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

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PRECIPIO DIAGNOSTICS, LLC

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Supplemental Disclosure of Cash Flow Information Interest paid	100,422	44,937
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Purchase of equipment financed through capital leases	$135,929	$34,733
The Company issued warrants in connection with its financing arrangements.	$—	$11,898

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

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Precipio Diagnostics, LLC (the Company) is a Connecticut Limited Liability Company formed in 2011. The Company is an early-stage diagnostics company that operates a cancer diagnostic laboratory located in New Haven, Connecticut. The Company collaborates with an academic institution to provide the highest standards of cancer diagnostics that is delivered to the community and improves patient care.

SIGNIFICANT ACCOUNTING POLICIES

PRIOR PERIOD ADJUSTMENT

The Company restated its financial statements for January 1, 2014, increasing the opening members' equity by $4,380. The restatement related to information discovered related to improper billings and recording of additional bad debt expense. This resulted in an overstatement of net patient service revenue in 2014, understatement of bad debt expense in 2014, understatement of accounts receivable and understatement of allowance for doubtful accounts as of December 31, 2014. In addition, certain lease agreements found to meet capital lease criteria; as a result, the lease payments were adjusted to properly reflect depreciation, amortization and interest expense. The accompanying comparative financial statements as of and for the year ended December 31, 2014 have been restated to correct these errors. The resulting adjustment to the previously issued financial statements was an increase to net loss and members' deficit of $157,336.

The effect of the restatements is summarized in the table below as of and for the year ended December 31, 2014:

	Reported	Debit (Credit) Adjustments	Previously As Restated
Bad debt expense	$—	$ 107,561	$107,561
Patient service revenue	(1,872,274)	39,214	(1,833,060)
Allowance for doubtful accounts	(98,237)	(163,478)	(261,715)
Accounts receivable	442,093	16,988	459,081
Capital lease equipment	—	111,115	111,115
Accumulated depreciation	(206,656)	(24,577)	(231,233)
Capital lease payable	—	(93,004)	(93,004)

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Previously Reported	Debit (Credit) Adjustments	As Restated
Interest	26,431	18,506	44,937
Cost of diagnostic services	707,636	355,482	1,063,118
Other income - loss on termination of capital lease	(137)	1,040	903

The Company restated its financial statements as of and for the year ended December 31, 2015. The restatement related to information discovered related to certain lease agreements found to meet capital lease criteria; as a result, the lease payments were adjusted to properly reflect depreciation, amortization and interest expense. In addition, as part of the restatement accounts payable and accruals were adjusted to reflect a change in the calculation of the payroll accrual and reduction of accounts payable due to settlement agreement with a vendor. The accompanying comparative financial statements as of and for the year ended December 31, 2015 have been restated to correct these errors. The resulting adjustment to the previously issued financial statements was a decrease to net loss of $106,065.

The effect of the restatements is summarized in the table below as of and for the year ended December 31, 2015:

	Previously Reported	Debit (Credit) Adjustments	As Restated
Capital lease equipment	$—	$ 247,044	$247,044
Accumulated depreciation	(283,726)	(57,632)	(341,358)
Accounts payable	(862,469)	122,750	(739,719)
Accrued expenses	(98,481)	(24,905)	(123,386)
Capital lease payable	—	(200,625)	(200,625)
Interest	147,970	40,270	188,240
Cost of diagnostic services	404,184	410,476	814,660
Operating expenses	2,712,499	(543,844)	2,168,655

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities, at the date of the financial statements, and the reported revenues and expenses during the reporting period. The most significant estimates with regard to these financial statements relate to the allowance for doubtful accounts, assumptions used to value the stock based compensation and potential impairment of long- lived assets. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

CASH, CASH EQUIVALENTS AND CREDIT RISK

The Company considers all highly liquid investments, with maturities of three months or less, when purchased, to be cash equivalents.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed, Federal Deposit Insurance Corporation (FDIC) insured limits of $250,000. The Company reduces its exposure to credit risk by maintaining such deposits with high-quality financial institutions.

RISKS AND UNCERTAINTIES

The Company operates in the healthcare industry which is subject to reimbursement from third-party payors. The Company is still in the early phases of establishing relationships with providers, however, services have decreased from 1,208 cases in 2014 to 1,136 cases in 2015.

ACCOUNTS RECEIVABLE

Accounts receivable results from the various health care services provided by the Company and are due within 30 days from the invoice date. The carrying amount of the accounts receivable is reduced by an allowance for doubtful accounts. In evaluation the collectability of patient accounts receivable, the Company analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts. The Company has recorded an allowance for doubtful accounts of $432,430 and $261,715 as of December 31, 2015 and 2014.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORY

Inventories consist of laboratory supplies and are valued at cost (determined on the first-in, first-out method) or net realizable value, whichever is lower.

PROPERTY AND EQUIPMENT

Property and equipment, including assets held under capital leases, are recorded at cost, net of accumulated depreciation. Expenditures for maintenance and repairs are charged to operations. Depreciation and amortization, including amortization of assets under capital leases, is calculated using the straight-line method over estimated useful lives of related assets.

Estimated useful lives are as follows:

Asset	Life
Machinery and lab equipment	5 – 7 years
Office equipment and computer	5 – 7 years
Lab software	3 – 5 years

For assets sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any related gain or loss is reflected in operations for the period. Expenditures for major betterments that extend the useful lives of property and equipment are capitalized.

DEBT ISSUANCE COSTS

Debt issuance costs totaling $142,391 at December 31, 2015 and $121,473 at December 31, 2014 are being amortized over the lives of the related financing on a basis that approximates the effective interest method. Accumulated amortization related to these debt issuance costs was $47,484 at December 31, 2015 and $14,047 at December 31, 2014. Related amortization expense was $29,737 in 2015 and $7,687 in 2014.

In April 2015, the FASB issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 amends current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management elected to early adopt ASU 2015-03 as displayed in the accompanying balance sheets, and accordingly has presented the debt issuance costs as a debt discount in all periods presented. The application of this standard had no effect to net loss for the year ended December 31, 2014 or members' deficit as of December 31, 2014. The application of this standard resulted in a decrease in total assets and total liabilities of $88,303 due to the change in presentation in 2014 from an asset to a contra-liability as required by the standard.

NET PATIENT SERVICE REVENUE

The Company primarily recognizes revenue for services rendered upon completion of the testing process. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustment under reimbursement agreements with third-party payors. Revenue under third-party payor agreements is subject to audit and retroactive adjustment.

Provisions for third-party payor settlements are provided in the period the related services are rendered and adjusted in the future periods, as final settlements are determined. See Note 7 for additional information relative to net patient service revenue recognition and third-party payor programs.

PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES

The Company accounts for its insurance claims and related insurance recoveries at their gross values as standards for health care entities do not allow the Company to net insurance recoveries against the related claim liabilities. There were no insurance claims or insurance recoveries recorded during 2015 or 2014.

INCOME TAXES

The Company elected to be treated as a partnership for Federal and Connecticut State income tax purposes. Accordingly, no provision or credit is made for income taxes. The Company's operating results are included by the Company's members in their respective income tax returns.

There are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analysis of or changes in tax laws, regulations and interpretations thereof as well as other factors. At December 31, 2015 and 2014, there were no amounts that had been accrued for uncertain tax positions.

RENT EXPENSE

Rental expense is recognized on a straight-line basis over the terms of the leases.

ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs charged to operations totaled $24,249 in 2015 and $39,736 in 2014.

UNIT BASED COMPENSATION

The Company recognizes unit-based compensation expense for the fair value of the awards on the date granted on a straight-line basis over their vesting term. Compensation expense is recognized only for unit-based payments expected to vest. The Company estimates forfeitures at the date of grant based on the Company's historical experience and future expectations.

Non-Employee Awards: The Company accounts for unit based compensation issued to non- employees at the fair value of equity instruments given as consideration for services rendered as a non-cash charge to operations over the shorter of the vesting period or service period. The equity instruments are revalued on each subsequent reporting date until performance is complete with a cumulative catch-up adjustment recognized for any changes in their fair value.

RECLASSIFICATION

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

NOTE 2 – LIQUIDITY

The Company has incurred significant operating losses and has used cash in its operating activities for the past several years. Operating losses have resulted from inadequate sales levels for the cost structure. Further, the Company has significant working capital deficit at December 31, 2015 mainly due to the significant amount of debt coming due during 2016.

The Company is currently in default with the forbearance agreement with Connecticut Innovations and in default with the Webster Bank covenants. The Company has secured a revision to its Connecticut Innovations note payable (see Note 5). The Company is in discussion with their lenders for waivers on these defaults but management cannot assure that they will be able to extend the credit facilities on terms reasonably acceptable to the Company or at all.

If management is unable to extend the credit facilities, obtain waivers, or both, the financial institutions could request payment on demand which could impair the Company’s ability to conduct business in the near future. The current forecast projects that, absent additional capital from existing members or new members, the Company will not be able to meet its obligations over the next 12 months. In response to these circumstances, the Company is currently in discussions with certain investors to raise additional capital as well as exploring other means of raising capital. There can be no assurance such capital is available at terms favorable or agreeable to management, if at all. In the near term, the Company will continue to monitor expenses based on current cash flow.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

The aforementioned circumstances raise substantial doubt about the Company's ability to continue as a going concern. There can be no assurance that the Company will be able to successfully achieve its initiatives summarized above in order to continue as a going concern. The accompanying financial statements have been prepared assuming the Company will continue as a going concern and do not include any adjustments that might result should the Company be unable to continue as a going concern as a result of the outcome of this uncertainty.

