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MONOGRAM BIOSCIENCES, INC.
345 Oyster Point Boulevard
South San Francisco, CA 94080

SEC Mail Processing
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Washington, DC
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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On December 17, 2008

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of **MONOGRAM BIOSCIENCES, INC.**, a Delaware corporation (also referred to as "we," "us," "Monogram," and the "Company"). The meeting will be held on December 17, 2008 at 8:00 a.m. local time at 345 Oyster Point Boulevard, South San Francisco, California, for the following purposes:

1. To elect two Class II directors to hold office until the 2011 Annual Meeting of Stockholders;

2. To ratify the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2008; and

3. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting is November 17, 2008. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors

KATHY L. HIBBS
Secretary

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South San Francisco, California
November 18, 2008

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy card, or submit your voting instructions by internet or by telephone, if those options are available to you, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

MONOGRAM BIOSCIENCES, INC.
345 Oyster Point Boulevard
South San Francisco, CA 94080

PROXY STATEMENT
FOR 2008 ANNUAL MEETING OF STOCKHOLDERS

December 17, 2008

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We sent you this proxy statement and the enclosed proxy card because our Board of Directors is soliciting your proxy to vote at the 2008 Annual Meeting of Stockholders. You are invited to attend the annual meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or submit your voting instructions by internet or by telephone, if those options are available to you.

We intend to mail this proxy statement and accompanying proxy card on or about November 20, 2008 to all stockholders of record entitled to vote at the annual meeting.

Who can vote at the annual meeting?

Only stockholders of record at the close of business on November 17, 2008 will be entitled to vote at the annual meeting. On this record date, there were 22,510,607 shares (such number reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008) of Common Stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on November 17, 2008 your shares were registered directly in your name with our transfer agent, American Stock Transfer & Trust Co., then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card, or submit your voting instructions by internet or by telephone, if those options are available to you to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on November 17, 2008 your shares were held not in your name but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

There are two matters scheduled for a vote:

- Election of two Class II directors; and

- Ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2008.

How do I vote?

You may either vote "For" all the nominees to the Board of Directors or you may "Withhold" your vote for any nominee you specify. For the other matters to be voted on, you may vote "For" or "Against" or abstain from voting. The procedures for voting are fairly simple:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the annual meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

- To vote in person, come to the annual meeting and we will give you a ballot when you arrive.
- To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If your shares are held in "street name," which means you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the proxy card to ensure that your vote is counted. Alternatively, a number of brokers and banks are participating in a program provided through Broadridge Financial Solutions, Inc. that offers the opportunity to grant proxies to vote shares by means of the telephone and Internet. If your shares are held in an account with a broker or bank participating in the Broadridge Financial Solutions, Inc. program or another similar program, you may grant a proxy to vote those shares telephonically or via the Internet by following the instructions shown on the instruction form received from your broker or bank. Stockholders participating in these programs should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that must be borne by the stockholder. To vote in person at the annual meeting, you must obtain a valid proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of Common Stock you own as of November 17, 2008.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted "For" the election of each nominee for director and "For" the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2008. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication.

Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return each proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy card with a later date.
- You may send a written notice that you are revoking your proxy to our Secretary at 345 Oyster Point Boulevard, South San Francisco, California 94080.
- You may attend the annual meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

When are stockholder proposals due for next year's annual meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by July 23, 2009, to our Secretary at 345 Oyster Point Boulevard, South San Francisco, California 94080. If you wish to submit a proposal that is not to be included in next year's proxy materials or nominate a director, you must do so no later than the close of business on October 18, 2009, nor earlier than the close of business on September 18, 2009. You are also advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count "For" and "Withhold" and, with respect to proposals other than the election of directors, "Against" votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal, and will have the same effect as "Against" votes. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

If your shares are held by your broker as your nominee (that is, in "street name"), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. If you do not give instructions to your broker, your broker can vote your shares with respect to "discretionary" items, but not with respect to "non-discretionary" items. On non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes.

How many votes are needed to approve each proposal?

- For the election of directors, the two nominees receiving the most "For" votes (among votes properly cast in person or by proxy) will be elected. Only votes "For" or "Withheld" will affect the outcome.

- To be approved, Proposal No. 2, ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2008, must receive a "For" vote from the majority of shares present, either in person or by proxy, and entitled to vote either in person or by proxy. If you "Abstain" from voting, it will have the same effect as an "Against" vote. Broker non-votes will have no effect.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares are represented by stockholders present at the meeting or by proxy. On the record date, there were 22,510,607 shares (such number reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008) outstanding and entitled to vote. Thus 11,255,304 shares (such number reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008) must be represented by stockholders present at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the meeting may adjourn the meeting to another date.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in our Annual Report on Form 10-K for the year ending December 31, 2008.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board of Directors (also referred to as the "Board") is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class shall serve for the remainder of the full term of that class, and until the director's successor is elected and qualified. This includes vacancies created by an increase in the number of directors.