NOTE 3 – ACCOUNTS RECEIVABLE

Management has provided an allowance for potential credit losses, which has been determined based on management's industry experience. The Company grants credit without collateral to its patients, most of whom are insured under third-party payer agreements.

The mix of receivables from patients and third-party payers were as follows:

	2015	2014 (Restated)
Medicaid	$24,078	$9,408
Medicare	86,644	89,454
Self Pay	4,403	5,793
Third party payers	773,049	354,426
	888,174	459,081
Less allowance for doubtful accounts	432,430	261,715
Total accounts receivable	$455,744	$197,366

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

	2015 (Restated)	2014 (Restated)
Machinery and lab equipment	$ 152,738	$ 152,738
Capital lease equipment	247,044	111,115
Lab software	218,165	218,165
Computers	57,277	48,721
Office equipment	9,348	8,616
	684,572	539,355
Less accumulated depreciation	341,358	231,233
Total property and equipment	$ 343,214	$ 308,122

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 5 – NOTES PAYABLE

CONNECTICUT INNOVATIONS, INC.

The Company entered into a line of credit on April 1, 2012 for up to $500,000 with interest paid monthly at 8 percent, due on September 1, 2018. The line is secured by substantially all of the Company's assets. The Company had $138,422 at December 31, 2015 and 2014 outstanding (which is net of a debt discount of $2,000 at December 31, 2014).

In connection with the line of credit, the Company issued warrants to purchase 25,000 Series A Preferred Units of the Company, at an exercise price of $1.00 per unit, subject to adjustments as defined in the warrant agreement. The warrants were valued at $6,000 at the date of the grant utilizing the Black-Sholes model (volatility 40%, expected life 7 years, and risk free rate .36%). The value of the warrants was treated as a debt discount and will continue to accrete interest through the maturity date of the line of credit. The Company accreted to interest expense $1,500 in 2015 and 2014 of the debt discount.

The warrant and related Series A Preferred Units have a put feature that has an immaterial value. The line of credit is subordinate to the Webster Bank term loan.

In November 2014, the Company entered into a forbearance agreement with Connecticut Innovations to defer the loan payments for up to six months. As of December 31, 2015, the Company is in default of the forbearance agreement and a balloon payment for the full balance is due June 2016. Subsequent to year end a new forbearance agreement was entered into to defer monthly principal payments on the line of credit until October 2017 (See Note 13). The Company is also restricted from any additional borrowings under the line of credit.

DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

The Company entered into a 10-year term loan with the Department of Economic and Community Development (DECD) on May 1, 2013 for $300,000, with interest paid monthly at 3 percent, due on April 23, 2023. The loan is secured by substantially all of the Company's assets but is subordinate to the term loan with Webster Bank and the line of credit.

WEBSTER BANK

The Company entered into a 3.5-year term loan with Webster Bank on December 1, 2014 for $500,000, with interest paid monthly at the one month LIBOR rate plus 500 basis points (.48% at December 31, 2015), due on May 31, 2018. The line is secured by substantially all of the Company's assets and has first priority over all other outstanding debt. As of December 31, 2015 and 2014 the outstanding balance was $448,000 and $500,000, respectively.

The term loan with Webster Bank is subject to financial covenants relating to maintaining adequate cash runway, as defined, as of June 30, 2015, September 30, 2015 and December 31, 2015 the Company is not in compliance with this covenant. As such, the Webster Bank debt has all been presented as current in the accompanying financial statements.

In connection with the Webster Bank agreement, the Company issued 7 year warrants to purchase $20,000 Series B Preferred Units of the Company. The exercise price is equal to 1) share price of the next round of equity financing equal to or greater than $1.0 million to be closed prior to September 1, 2015 or 2) the most recent round prior to the close ($1.5845) should the qualified financing not occur. The warrants were valued at $11,898 at the date of the grant utilizing the Black-Scholes model (volatility 59.1%, expected life 7 years, and risk free rate 1.93%). The value of the warrants was treated as a debt discount and will continue to accrete interest through the maturity date of the line of credit. The Company accreted to interest expense $1,700 in 2015 and $142 in 2014 of the debt discount.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

The following represents the aggregate future maturities required on long-term debt for the years ending December 31:

	Connecticut Innovations	DECD	Webster Bank	Total
2016	$ 138,422	$31,463	$ 448,000	$617,885
2017	—	35,324	—	35,324
2018	—	36,398	—	36,398
2019	—	37,505	—	37,505
2020	—	38,656	—	38,656
Thereafter	—	98,308	—	98,308
	138,422	277,654	448,000	864,076
Less, debt issuance costs	—	(35,552)	(32,672)	(68,224)
Less, debt discount	—	—	(10,056)	(10,056)
	138,422	242,102	405,272	785,796
Less, current portion	(138,422)	(31,463)	(405,272)	(575,157)
Long-term debt	$ —	$210,639	$ —	$210,639

NOTE 6 – CONVERTIBLE BRIDGE NOTES PAYABLE

During 2015, the Company issued eleven convertible bridge notes for $1,360,000. The notes accrue interest at a rate of 14% and are payable no later than September 30, 2016. As of December 31, 2015, the outstanding balance was $1,360,000 excluding debt issuance costs of $8,927 with accrued interest of $87,818 is included within accrued expenses on the accompanying balance sheet. Subsequent to year end the maturity date of the convertible bridge notes payable were extended. In addition, an additional $15,000 of bridge notes were issued. (See Note 13)

NOTE 7 – NET REVENUE FROM PATIENT SERVICES

The following table summarizes net revenues from services to patients:

	2015	2014 (Restated)
Gross patient service revenue	2,854,037	2,738,117
Less: contractual allowances and adjustments	(1,049,209)	(905,057)
Net patient service revenue	1,804,828	1,833,060

The following summarizes all payers for the years ended December 31:

	2015	2014 (Restated)
Medicaid	$47,254	$39,714
Medicare	424,347	377,601
Self pay	58,198	24,452
Third party payors	1,275,029	1,391,293
	$1,804,828	1,833,060

Revenue from the Medicare and Medicaid programs account for a portion of the Company’s net patient service revenue. Laws and regulations governing those programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8 – COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Company entered into a sixty-four month operating lease beginning in September 2011, for their facility in New Haven, Connecticut and during 2012 and 2013, the Company took on additional square footage. For the years ended December 31, 2015 and 2014, rental payments range from approximately $11,000 to $12,000 per month.

The Company has also entered into a non-cancelable lease for equipment through 2016. The terms of the lease require minimum purchase commitments for reagents. The terms of the lease don’t require a monthly lease expense if the minimum purchase commitment is met. The Company has allocated a portion of the minimum purchase commitment to equipment rental for the years ended December 31, 2015 and 2014.

The future minimum lease payments for 2016 under these leases is approximately $153,000. The Company recognizes rent expense on a straight-line basis for all operating leases. Rent expense was $130,957 in 2015 and $115,633 in 2014.

PURCHASE COMMITMENTS

The Company has entered into purchase commitments for reagents from suppliers. These agreements started in 2011 and run through 2022. The Company and the suppliers will true up the amounts on an annual basis. The future minimum purchase commitments under these agreements are as follows:

Years ending December 31,

2016	$135,246
2017	135,246
2018	135,246
2019	135,246
2020	83,964
Thereafter	59,866

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

CAPITAL LEASES

The Company has entered into various capital lease agreements to obtain lab equipment. The terms of the capital leases range from five to ten years with interest rates of 7.25%.

The following is an analysis of the property acquired under capital leases.

	2015 Restated)	2014 (Restated)
Lab equipment	$247,044	$111,115
Less accumulated amortization	57,632	24,577
	$189,412	$86,538

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2016:

2016	$49,790
2017	49,790
2018	49,790
2019	49,790
2020	25,422
Thereafter	14,416
	238,998
Less, interest	(38,373)
	200,625
Less, current portion	(36,440)
Long-term debt	$164,185

Included in cost of diagnostic services is amortization expense of Precipio $33,055 in 2015 and $29,270 in 2014 related to equipment acquired under capital leases.

NOTE 9 – LEGAL AND REGULATORY ENVIRONMENT

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirement, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10 – MEMBERS' DEFICIT

On July 3, 2013, the Company entered into an amended and restated limited liability company operating agreement (the amended operating agreement) authorizing the use of four different classes of units (i) Series A Convertible Preferred Units (Series A) (ii) Series B Convertible Preferred Units (Series B), (iii) Voting Common Units and (iv) Non-Voting Common Units.

The Company is authorized to issue 1,905,556 Series A units (including warrants), 1,882,968 Series B unit (including warrants), 5,288,524 common units, with 3,788,524 common units (including warrants) reserved for issuance upon conversion of the Series A units and Series B units, and the remaining 954,216 voting common units and 545,784 non-voting common units issued or reserved for issuance as equity incentives.

VOTING RIGHTS

Each of the Series A and Series B classes of units have protective provisions providing consent fights for such classes in voting on certain matters. In addition, each holder of Series A and Series B units shall have the right to the number of votes equal to the number of common units issuable upon conversion of such Series A and B units, respectively. Each voting common unit shall carry the right of one vote per common unit. Non-voting common units shall not have any voting rights.

COMMON UNITS

The Company has two classes of common units voting and non-voting. There are 5,288,524 common units authorized, with 3,788,524 common units reserved for issuance upon conversion of the Series A units and Series B units (including warrants), and the remaining 954,216 voting commons units, and 545,784 non-voting common units issued or reserved for issuance as equity incentives. During 2015, the Company issued 90,000 non-voting common units that vest over a two to three year period. Unit compensation charged to operations totaled $10,400 in 2015 and $6,620 in

2014. There were no incentive grants in 2014. The fair value of the restricted unit granted to the employees was determined on the grant date. The Company has issued 954,216 common voting and 371,454 in 2015 and 281,454 in 2014 of common non-voting shares to various employees. As of December 31, 2015, the Company has outstanding 954,216 common voting shares and 283,233 common non-voting shares. As of December 31, 2014, the Company has outstanding 815,432 common voting shares and 192,447 common non-voting shares.

Information regarding restricted unit awards follows:

	Voting	Non-Voting	Total
Outstanding at January 1, 2014	377,336	157,326	534,662
Granted	—	—	—
Released	(238,552)	(68,319)	(306,871)
Canceled, forfeited, or expired	—	—	—
Outstanding at December 31, 2014	138,784	89,007	227,791
Granted	—	90,000	90,000
Released	(138,784)	(90,786)	(229,570)
Canceled, forfeited, or expired	—	—	—
Outstanding at December 31, 2015		88,221	88,221

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10 – MEMBERS DEFICIT (CONTINUED)

CONVERTIBLE PREFERRED UNITS

The Company has issued and outstanding 1,880,556 Series A Preferred Units.

In 2014, the Company has issued 466,207 Series B Preferred Units in exchange for cash of $738,705. Also the Board agreed and issued 9,469 Series B Preferred Units as bonus compensation, to certain members of management totaling $15,004. The Company incurred costs of $7,381 in 2014 in connection with the Series B Preferred issuance which have been recorded as origination costs within members' equity.

The Series A and B Preferred Units have a preferred return of eight percent per year on the unreturned capital contributions of the respective series. The preferred return accrues quarterly; unpaid returns accumulate and were $631,717 for Series A and $507,644 for Series B.

In addition in connection with the Company's finance agreements, the Company issued warrants to purchase 25,000 units of Series A Preferred Units and $20,000 of Series B Preferred Units. These warrants are still outstanding as of December 31, 2015.

The Company has 1,880,556 Series A Preferred Units and 1,817,213 Series B Preferred Units outstanding as of December 31, 2015 and 2014.

MANDATORY CONVERSION

The Series A units and Series B units have a mandatory conversion feature, which states that at either the closing of a qualified public offering or an event that has been specified as a mandatory conversion time by a vote of the Series A unit and Series B unit members, then all outstanding Series A units and Series B units (and any declared but unpaid distributions) shall automatically be converted into voting common units at the then effective conversion rate. No events have occurred as of December 31, 2015 and 2014 that would cause an automatic conversion of these units.

CONVERTIBLE RIGHTS

The Series A Members and Series B Members shall have conversion rights as follows:

a. Each Series B unit shall be converted, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable voting common units as is determined by dividing the Series B adjusted purchase price by the Series B conversion price (as defined) in effect at the time of conversion.

b. Each Series A unit shall be converted, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable voting common units as is determined by dividing the Series A adjusted purchase price by the Series A conversion price (as defined) in effect at the time of conversion.

NOTE 11 – MAJOR CUSTOMERS

The Company recognized revenue from two customers in 2015 and 2014 that represented in the aggregate 28 percent and 26 percent (ranging from 11 to 17 percent) of total revenues, respectively.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 12 – LITIGATION

The Company is involved in legal proceedings related to matters, which are incidental to its business. In the opinion of management, based on consultation with legal counsel, the outcome of such proceedings will not materially affect the Company's financial position or results of operations.

NOTE 13 – SUBSEQUENT EVENTS

The Company restructured equity investments by exchanging Member Equity comprised of Series A and Series B Convertible Preferred Units in the amount of $1,715,000, plus declared dividends on these preferred units of $432,716, and convertible bridge notes of $680,000 for new senior notes of $2,243,895 and new junior notes of $583,821. The senior and junior notes accrue interest at a rate of 12% and 15%, respectively, and have a maturity date of March 9, 2019, or earlier based on certain qualifying events as outlined in the note agreements. The Company also issued $61,073 of new senior notes to satisfy an accumulated interest obligation on existing member debt.

In March 2016, the Company entered into a redemption and exchange agreement with certain members' relating to their 805,556 Preferred A Units and 609,024 Preferred B Units. Under the terms of the agreement, the unit holders would exchange their units in the Company for the issuance of debt.

The aggregate purchase price per the agreement was the member's initial investment of $750,000 for Preferred A Units and $965,000 for Preferred B Units, along with a preferred return of 8%, recorded as a dividend in the amount of $432,716. In addition to the debt issued as consideration for the member's preferred units, the Company also issued common warrant units, which allows the holders to collectively purchase common units of the Company, representing approximately 60% of the Company at the time of exercise. At the time of issuance, this represented approximately 5,731,217 common units. The common warrant units have a $0.00 exercise price with a ten year expiration date. The common warrant units were classified as equity awards and the fair value upon issuance was calculated utilizing a discounted cash flow analysis to value the Company's equity and an option pricing method to allocate the value of the equity. The fair value of the warrants was determined directly utilizing the option pricing method as the exercise price was $0.00. The aggregate value of the common warrant units was $1,421,738, which was considered a deemed

dividend.

The Company issued an additional convertible bridge note for $15,000. The terms state the note is payable on demand if after September 30, 2016 and accrues interest at a rate of 14% and is payable no later than December 31, 2016. During January 2017, the holders of the note agreed to defer the maturity date and as of the date of this report no new maturity date has been set.

The maturity date of the convertible bridge notes payable (Note 6) were extended to December 31, 2016. During January 2017, the holders of the notes agreed to defer the maturity date and as of the date of this report no new maturity date has been set.

The debt noted above are subordinate to loans outstanding with Webster Bank as noted in Note 5.

In September 2016, the Company entered into a forbearance agreement with Connecticut Innovations which deferred monthly principal payments on the line of credit until October 2017, interest and principal payments through August 1, 2018 and a balloon payment on September 1, 2018. The Company is also restricted from any additional borrowings under the line of credit.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

On October 12, 2016, the Company entered into an Agreement and Plan of Merger with Transgenomic, Inc. and their wholly owned subsidiary New Haven Labs, Inc. At the effective time of the merger, New Haven Labs, Inc. will merger with the Company and following the merger Transgenomic will change its name to Precipio, Inc.

Subsequent to entering into the Agreement and Plan of Merger as noted above, the Company raised $615,000 from members through the issuance of senior notes which accrue interest at a rate of 12% and are payable at the closing of a qualified public offering, as outlined in the note agreement, but no later than March 9, 2019.

On February 2, 2017, Precipio agreed to offer a line of credit to Transgenomic up to $250,000 pursuant to an unsecured promissory note (the “Bridge Loan”). All outstanding amounts under the Bridge Loan accrue interest at a rate of 10% per annum and are due and payable upon the earlier to occur of (a) the date that is 90 days following the date of the Bridge Loan or (b) the closing of the merger. The proceeds of the Bridge Loan will be used by Transgenomic to finance certain general expenses until the effective date of the merger.

The Company evaluated subsequent events through February 3, 2017, which is the date the financial statements were issued. No events, other than previously disclosed, occurred that require disclosures or adjustments to the financial statements.

PRECIPIO DIAGNOSTICS, LLC

CONDENSED BALANCE SHEETS

(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 67,963	$ 234,688
Accounts receivable, net	460,354	455,744
Inventory	95,215	83,411
Prepaids and other current assets	31,732	4,910
Total current assets	655,264	778,753
PROPERTY AND EQUIPMENT, NET	293,211	343,214
SECURITY DEPOSIT	10,000	10,000
TOTAL ASSETS	$ 958,475	$ 1,131,967
LIABILITIES AND MEMBERS' DEFICIT		
CURRENT LIABILITIES:		
Current maturities of long-term debt, less discounts	$ 3,853,677	$ 575,157
Convertible bridge notes, less debt issuance costs	695,000	1,351,073
Accounts payable	797,530	739,719
Accrued expenses	429,412	123,386
Current maturities of capital leases	45,402	36,440
Deferred rent	1,551	28,107
Deferred revenue	92,150	—
Total current liabilities	5,914,722	2,853,882
LONG TERM LIABILITIES:		
Long-term debt, less current maturities and discounts	356,335	210,639
Capital leases, less current maturities	174,950	164,185
Total liabilities	6,446,007	3,228,706
MEMBERS' DEFICIT	(5,487,532)	(2,096,739)
TOTAL LIABILITIES AND MEMBERS' DEFICIT	$ 958,475	$ 1,131,967

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

PRECIPIO DIAGNOSTICS, LLC

CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
NET REVENUE		
Patient service revenue, net	$1,716,137	$1,265,251
Less allowance for doubtful accounts	(308,905)	(243,652)
	1,407,232	1,021,599
LESS: COST OF DIAGNOSTIC SERVICES	709,762	570,313
GROSS PROFIT	697,470	451,286
OPERATING EXPENSES	1,573,793	1,588,150
OPERATING LOSS BEFORE OTHER INCOME (EXPENSE)	(876,323)	(1,136,864)
OTHER INCOME (EXPENSE):		
Interest expense	(378,657)	(121,430)
Other income	3,000	10,338
	(375,657)	(111,092)
NET LOSS	(1,251,980)	(1,247,956)
Preferred unit dividends	(432,716)	—
Deemed dividends on exchange of preferred units	(1,421,738)	—
NET LOSS AVAILABLE TO COMMON UNIT HOLDERS	$(3,106,434)	$(1,247,956)