The Board of Directors presently has seven members. There are two directors in the class whose term of office expires in 2008. Each of the nominees listed below is currently a member of the Board and was previously elected by the stockholders. If elected at the annual meeting, each of these nominees would serve until the 2011 annual meeting and until his or her successor is elected and has qualified, or until the director's death, resignation or removal. It is our policy to encourage directors and nominees for director to attend the Annual Meeting. None of our directors and nominees for director attended our 2007 Annual Meeting.

Directors are elected by a plurality of the votes present in person or represented by proxy and entitled to vote at the meeting. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of Mr. Jennings and Ms. Kepner. In the event that a nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of a substitute nominee proposed by management. Each of the nominees has agreed to serve if elected, and management has no reason to believe that they will be unable to serve.

The following is a brief biography of each nominee and each director whose term will continue after the annual meeting.

NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2011 ANNUAL MEETING

Edmon R. Jennings

Edmon R. Jennings, age 61, has served as a director since May 2001. From July 2003 until February 2008, Mr. Jennings served as President and CEO of Angiogenix, Inc., a biopharmaceutical company. From February 2000 to June 2003, Mr. Jennings was Chief Commercialization Officer at Pain Therapeutics, Inc., a medical research and development company. From 1985 to 2000, Mr. Jennings held senior management positions at Genentech, Inc., a biotechnology company, including Vice President of Corporate Development, Vice President of Sales and Marketing and Vice President of Sales. Prior to Genentech, for twelve years Mr. Jennings held positions with Bristol-Myers Oncology and Bristol Laboratories, both of which were divisions of Bristol-Myers (now Bristol-Myers Squibb), a pharmaceutical company. Mr. Jennings serves as a director of TRF Pharma, Inc., a biotechnology company. Mr. Jennings received his B.A. in liberal arts from the University of Michigan at Ann Arbor.

Cristina H. Kepner

Cristina H. Kepner, age 62, has served as a director since May 1996. Ms. Kepner is an Advisor at Invemed Associates LLC, an investment banking firm from which she retired in December 2000. From 1978 to December 2000, Ms. Kepner was a director, Executive Vice President and Corporate Finance Director at Invemed. Ms. Kepner serves on the board of directors of Cepheid, a molecular diagnostics company, and previously served on the board of directors and as Chairman of the Board of Quipp, Inc., an equipment manufacturer for the newspaper industry which was acquired by Illinois Tool Works Inc. in June 2008. She received her B.A. from Pace University.

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF EACH NAMED NOMINEE.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2009 ANNUAL MEETING

David H. Persing, M.D., Ph.D.

David H. Persing, M.D., Ph.D., age 53, has served as a director since December 2000. Dr. Persing received his B.A. degree in Biochemistry from San Jose State University, and his M.D. and Ph.D. (Biochemistry and Biophysics) concurrently from the University of California, San Francisco. After completion of his residency in Clinical Pathology and fellowship training at Yale University in 1989, Dr. Persing was appointed to the medical and research staff of the Mayo Clinic, a non profit medical practice, where he became Director of the Molecular Microbiology Laboratory and an Associate Professor at the Mayo Medical School. Dr. Persing has been Executive Vice President, Chief Medical and Technology Officer of Cepheid, a molecular diagnostics company, since August 2005 and has served on the board of directors of Cepheid since April 2004. Prior to his experience with Cepheid, Dr. Persing was the Senior Vice President and Chief Scientific Officer at Corixa Corporation, a research and development-based biotechnology company, from 1999 to 2005. Additionally, he served as a Principal Investigator in the Infectious Disease Research Institute, a non-profit research organization.

Christine A. White, M.D.