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

PRECIPIO DIAGNOSTICS, LLC

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss	$(1,251,980)	$(1,247,956)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	99,012	80,608
Amortization of deferred financing costs and debt discount	31,389	27,853
Unit-based compensation expense	8,905	7,800
Provision for allowance of doubtful accounts	308,905	243,652
Capitalized accrued interest on long-term debt	84,716	65,864
Changes in operating assets and liabilities:		
Accounts receivable	(313,515)	(527,143)
Inventory	(11,804)	766
Prepaids and other current assets	(26,822)	1,062
Accounts payable	57,811	81,411
Accrued expenses	306,025	(53,817)
Deferred rent	(26,556)	(16,886)
Deferred revenue	92,150	—
Net cash used in operating activities	(641,764)	(1,336,786)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchases of property and equipment	—	(10,734)
Net cash used in investing activities	—	(10,734)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from convertible bridge notes	15,000	945,000
Proceeds from long-term debt	615,000	—
Capital lease principal payments	(29,283)	(19,602)
Payments of long-term debt	(115,678)	(48,527)
Payments of deferred financing costs	(10,000)	(17,056)
Net cash flows provided by financing activities	475,039	859,815
NET CHANGE IN CASH AND CASH EQUIVALENTS	(166,725)	(487,705)
CASH AND CASH EQUIVALENTS - BEGINNING	234,688	573,317
CASH AND CASH EQUIVALENTS - ENDING	$67,963	$85,612
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$48,482	$52,266
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		

Purchases of equipment financed through capital leases	$49,010	$135,929
Preferred unit dividend financed through exchange agreement	$432,716	$—
Convertible bridge notes exchanged for long-term debt	$680,000	$—
Series A and B Preferred exchanged for long term debt	$1,715,000	$—

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

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 1 – NATURE OF BUSINESS

NATURE OF BUSINESS

Precipio Diagnostics, LLC (the "Company" or "Precipio") is a Connecticut Limited Liability Company formed in 2011. The Company is an early-stage diagnostics company that operates a cancer diagnostic laboratory located in New Haven, Connecticut. The Company collaborates with an academic institution to provide the highest standards of cancer diagnostics that are delivered to the community and to improve patient care.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

The condensed financial information included herein is unaudited. In the opinion of the Company, the accompanying condensed financial information contains all adjustments, consisting of normal and recurring adjustments, necessary for the fair statement of its financial position as of September 30, 2016, and its results of operations and cash flows for the nine months ended September 30, 2016 and 2015. The condensed balance sheet as of December 31, 2015, was derived from audited annual financial statements but does not contain all of the information and footnote disclosures required by U.S. GAAP for complete financial statements. Interim results are not necessarily indicative of results for a full year. The condensed financial statements included herein should be read in conjunction with the financial statements and notes included in the Company's financial statements for the year ended December 31, 2015.

GOING CONCERN

The condensed financial statements have been prepared using U.S. GAAP applicable for a going concern, which assume that we will realize our assets and discharge our liabilities in the ordinary course of business. We have incurred substantial operating losses and have used cash in our operating activities for the past several years. As of September 30, 2016, we had negative working capital of $5.3 million due to an increase in accounts payable and accrued expenses , along with the significant amount of debt we have coming due within the next twelve months. Our ability to continue as a going concern is dependent upon a combination of achieving our business plan, including generating additional revenue, and raising additional financing to meet our debt obligations and pay our liabilities arising from normal business operations when they come due. The Company is currently in discussions with certain investors to raise additional capital as part of a proposed merger, see Note 12 – Subsequent Events for further discussion on the merger. There can be no assurance such capital is available at terms favorable or agreeable to management, if at all, or that the Company will successfully complete the proposed merger.

The Company is currently in default with the forbearance agreement with Connecticut Innovations and in default with the Webster Bank covenants, see Note 5. The Company has secured a revision to its Connecticut Innovations debt repayment schedule effective September 29, 2016 that approves interest only payments through October 1, 2017, interest and principal payments through August 1, 2018 and a balloon payment on September 1, 2018. The Company is in discussion with Webster Bank to maintain the loan subject to review of the Company’s December 31, 2016 financial statements and it’s forward looking business projections. Management cannot assure that they will be able to extend the credit facility on terms reasonably acceptable to the Company or at all.

If management is unable to extend the credit facilities, obtain waivers, or both, the financial institutions could request payment on demand which could impair the Company’s ability to conduct business in the near future.

The aforementioned circumstances raise substantial doubt about the Company’s ability to continue as a going concern. There can be no assurance that the Company will be able to successfully achieve its initiatives summarized above in order to continue as a going concern. The accompanying financial statements have been prepared assuming the Company will continue as a going concern and do not include any adjustments that might result should the Company be unable to continue as a going concern as a result of the outcome of this uncertainty.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities, at the date of the financial statements, and the reported revenues and expenses during the reporting period.

The most significant estimates with regard to these condensed financial statements relate to the allowance for doubtful accounts, assumptions used to value stock based compensation, contractual allowances, warrant valuations and potential impairment of long-lived assets. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation insured limits of $250,000. The Company reduces its exposure to credit risk by maintaining such deposits with high-quality financial institutions.

Service companies in the health care industry typically grant credit without collateral to patients. The majority of these patients are insured under third-party insurance agreements. The services provided by the Company are routinely billed utilizing the Current Procedural Terminology (CPT) code set designed to communicate uniform information about medical services and procedures among physicians, coders, patients, accreditation organizations, and payers for administrative, financial, and analytical purposes. CPT codes are currently identified by the Centers for Medicare and

Medicaid Services and third-party payors. The Company utilizes CPT codes for Pathology and Laboratory Services contained within codes 80000-89398.

RISKS AND UNCERTAINTIES

The Company operates in the healthcare industry which is subject to reimbursement from third-party payors. The Company is still in the early phases of establishing relationships with referring physicians, third-party payors and medical facilities.

ACCOUNTS RECEIVABLE

Accounts receivable results from the various health care services provided by the Company and are due within 30 days from the invoice date. The carrying amount of the accounts receivable is reduced by an allowance for doubtful accounts. In evaluating the collectability of patient accounts receivable, the Company analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts. Receivables deemed to be uncollectible are charged against the allowance for doubtful accounts at the time such receivables are written-off. Recoveries of receivables previously written-off are recorded as credits to the allowance for doubtful accounts.

INVENTORY

Inventory consists of laboratory supplies and is valued at cost (determined on the first-in, first-out method) or net realizable value, whichever is lower. We evaluate inventory for items that are slow moving or obsolete and record an appropriate allowance for obsolescence if needed. At both September 30, 2016 and December 31, 2015, we determined that no allowance for slow moving or obsolete inventory was necessary.

PROPERTY AND EQUIPMENT

Property and equipment, including assets held under capital lease, are stated at cost, net of accumulated depreciation and amortization. Expenditures for maintenance and repairs are expensed as incurred. Depreciation and amortization, including amortization of assets under capital leases, are calculated using the straight-line method over estimated useful lives of related assets.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

Estimated useful lives are as follows:

Asset	Life
Machinery and lab equipment	5 – 7 years
Office equipment and computer	5 – 7 years
Lab Software	3 – 5 years

For assets sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any related gain or loss is reflected in operations for the period. Expenditures for major betterments that extend the useful lives of property and equipment are capitalized.

DEBT ISSUANCE COSTS AND DEBT DISCOUNTS

Debt issuance costs and debt discounts are being amortized over the lives of the related financings on a basis that approximates the effective interest method. Net debt issuance costs and debt discounts were $65,819 and $87,207 at September 30, 2016 and December 31, 2015, respectively (net of accumulated amortization of $86,573 and $55,184, respectively). Related amortization expense was $31,389 and $27,853 for the nine months ended September 30, 2016 and 2015, respectively.

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 amends current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted.

As of December 31, 2015, management elected to early adopt ASU 2015-03 as displayed in the accompanying condensed balance sheets, and accordingly, has presented the debt issuance costs as a debt discount in all periods

presented.

NET PATIENT SERVICE REVENUE

The Company primarily recognizes revenue for services rendered upon completion of the testing process. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustment under reimbursement agreements with third-party payors. Revenue under third-party payor agreements is subject to audit and retroactive adjustment.

Provisions for third-party payor settlements are provided in the period the related services are rendered and adjusted in the future periods, as final settlements are determined. See Note 7 – Net Revenue From Patient Services for additional information relative to net patient service revenue recognition and third-party payor programs.

PRESENTATION OF INSURANCE CLAIMS AND RELATED INSURANCE RECOVERIES

The Company accounts for its insurance claims and related insurance recoveries at their gross values as standards for health care entities do not allow the Company to net insurance recoveries against the related claim liabilities. There were no insurance claims or insurance recoveries recorded during the nine months ended September 30, 2016 and 2015.

INCOME TAXES

The Company elected to be treated as a partnership for Federal and Connecticut State income tax purposes. Accordingly, no provision or credit is made for income taxes. The Company’s operating results are included by the Company’s members in their respective income tax returns.

There are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

Management's conclusions regarding uncertain tax positions may be subject to review and adjusted at a later date based upon ongoing analysis of or changes in tax laws, regulations and interpretations thereof as well as other factors.

RENT EXPENSE

Rental expenses are recognized on a straight-line basis over the terms of the leases.

ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs charged to operations totaled

$12,426 and $14,210 for the nine months ended September 30, 2016 and 2015, respectively.

UNIT BASED COMPENSATION

The Company calculates the fair value of unit awards on the date granted and recognizes unit-based compensation expense over their vesting term. Compensation expense is recognized only for unit-based awards expected to vest. The Company estimates forfeitures at the date of grant based on the Company's historical experience and future expectations.

Non-Employee Awards: The Company accounts for unit based compensation issued to non- employees at the fair value of equity instruments given as consideration for services rendered as a non-cash charge to operations over the shorter of the vesting period or service period. The equity instruments are revalued on each subsequent reporting date

until performance is complete with a cumulative catch-up adjustment recognized for any changes in their fair value.

COMMON WARRANT UNITS

The Company accounts for the issuance of common warrant units issued in accordance with the provisions of Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging.* The Company classifies as equity any contracts that (i) require physical settlement or net-unit settlement or (ii) gives the Company a choice of net-cash settlement or settlement in its own units (physical settlement or net-unit settlement). The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net-cash settle the contract if an event occurs and if that event is outside of the company's control), or (ii) give the counterparty a choice of net-cash settlement or settlement in units (physical settlement or net-unit settlement).

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU No. 2014-09"). This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to a customer. ASU No. 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB decided to defer the effective date of this new accounting guidance by one year. As a result, ASU No. 2014-09 will be effective for the Company for all annual and interim reporting periods beginning after December 15, 2017 and early adoption would be permitted as of the original effective date. The new standard permits the use of either the retrospective or cumulative effect transition method. The Company does not expect to early adopt this guidance and it has not selected a transition method. The Company is currently evaluating the impact this guidance will have on its financial condition, results of operations and cash flows.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40).* The new guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect to early adopt this guidance and does not believe that the adoption of this guidance will have a material impact on its financial statements.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard amends the recognition of lease assets and lease liabilities by lessees for those leases currently classified as operating leases and amends disclosure requirements associated with leasing arrangements. The new standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Company is currently assessing the impact that the adoption of this ASU will have on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The new standard simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, statutory tax withholding requirements, forfeitures and classification on the statement of cash flows. This guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2016; however, early adoption is permitted. The Company does not expect to early adopt this guidance and is currently evaluating the impact this guidance will have on its financial condition, results of operations and cash flows.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flow - Classification of Certain Cash Receipts and Cash Payments (Topic 230)* ("ASU 2016-15"), which addresses a few specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of this new pronouncement on its statements of cash flows.

NOTE 3 – ACCOUNTS RECEIVABLE

The mix of receivables from patients and third-party payors were as follows:

	September 30, 2016	December 31, 2015

Medicaid	$ 25,009	$ 24,078
Medicare	361,543	86,644
Self Pay	84,097	4,403
Third party payors	729,999	773,049
	1,200,648	888,174
Less allowance for doubtful accounts	740,294	432,430
Accounts receivable, net	$ 460,354	$ 455,744

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

	September 30, 2016	December 31, 2015
Machinery and lab equipment	$ 152,738	$ 152,738
Lab equipment under capital leases	296,053	247,044
Lab software	218,165	218,165
Computers	57,277	57,277
Office equipment	9,348	9,348
	733,581	684,572
Less accumulated depreciation and amortization	440,370	341,358
Total property and equipment	$ 293,211	$ 343,214

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 5 – NOTES PAYABLE

Long-term debt consists of the following:

	September 30, 2016	December 31, 2015
Connecticut Innovations – line of credit	$ 162,066	$ 138,422
Department of Economic and Community Development (DECD)	251,975	277,654
DECD debt issuance costs	(25,508)	(35,552)
Webster Bank	358,000	448,000
Webster Bank debt discounts and debt issuance costs	(31,310)	(42,728)
Junior Notes	583,821	—
Senior Notes	2,919,968	—
Senior Notes debt issuance costs	(9,000)	—
Total long-term debt	4,210,012	785,796
Current portion of long-term debt	(3,853,677)	(575,157)
Long-term debt, net of current maturities	$ 356,335	$ 210,639

CONNECTICUT INNOVATIONS, INC.

The Company entered into a line of credit on April 1, 2012 with Connecticut Innovations (Connecticut Innovations Line of Credit) for up to $500,000 with interest paid monthly at 8 percent, due on September 1, 2018. Principal and interest payments began February 1, 2013 and ranged from $7,436 to $12,206 until September 2016, when the Company entered into a forbearance agreement to defer monthly principal payments until October 2017. Beginning October 1, 2017, principal payments of $11,467 are due including interest at 9% through September 2018. Pursuant to the forbearance agreement, the Company is also restricted from any additional borrowings under the line of credit.

The line is secured by substantially all of the Company’s assets.

In connection with the line of credit, the Company issued warrants to purchase 25,000 Series A Preferred Units of the Company, at an exercise price of $1.00 per unit, subject to adjustments as defined in the warrant agreement. The warrants were valued at $6,000 at the date of the grant utilizing the Black-Sholes model (volatility 40%, expected life seven years, and risk free rate .36%). The value of the warrants was treated as a debt discount and will continue to accrete interest through the maturity date of the line of credit. The Company accreted to interest expense $1,500 in 2015 of the debt discount. There was no accretion of the debt discount during the nine months ended September 30, 2016.

The warrant and related Series A Preferred Units have a put feature that has an immaterial value. The line of credit is subordinate to the Webster Bank term loan.

DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

The Company entered into a 10-year term loan with the Department of Economic and Community Development (DECD) on May 1, 2013 for $300,000, with monthly payments of $3,519, which includes interest at 3 percent, due on April 23, 2023. The loan is secured by substantially all of the Company’s assets but is subordinate to the term loan with Webster Bank and the Connecticut Innovations line of credit.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

WEBSTER BANK

The Company entered into a 3.5-year term loan with Webster Bank on December 1, 2014 for $500,000, with principal payments ranging from $5,500 to $15,000 per month, including interest at the one month LIBOR rate (.53% at September 30, 2016) plus 500 basis points, due on May 31, 2018. The loan is secured by substantially all of the Company's assets and has first priority over all other outstanding debt.

The term loan with Webster Bank is subject to financial covenants relating to maintaining adequate cash runway, as defined. As of September 30, 2016 and December 31, 2015 the Company was not in compliance with these covenants and, as such, the Webster Bank debt has all been presented as current in the accompanying financial statements.

In connection with the Webster Bank agreement, the Company issued seven year warrants to purchase $20,000 Series B Preferred Units of the Company. The exercise price is equal to 1) share price of the next round of equity financing equal to or greater than $1.0 million to be closed prior to September 1, 2015 or 2) the most recent round prior to the close ($1.5845) should the qualified financing not occur. The warrants were valued at $11,898 at the date of the grant utilizing the Black-Scholes model (volatility 59.1%, expected life seven years, and risk free rate 1.93%). The value of the warrants was treated as a debt discount and will continue to accrete interest through the maturity date of the line of credit. The Company accreted to interest expense $1,275 of the debt discount for both the nine months ending September 30, 2016 and 2015.

SENIOR AND JUNIOR NOTES

Prior to the redemption and exchange agreement discussed below, the Company raised $440,000 from members through the issuance of convertible bridge notes payable, which were then converted to long-term debt (Senior Notes) in connection with the redemption and exchange agreement. In addition, the Company raised an additional $175,000 of Senior Notes during the nine months ended September 30, 2016. The Senior Notes accrue interest at a rate of 12% and are payable at the closing of a qualified public offering, as outlined in the note agreement, or five years from date of issuance, with dates ranging from March 9, 2021 through September 1, 2021.

During March 2016, the Company restructured equity through a redemption and exchange agreement by exchanging Member Equity comprised of Series A and Series B Convertible Preferred Units in the amount of $1,715,000, plus declared dividends on these preferred units of $432,716, and Convertible Bridge Notes of $1,120,000(inclusive of the $440,000 noted above) (Note 6) for new Senior Notes of $2,683,895 and new Junior Notes of $583,821. The Senior and Junior Notes accrue interest at a rate of 12% and 15%, respectively, and have maturity dates ranging from March 2021 to September 2021, or earlier based on certain qualifying events as outlined in the note agreements.

During the nine months ended September 30, 2016, the Company also issued $61,072 of new Senior Notes to satisfy an accumulated interest obligation on existing member debt, under the same terms as the Senior Notes.

As of September 30, 2016, accrued interest on Senior and Junior Notes is included within accrued expenses on the accompanying condensed balance sheet of $187,017 and $49,186, respectively.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

The following is a schedule by years of future maturities required on long-term debt as of September 30, 2016.

	Connecticut Innovations	DECD	Webster Bank	Senior Notes	Junior Notes	Total
Remaining three months of 2016	$ —	$5,785	$ 358,000	$ —	$ —	$363,785
Year ended December 31, 2017	31,514	35,324	—	—	—	66,838
Year ended December 31, 2018	130,552	36,398	—	—	—	166,950
Year ended December 31, 2019	—	37,505	—	—	—	37,505
Year ended December 31, 2020	—	38,646	—	—	—	38,646
Year ended December 31, 2021	—	39,821	—	2,919,968	583,821	3,543,610
Thereafter	—	58,496	—	—	—	58,496
	162,066	251,975	358,000	2,919,968	583,821	4,275,830
Less, debt discount and debt issuance costs	—	(25,508)	(31,310)	(9,000)	—	(65,818)
	$ 162,066	$226,467	$ 326,690	$ 2,910,968	$ 583,821	$4,210,012

NOTE 6 – CONVERTIBLE BRIDGE NOTES PAYABLE

During the year ended December 31, 2015, the Company issued eleven convertible bridge notes for $1,360,000. The notes accrue interest at a rate of 14% and were payable no later than September 30, 2016. As of December 31, 2015, the outstanding balance was $1,360,000, excluding debt issuance costs of $8,927, with accrued interest of $87,818 included within accrued expenses on the accompanying condensed balance sheet. During 2016, the maturity date of these convertible bridge notes was extended to December 31, 2016.