Christine A. White, M.D., age 56, has served as a director since August 2008. Dr. White received her medical degree and residency training from the University of Chicago and is Board certified in both Internal Medicine and Medical Oncology, completing her fellowship at UCSD and postdoctoral work with the Molecular Biology Breast Cancer/Dulbecco Laboratory of the Salk Institute. Since 2006, Dr. White has served as a consultant to various pharmaceutical companies and investment firms. From 1996 to 2005, Dr. White held a number of executive positions at Biogen Idec, a pharmaceutical and biotechnology company, and most recently served as Senior Vice President of Global Medical Affairs. While at Biogen Idec, she played a key role in the clinical development and commercialization of both Rituxan® and Zevalin®. From 1994 to 1996, she was Director of Clinical Oncology Research at the Sidney Kimmel Cancer Center. From 1984 to 1994, Dr. White held various positions at Scripps Memorial Hospitals and most recently was Medical Director of Oncology Research and Chair of the Department of Medicine. Dr. White is a past Chair of the California Breast Cancer Research Program's Advisory Council and currently serves on the editorial boards of several peer reviewed scientific publications. Dr. White also serves on the board of directors of pharmaceutical companies Arena Pharmaceuticals and Apoptos, Inc.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2010 ANNUAL MEETING

William Jenkins, M.D.

William Jenkins, M.D., age 61, has served as a director since September 2000. Dr. Jenkins is the principal in his consulting firm William Jenkins Pharma Consulting and has been a consultant and advisor to pharmaceutical companies and investment and venture capital firms in the health sector since 1999. From 1992 to 1999, he served as Head of Clinical Development and Regulatory Affairs for Ciba-Geigy Limited, a chemical and pharmaceutical company, and later for post-merger Novartis Pharma AG, a health care products company. Prior to that, Dr. Jenkins was head of worldwide clinical research at GlaxoSmithKline plc, a pharmaceutical company, and a Deputy Head in the U.K. Drug Regulatory Agency. Dr. Jenkins is a member of the Board of Directors of BTG plc, a life sciences company, and Eurand Pharmaceutical Holdings B.V., a specialty pharmaceutical company. Dr. Jenkins received his M.D. from Cambridge University and has a specialist accreditation in internal medicine and gastroenterology.

John D. Mendlein, J.D., Ph.D.

John D. Mendlein, J.D., Ph.D., age 49, has served as a director since December 2004. Dr. Mendlein was a member of ACLARA's board of directors from April 2003 to December 2004, when ALACRA merged with

Monogram. Dr. Mendlein was Chairman and Chief Executive Officer of Adnexus Therapeutics Inc., a biotechnology company, from 2005 until its acquisition by Bristol-Myers Squibb in January 2008. Prior to joining Adnexus Therapeutics, Dr. Mendlein served as Chairman and Chief Executive Officer of Affinium Pharmaceuticals, Inc., a pharmaceutical company, from 2000 until 2005. Prior to joining Affinium, Dr. Mendlein served as Chief Knowledge Officer, General Counsel and Senior Vice President, Intellectual Property of Aurora Biosciences Corporation, a drug discovery company, from 1996 until 2000. Dr. Mendlein joined Fate Therapeutics, a biotechnology company, as executive chairman on May 14, 2008. Dr. Mendlein holds a Ph.D. in physiology and biophysics from the University of California, Los Angeles and a J.D. degree from the University of California, Hastings College of Law.

William D. Young

William D. Young, age 64, has served as our Chief Executive Officer since November 1999 and has served as the Chairman of the Board since May 1999. From March 1997 to October 1999, Mr. Young was Chief Operating Officer at Genentech, Inc., a biotechnology company. As COO at Genentech, Mr. Young was responsible for all of the company's development, operations and commercial functions. Mr. Young joined Genentech in 1980 as Director of Manufacturing and Process Sciences and held various executive positions prior to becoming COO. Prior to joining Genentech, Mr. Young was employed by Eli Lilly and Company, a pharmaceutical company, for fourteen years. Mr. Young is a member of the board of directors of Biogen IDEC, Inc., a pharmaceutical and biotechnology company, and Theravance, Inc., a biopharmaceutical company. He received his bachelor's degree in chemical engineering from Purdue University, his M.B.A. from Indiana University and an honorary Doctorate in Engineering from Purdue University. He was elected to the National Academy of Engineering, USA, in 1993.

INDEPENDENCE OF THE BOARD OF DIRECTORS

As required under the NASDAQ Stock Market ("NASDAQ") listing standards, a majority of the members of a listed company's Board of Directors must qualify as "independent," as affirmatively determined by the Board of Directors. The Board consults with our counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in the pertinent NASDAQ listing standards, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and us, our senior management and our independent registered public accounting firm, the Board affirmatively has determined that all of our directors are independent directors within the meaning of the applicable NASDAQ listing standards, except for Mr. Young, our Chief Executive Officer.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND ITS COMMITTEES

As required under applicable NASDAQ listing standards, in 2007 the Company's independent directors met five times in regularly scheduled executive sessions at which only independent directors were present. Persons interested in communicating with the independent directors with their concerns or issues may address correspondence to a particular director, or to the independent directors generally, in care of Monogram at 345 Oyster Point Boulevard, South San Francisco, California 94080. If no particular director is named, letters will be forwarded, depending on the subject matter, to the Chair of the Audit, Compensation, or Nominating Committee.