During 2016, prior to entering into the redemption and exchange agreement, the Company issued additional convertible bridge notes for $440,000. Pursuant to the redemption and exchange agreement, the Company exchanged $1,120,000 of convertible bridge notes for long-term debt (Senior Notes) (Note 5).

The Company issued additional convertible bridge notes for $15,000. The notes accrue interest at a rate of 14% and are payable no later than December 31, 2016.

During January 2017, the holders of the notes agreed to waive the maturity date and the notes are payable on demand and accrue interest until paid. As of September 30, 2016, debt issuance costs were fully amortized and the outstanding convertible notes balance was $695,000, with accrued interest of $119,457 which is included within accrued expenses on the accompanying condensed balance sheet.

NOTE 7 – NET REVENUE FROM PATIENT SERVICES

The following table summarizes net revenues from patient services for the nine months ended September 30:

	2016	2015
Gross patient service revenue	$2,747,332	$1,967,188
Less: contractual allowances and adjustments	(1,031,195)	(701,937)
Patient service revenue, net	$1,716,137	$1,265,251

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

The following table summarizes patient services revenue less contractual allowances by payor for the nine months ended September 30:

	2016	2015
Medicaid	$27,544	$55,841
Medicare	546,704	483,772
Self Pay	223,853	166,363
Third party payors	918,036	559,275
Patient service revenue, net	$1,716,137	$1,265,251

Revenue from the Medicare and Medicaid programs account for a portion of the Company's net patient service revenue. Laws and regulations governing those programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Company is involved in legal proceedings related to matters which are incidental to its business. In the opinion of management, based on consultation with legal counsel, the outcome of such proceedings will not materially affect the Company's financial position or results of operations.

OPERATING LEASES

The Company entered into a sixty-four month operating lease beginning in September 2011 for its facility in New Haven, Connecticut and during 2012 and 2013, the Company took on additional square footage. For the nine months ended September 30, 2016 and 2015, rental payments were approximately $11,000 to $12,000 per month. The future minimum lease payments required under this lease are approximately $36,000 for the remainder of 2016. As of

January 2017, this lease is month to month and the Company is negotiating a new long-term lease for its facility.

The Company also had a non-cancelable lease for equipment that expired in June 2016. The terms of the lease required minimum purchase commitments for reagents. The terms of the lease did not require a monthly lease expense if the minimum purchase commitments were met. The Company has allocated a portion of the purchase commitment to equipment rental for the nine months ended September 30, 2016 and 2015.

The Company recognizes rent expense on a straight-line basis for all operating leases. Rent expense was $97,149 and $96,464 for the nine months ended September 30, 2016 and 2015, respectively.

CAPITAL LEASES

The Company has entered into various capital lease agreements to obtain lab equipment. The terms of the capital leases are typically five to ten years with interest rates of 7.25%.

The following is an analysis of the property acquired under capital leases.

Classes of Property	Asset Balances at September 30, 2016	December 31, 2015
Lab Equipment	$296,054	$ 247,044
Less: Accumulated amortization	(90,243)	(57,632)
Total	$205,811	$ 189,412

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of September 30, 2016.

Remaining three months of 2016	$14,972
Year ended December 31, 2017	59,889
Year ended December 31, 2018	59,888
Year ended December 31, 2019	59,888
Year ended December 31, 2020	35,520
Year ended December 31, 2021	24,514
Thereafter	4,207
Total capital lease obligations	258,878
Less: Amount representing interest	(38,526)
Present value of net minimum lease obligations	220,352
Less, current maturities of capital leases	(45,402)
Capital leases, less current maturities	$174,950

Included in cost of diagnostic services is amortization expense for the nine months ended September 30, 2016 and 2015 of $32,611 and $23,093, respectively, related to equipment acquired under capital leases.

PURCHASE COMMITMENTS

The Company has entered into purchase commitments for reagents from suppliers. These agreements run through 2022. The Company and the suppliers will true up the amounts on an annual basis. The future minimum purchase commitments under these agreements are as follows:

Remaining three months of 2016	$28,084
Year ended December 31, 2017	148,664
Year ended December 31, 2018	148,664
Year ended December 31, 2019	148,664
Year ended December 31, 2020	97,382

Year ended December 31, 2021	73,284
Thereafter	4,473

NOTE 9 – LEGAL AND REGULATORY ENVIRONMENT

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirement, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 10 – MEMBERS' DEFICIT

On July 3, 2013, the Company entered into an amended and restated limited liability company operating agreement (the amended operating agreement) authorizing the use of four different classes of units (i) Series A Convertible Preferred Units (Series A) (ii) Series B Convertible Preferred Units (Series B), (iii) Voting Common Units and (iv) Non-Voting Common Units.

The Company is authorized to issue 1,905,556 Series A units (including warrants), 1,882,968 Series B units (including warrants) and 5,288,524 common units. The common units include 3,788,524 common units (including warrants) reserved for issuance upon conversion of the Series A units and Series B units, 954,216 voting common units issued or reserved for issuance as equity incentives and 545,784 non-voting common units issued or reserved for issuance as equity incentives. The Company's board of directors will need to authorize an additional 5,468,222 voting common units to cover new common warrants issued in 2016.

VOTING RIGHTS

Each of the Series A and Series B classes of units have protective provisions providing consent rights for such classes in voting on certain matters. In addition, each holder of Series A and Series B units shall have the right to the number of votes equal to the number of common units issuable upon conversion of such Series A and B units, respectively. Each voting common unit shall carry the right of one vote per common unit. Non-voting common units shall not have any voting rights.

COMMON UNITS

Common Units

The Company has two classes of common units, voting and non-voting. There are 5,288,524 common units authorized. The Company has issued 954,216 common voting and 371,454 common non-voting shares to various employees as of both September 30, 2016 and December 31, 2015. As of September 30, 2016, the Company had 1,288,796 common units outstanding, of which, 954,216 were voting shares and 334,580 were non-voting shares.

Restricted Unit Awards

The fair value of restricted units granted to employees is determined on the grant date. Incentive units granted during the nine months ended September 30, 2016 and 2015 were zero and 90,000, respectively. Unit-based compensation expense charged to operations was $8,905 and $7,800 for the nine months ended September 30, 2016 and 2015, respectively.

Information regarding outstanding restricted unit awards follows:

	Voting	Non-voting	Total
Outstanding at December 31, 2015	—	88,221	88,221
Granted	—	—	—
Released	—	(52,347)	(52,347)
Canceled, forfeited, or expired	—	(1,000)	(1,000)
Outstanding at September 30, 2016	—	34,874	34,874

CONVERTIBLE PREFERRED UNITS

As of December 31, 2015, the Company had 1,880,556 Series A and 1,817,213 Series B units outstanding. During the nine months ended September 30, 2016, the Company restructured some equity investments, including the exchange of 805,556 Series A and 609,024 Series B units for new Senior and Junior Notes (Note 5) and common warrant units resulting in outstanding units as of September 30, 2016 of 1,075,000 for Series A and 1,208,189 for Series B.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

The Series A and Series B units have a preferred return of eight percent per year on the unreturned capital contributions of the respective series. The preferred return accrues quarterly; unpaid returns accumulate and were $631,717 and $507,644, as of December 31, 2015, for Series A and Series B, respectively. The accumulated amounts as of September 30, 2016 were $410,352 and $442,904 on Series A and Series B units, respectively.

In addition, in connection with the Company's finance agreements, the Company issued warrants to purchase 25,000 units of Series A and $20,000 of Series B. These warrants were outstanding as of September 30, 2016 and December 31, 2015.

MANDATORY CONVERSION

The Series A units and Series B units have a mandatory conversion feature, which states that at either the closing of a qualified public offering or an event that has been specified as a mandatory conversion time by a vote of the Series A and Series B unit members, then all outstanding Series A and Series B units (and any declared but unpaid distributions) shall automatically be converted into voting common units at the then effective conversion rate. As of September 30, 2016 and December 31, 2015, no events have occurred that would cause an automatic conversion of these units.

CONVERTIBLE RIGHTS

The Series A Members and Series B Members shall have conversion rights as follows:

Each Series A unit shall be converted, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable voting common units as is determined by dividing the Series A adjusted purchase price by the Series A conversion price (as defined) in effect at the time of conversion.

Each Series B unit shall be converted, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable voting common units as is determined by dividing the Series B adjusted purchase price by the Series B conversion price (as defined) in effect at the time of conversion.

COMMON WARRANT UNITS

In March 2016, the Company entered into a redemption and exchange agreement with certain Members relating to their 805,556 Preferred A Units and 609,024 Preferred B Units. Under the terms of the agreement, the unit holders would exchange their units in the Company for the issuance of debt (see Note 5 Notes Payable). The aggregate purchase price per the agreement was the member's initial investment of $750,000 for Preferred A Units and $965,000 for Preferred B Units, along with a preferred return of 8%, recorded as a dividend in the amount of $432,716. In addition to the debt issued as consideration for the member's preferred units, the Company also issued common warrant units, which allows the holders to collectively purchase common units of the Company, representing approximately 60% of the Company at the time of exercise. At the time of issuance, this represented approximately 5,731,217 common units. The common warrant units have a $0.00 exercise price with a ten year expiration date. The common warrant units were classified as equity awards and the fair value upon issuance was calculated utilizing a discounted cash flow analysis to value the Company's equity and an option pricing method to allocate the value of the equity. The fair value of the warrants was determined directly utilizing the option pricing method as the exercise price was $0.00. The aggregate value of the common warrant units was $1,421,738, which was considered a deemed dividend.

NOTE 11 – MAJOR CUSTOMERS

The Company recognized revenue from two customers during the nine months ended September 30, 2016 and 2015 that represented in the aggregate 21 percent and 24 percent (ranging from 6 to 18 percent) of total revenues, respectively.

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

NOTE 12 – SUBSEQUENT EVENTS

Merger Agreement

On October 12, 2016, Precipio, Transgenomic, Inc. ("Transgenomic") and New Haven Labs Inc., a wholly owned subsidiary of Transgenomic ("Merger Sub" and, together with Transgenomic, the "Transgenomic Parties") entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which Precipio will become a wholly owned subsidiary of Transgenomic (the "Merger"), on the terms and subject to the conditions set forth in the Merger Agreement. Following the Merger, Transgenomic will change its name to Precipio, Inc. ("New Precipio"). The parties expect the Merger to close during the first quarter of 2017.

When the merger is completed, (i) the outstanding common units of Precipio will be converted into the right to receive approximately 160.6 million shares of New Precipio common stock, together with cash in lieu of fractional units, which will result in Precipio common unit holders owning approximately 53% of the fully diluted New Precipio common stock and (ii) the outstanding preferred units of Precipio will be converted into the right to receive approximately 24.1 million shares of New Precipio preferred stock with an aggregate face amount equal to $3 million, which will result in the Precipio preferred unit holders owning approximately 8% of the fully diluted New Precipio common stock.

In connection with the merger, at the effective time, in addition to the New Precipio preferred stock to be issued to holders of preferred units of Precipio, New Precipio also will issue shares of New Precipio preferred stock and New Precipio common stock in a related private placement, whereby:

- Holders of certain secured indebtedness of Transgenomic will receive in exchange for such indebtedness approximately 24.1 million shares of New Precipio preferred stock in an amount equal to $3 million, which represents approximately 8% of the fully diluted New Precipio common stock, and approximately 9.8 million shares of New Precipio common stock, which represents approximately 3% of the fully diluted New Precipio common stock; and

- New Precipio will issue for cash up to approximately 56.2 million shares of New Precipio preferred stock for $7 million to investors in a private placement, which represents approximately 18% of the fully diluted New Precipio common stock.

New Precipio preferred stock will be issued based on a pre-money valuation of New Precipio of $25 million and will represent, in the aggregate, approximately 34% of the outstanding shares of New Precipio common stock on an as-converted basis, including New Precipio preferred stock issued in the Merger and the private placement.

The board of managers of Precipio and the boards of directors of Transgenomic and Merger Sub, and Transgenomic, in its capacity as the sole stockholder of Merger Sub, have each approved the Merger Agreement and the board of managers of Precipio and the board of directors of Transgenomic have each recommended that their respective equity holders approve the transactions contemplated by the Merger Agreement. Transgenomic will hold a special meeting of its stockholders to approve the issuance of shares of Transgenomic common stock pursuant to the Merger, as required by Nasdaq Listing Rules, as well as certain other matters (the “Special Meeting”).

The Merger Agreement contains various representations, warranties and covenants of Precipio and the Transgenomic Parties, including, among others, covenants (i) by each of Precipio and Transgenomic to operate its business in the ordinary course, (ii) by each of Precipio and Transgenomic not to engage in certain kinds of transactions during the period between the execution of the Merger Agreement and the completion of the Merger, (iii) by Precipio to have its members approve the Merger and (iv) by Transgenomic to hold the Special Meeting.

Under the Merger Agreement, Precipio and Transgenomic are subject to customary “no shop” provisions that limit their respective abilities to solicit alternative acquisition proposals from third parties or to provide confidential information to third parties, subject to a “fiduciary out” provision that allows Precipio and Transgenomic to provide information and participate in discussions with respect to certain unsolicited written proposals and to terminate the Merger Agreement and enter into an acquisition agreement with respect to a superior proposal in compliance with the terms of the Merger Agreement (a “Superior Proposal”).

PRECIPIO DIAGNOSTICS, LLC

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

Completion of the Merger is subject to various conditions, including, among others: (i) approval of the holders of a majority of Transgenomic's shares of outstanding common stock, (ii) approval of the requisite amount of the members of Precipio, (iii) approval of an amendment to the Certificate of Incorporation of Transgenomic contemplating the New Preferred Stock Financing (described below) and changing the name of Transgenomic to Precipio, Inc. or such other name as determined by Precipio, (iv) obtaining certain third party consents, (v) the absence of any judgment, injunction, order or decree prohibiting or enjoining the completion of the Merger, (vi) consummation of the New Preferred Stock Financing, (vii) approval of listing of the Parent Common Stock on NASDAQ, (viii) completion of the Common Unit Recapitalization (described above), (ix) increase in the size of the Transgenomic board by two members and the appointment of designees in accordance with the Merger Agreement and (x) the lock-up of certain Transgenomic stockholders and Precipio members.

In addition, the obligation of the parties to complete the Merger is subject to certain other conditions, including (i) subject to the standards set forth in the Merger Agreement, the accuracy of the representations and warranties of the other party, (ii) compliance of each party with its covenants in all material respects and (iii) no material adverse effect of either party.

The Merger Agreement contains certain termination rights for both the Transgenomic Parties and Precipio. Either may terminate the Merger Agreement if the Merger is not completed on or before June 30, 2017. Moreover, either party may terminate the Merger Agreement if the other party changes its recommendation to its security holders to approve the Merger and the related transactions or enter into an agreement with a third party regarding a Superior Proposal (as defined in the Merger Agreement).

The Merger Agreement also provides that, upon termination of the Merger Agreement under certain circumstances, Transgenomic will be required to pay to Precipio a termination payment of $256,500. If the Merger Agreement is terminated for certain other reasons, Precipio will be required to pay Transgenomic a termination payment of $256,500.

The foregoing description of the Merger Agreement does not purport to be complete. The Merger Agreement was filed by Transgenomic with the Securities and Exchange Commission as Exhibit 2.1 to Transgenomic's Current Report on Form 8-K filed on October 13, 2016. The Merger Agreement was provided solely to investors and security holders with information regarding its terms. It is not intended to be a source of financial, business or operational information

about Transgenomic, Precipio or their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Merger Agreement are made only for purposes of the Merger Agreement and are made as of specific dates; are solely for the benefit of the parties; may be subject to qualifications and limitations agreed upon by the parties in connection with negotiating the terms of the Merger Agreement, including being qualified by confidential disclosures made for the purpose of allocating contractual risk between the parties rather than establishing matters as facts; and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors or security holders. Investors and security holders should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts or condition of Transgenomic, Precipio or their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in public disclosures.

In connection with the Merger, the Supporting Stockholders and Supporting Members (as defined in the Merger Agreement) are obligated to enter into a lock-up agreement with the combined company at the Effective Time pursuant to which the Supporting Stockholders will agree, among other things, not to sell shares of Transgenomic common stock for the six month period beginning at the Effective Time.

The Merger Agreement also provides that the combined company will enter into employment agreements with certain employees of Precipio at the Effective Time and that the officers of the combined company will be agreed to by the parties prior to the Effective Time.

On February 2, 2017, Precipio agreed to offer a line of credit to Transgenomic up to $250,000 pursuant to an unsecured promissory note (the “Bridge Loan”). All outstanding amounts under the Bridge Loan accrue interest at a rate of 10% per annum and are due and payable upon the earlier to occur of (a) the date that is 90 days following the date of the Bridge Loan or (b) the closing of the merger. The proceeds of the Bridge Loan will be used by Transgenomic to finance certain general expenses until the effective date of the merger.

The Company evaluated subsequent events through February 3, 2017, which is the date the financial statements were issued. No events, other than previously disclosed, occurred that require disclosures or adjustments to the financial statements.

Annex A

Execution Version

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

TRANSGENOMIC, INC.,

NEW HAVEN LABS INC.

AND

PRECIPIO DIAGNOSTICS, LLC

DATED AS OF October 12, 2016

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "**Agreement**"), dated as of October 12, 2016, is entered into by and among Transgenomic, Inc. ("**Parent**"), a Delaware corporation, New Haven Labs Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("**Merger Sub**"), and Precipio Diagnostics, LLC, a Delaware limited liability company (the "**Company**"). Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in Article I.

RECITALS

WHEREAS, subject to the terms and conditions set forth herein, and in accordance with the Delaware General Corporation Law (the "**DGCL**") and the Delaware Limited Liability Company Act (the "**DLLCA**"), the parties hereto intend to effect a merger of Merger Sub with and into the Company, with the Company as the surviving limited liability company and as a wholly owned subsidiary of Parent;

WHEREAS, the board of managers of the Company (the "**Company Board**") has, upon the terms and subject to the conditions set forth in this Agreement, (a) determined that the transactions contemplated by this Agreement, the Merger (as defined herein) and other Transactions are in the best interests of the Company and its members, (b) approved this Agreement, the Merger and other Transactions and (c) resolved to recommend the adoption of this Agreement by the Company's members;

WHEREAS, (a) the board of directors of Parent (the "**Parent Board**") and the board of directors of Merger Sub, and Parent, in its capacity as the sole equityholder of Merger Sub, have each, upon the terms and subject to the conditions set forth herein, approved and consented to the Merger, the execution by Parent and Merger Sub of this Agreement and the consummation of the Transactions, and (b) the Parent Board has, upon the terms and subject to the conditions set forth in this Agreement, determined that the transactions contemplated by this Agreement, the Merger and the other Transactions are in the best interest of the Company and its stockholders, and resolved to recommend the adoption of this Agreement by Parent's stockholders;

WHEREAS, in connection with and contingent upon the consummation of the Merger, and in order to facilitate the Transactions, the Parent Board believes that it is in the best interests of Parent and its stockholders to (a) increase the size of the Parent Board to seven (7) directors and (b) appoint the director designees in accordance with Section 5.11;

WHEREAS, concurrently with the execution of this Agreement, and as a condition and inducement to the willingness of Parent and Merger Sub to enter into this Agreement, certain members of the Company have executed and delivered a voting agreement with Parent pursuant to which, among other things, such members have agreed, subject to the terms thereof, to authorize and approve this Agreement, the Merger and the other transactions contemplated hereby;

WHEREAS, concurrently with the execution of this Agreement, and as a condition and inducement to the willingness of the Company to enter into this Agreement, certain stockholders of Parent have executed and delivered a voting agreement with the Company pursuant to which, among other things, such stockholders have agreed, subject to the terms thereof, to authorize and approve this Agreement, the Merger and the other transactions contemplated hereby;

WHEREAS, in connection with and contingent on the consummation of the Transactions, Parent intends to enter into new employment agreements with the employees of the Company listed on Exhibit A hereto, in a form mutually agreed between Parent and the respective employees listed on Exhibit A hereto (the "**Employment Agreements**");

WHEREAS, for U.S. federal income tax purposes, it is intended that the Merger (as defined below) qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "**Code**"), and that this Agreement will be, and hereby is, adopted as a plan of reorganization; and

WHEREAS, the parties hereto desire to make certain representations, warranties, covenants and agreements in connection with the Merger and prescribe various conditions to the Merger, in each case as set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the respective promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Article I

CERTAIN DEFINITIONS

Section 1.01 Certain Definitions. As used in this Agreement, the following terms have the respective meanings set forth below.

"**2015 Financial Statements**" has the meaning set forth in Section 3.06.

"**2014 Financial Statements**" has the meaning set forth in Section 3.06.

"**2013 Financial Statements**" has the meaning set forth in Section 3.06.

"**Acquisition Proposal**" means any *bona fide* inquiry, proposal or offer (whether or not in writing) from any Person (other than any party to this Agreement or any of their Affiliates) to purchase or otherwise acquire, directly or indirectly, in a single transaction or series of related transactions, including by way of any merger, consolidation, exchange offer, stock acquisition, asset acquisition, share exchange, reorganization, recapitalization, liquidation, business combination, dissolution, joint venture, license or similar transaction, (a) assets of a party to this Agreement that account for 15% or more of such party's assets or from which 15% or more of such party's revenues or earnings are derived, (b) 15% or more of the outstanding capital stock of a party to this Agreement or any other equity or voting interests in, such party or (c) any combination of the foregoing or any other transaction the consummation of which would reasonably be expected to interfere with or prevent the Merger; *provided*, *however*, that the term "Acquisition Proposal" shall not include the Merger or the other transactions contemplated by this Agreement.

"**Accounting Firm**" means a nationally recognized accounting firm reasonably acceptable to Parent and the Company that has not otherwise provided services to any party or its Affiliates within the last two (2) years.

"**Action**" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Entity.

"**Affiliate**" means, with respect to any Person, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlled" and "controlling" have meanings correlative thereto.

"**Agreement**" has the meaning set forth in the preamble.

"**Bankruptcy and Equity Exception**" has the meaning set forth in Section 3.04(a).

"**Business Day**" means a day, other than a Saturday or Sunday, on which commercial banks in New York City, New York are open for the general transaction of business.

"**Certificate of Merger**" has the meaning set forth in Section 2.03.

"**Certifications**" has the meaning set forth in Section 4.05(a).

"**Charter Amendment**" means an amendment to the certificate of incorporation of Parent, as in effect on the date hereof, contemplating the New Preferred Stock Financing and changing the name of Parent to "Precipio Diagnostics, Inc." (or such other name as determined by the Company), in form and substance to be mutually agreed between Parent and the Company.

"**Check the Box Election**" has the meaning set forth in Section 3.20(f).

"**Claims**" means any and all administrative, regulatory or judicial actions, suits, petitions, appeals, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations, proceedings, consent orders or consent agreements.

"**Closing**" has the meaning set forth in Section 2.02.

"**Closing Date**" has the meaning set forth in Section 2.02.

"**Code**" has the meaning set forth in the recitals.

"**Company**" has the meaning set forth in the preamble.

"**Company Board**" has the meaning set forth in the recitals.

"**Company Change of Recommendation**" has the meaning set forth in Section 5.06(a)(ii).

"**Company Designated Directors**" has the meaning set forth in the recitals.

"**Company Director Designees**" has the meaning set forth in Section 5.11(b)(i).

"**Company Financial Statements**" has the meaning set forth in Section 3.06.

"**Company Intellectual Property**" means Intellectual Property owned by or licensed to the Company.

"**Company IP Agreements**" has the meaning set forth in Section 3.14(f).

"**Company Lookback Date**" means June 30, 2012.

"**Company Material Adverse Effect**" means a Material Adverse Effect with respect to the Company.

"**Company Material Licensed IP**" means all Company Intellectual Property that is licensed to the Company, excluding (a) Off-the-Shelf Software and software that is generally available for license on a mass market commercial basis pursuant to a standard form agreement that is not subject to negotiation for annual fees that do not exceed $5,000, and (b) other software that is not material to the conduct of the business of the Company and can be readily replaced with software that provides substantially the same features, functionalities and overall performance.

"**Company Material Contracts**" has the meaning set forth in Section 3.13(a).

"**Company Member Approval**" means the written consent of the members of the Company holding the requisite number of outstanding Company Units in accordance with the Company's Limited Liability Company Agreement in effect as of the Effective Time and the DLLCA, approving the (i) Merger, (ii) execution of this Agreement and (iii)

consummation of the Transactions.

"**Company Notice Period**" has the meaning set forth in Section 5.06(a)(iii).

"**Company Permits**" has the meaning set forth in Section 3.10(b).

"**Company Plan**" has the meaning set forth in Section 3.17(a).

"**Company Qualified Bidder**" has the meaning set forth in Section 5.06(a)(i).

"**Company Required Consents**" has the meaning set forth in Section 5.07.

"**Company Securities**" has the meaning set forth in Section 3.02(a).

A "**Company Triggering Event**" shall be deemed to have occurred if: (i) the Company Board shall have failed to recommend that the Company's members vote or act by written consent to approve the Merger; (ii) a Company Change of Recommendation shall have occurred; or (iii) the Company shall have entered into any letter of intent or similar document or any Contract relating to any Acquisition Proposal.

"**Company Unit**" means an outstanding common unit of the Company immediately prior to the Effective Time.

"**Company Unit Consideration**" has the meaning set forth in Section 2.08(c).

"**Company Unit Recapitalization**" means the conversion of (i) all outstanding warrants and membership interests of the Company, including the Series A Convertible Preferred Units, Series B Convertible Preferred Units, Voting Common Units, Non-Voting Common Units, Series A Warrant and Series B Warrant (as each term is defined in the Company's Limited Liability Company Agreement as of the date of this Agreement), and any other warrants to acquire any of the foregoing, into Common Units (as defined in the Company's Limited Liability Company Agreement, as in effect immediately prior to the Effective Time), (ii) all outstanding promissory notes of the Company issued to members of the Company into either Common Units or Preferred Units (as defined in the Company's Limited Liability Company Agreement, as in effect immediately prior to the Effective Time) and (iii) the termination of all such warrants and promissory notes.

"**Confidentiality Agreement**" has the meaning set forth in Section 5.03.

"**Contingent Worker**" means, with respect to any Person, any independent contractor, consultant, temporary employee, leased employee or other service or agent employed or used by such Person with respect to the operation of such Person's business and classified by such Person as other than an employee or compensated other than through wages paid by such Person through its respective payroll department.

"**Continuing Employees**" has the meaning set forth in Section 5.09(b).

"**Contract**" means any written or oral agreement, contract, subcontract, indenture, deed of trust, note, bond, mortgage, lease, sublease, concession, franchise, license, commitment, guarantee, sale or purchase order, undertaking or other instrument, arrangement or understanding of any kind.

"**D&O Indemnified Parties**" has the meaning set forth in Section 5.12(a).

"**D&O Tail Policy**" has the meaning set forth in Section 5.12(c).

"**Damages**" means any loss, damage, claim or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, claim or liability (or any action in respect thereof) arises out of or is based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an 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 indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

"**DGCL**" has the meaning set forth in the recitals.

"**DLLCA**" has the meaning set forth in the recitals.

"**Effective Time**" has the meaning set forth in Section 2.03.

"**Employment Agreements**" has the meaning set forth in the recitals.

"**Encumbrance**" means any security interest, pledge, hypothecation, mortgage, lien (including environmental and Tax liens), violation, charge, lease, license, encumbrance, servient easement, adverse claim, reversion, reverter, preferential arrangement, restrictive covenant, condition or restriction of any kind, including any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership.

"**Environment**" means surface waters, groundwaters, soil, subsurface strata and ambient air.

"**Environmental Laws**" means all Laws, now or hereafter in effect and as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, health, safety, natural resources or Hazardous Materials.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**Exchange Act**" has the meaning set forth in Section 4.04.

"**Exchange Agent**" has the meaning set forth in Section 2.11(a).

"**Exchange Fund**" has the meaning set forth in Section 2.11(a).

"**Exchange Ratio**" means the quotient of (a) the total number of Merger Shares *divided by* (b) the Company Units outstanding as of the Closing Date.

"**Dispute**" has the meaning set forth in Section 2.09(b)(vi).