The Board has three committees: an Audit Committee, a Compensation Committee, and a Nominating Committee. The following table provides membership and meeting information for 2007 for each of the Board committees:

Name	Audit	Compensation	Nominating
Thomas R. Baruch (1)			X*
William Jenkins, M.D.	X	X*	
Edmon R. Jennings	X		X*
Cristina H. Kepner	X*	X	
John D. Mendlein, M.D.		X	
David H. Persing, M.D.		X	
Christine A. White, M.D. (2)			X
William D. Young			
Total meetings in fiscal year 2007	9	5	0(3)

* Committee Chairperson

(1) On March 6, 2008, Mr. Baruch resigned as a member of our board of directors, effective March 11, 2008.

(2) On August 21, 2008, Dr. White was appointed as a member of our board of directors.

(3) The director nominees for the 2008 Annual Meeting were nominated at a regular meeting of our board of directors by a majority of the independent directors, following the nominating process of the Nominating Committee.

Below is a description of each committee of the Board of Directors. The Board of Directors has determined that each member of each committee meets the applicable rules and regulations regarding "independence" and that each member is free of any relationship that would interfere with his or her individual exercise of independent judgment in his or her service as a member of our Board and the committees on which he or she serves.

Audit Committee

The Audit Committee of the Board oversees our corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. Among other responsibilities, the Audit Committee evaluates the performance of and assesses the qualifications of the independent registered public accounting firm; determines the terms of the engagement of the independent registered public accounting firm; determines whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage a new independent registered public accounting firm; determines and approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent registered public accounting firm on our engagement team as required by law; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; reviews the financial statements to be included in our Annual Report on Form 10-K; and discusses with management and the independent registered public accounting firm the results of the annual audit and the results of the review of our quarterly financial statements. The Audit Committee is composed of three directors: Cristina H. Kepner (Chair), William Jenkins, and Edmon R. Jennings. The Audit Committee met nine times during the fiscal year ended December 31, 2007. The Audit Committee has adopted a written Audit Committee Charter, which has been posted on our website (www.Monograbio.com) on the "Investor/Media" page under the heading "Corporate Governance;" however, information found on our website is not incorporated by reference into this proxy statement.

The Board of Directors annually reviews the NASDAQ listing standards definition of independence for Audit Committee members and has determined that all members of the Company's Audit Committee are independent (as independence is currently defined in Rule 4350(d)(2)(A)(i) and (ii) of the NASDAQ listing standards). The Board of Directors has determined that Cristina H. Kepner qualifies as an "audit committee financial expert," as defined in applicable Securities and Exchange Commission, or SEC rules.

Compensation Committee

The Compensation Committee reviews and approves our overall compensation strategy and policies; reviews and approves corporate performance goals and objectives relevant to the compensation of our executive officers and other senior management; reviews and approves the compensation and other terms of employment of our Chief Executive Officer; reviews and approves the compensation and other terms of employment of the other executive officers and administers our stock option and purchase plans, pension and profit sharing plans, stock bonus plans, deferred compensation plans and other similar programs. The Compensation Committee is composed of four directors: William Jenkins (Chair), Cristina H. Kepner, John D. Mendlein, and David H. Persing. All members of our Compensation Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the NASDAQ listing standards). The Compensation Committee met five times during the fiscal year ended December 31, 2007. We also have a Non-Officer Stock Option Committee, currently composed of Mr. Young, Alfred G. Merriweather, Kathy L. Hibbs and Patricia Wray, which may award stock options to employees who are not officers, in amounts up to 100,000 shares per year. The Compensation Committee has adopted a written Compensation Committee Charter, which has been posted on our website (www.Monograbio.com) on the "Investor/Media" page under the heading "Corporate Governance;" however, information found on our website is not incorporated by reference into this proxy statement.

Compensation Committee Processes and Procedures

Typically, the Compensation Committee meets at least annually and with greater frequency if necessary. The agenda for each meeting is usually developed by the Chair of the Compensation Committee, in consultation with the Chief Executive Officer and the Vice President of Human Resources. The Compensation Committee meets in executive session as needed. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, provide financial or other background information or advice or otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in or be present during any deliberations or determinations of the Compensation Committee regarding his compensation. The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of the Company, as well as authority to obtain, at the expense of the Company, advice and assistance from internal and external legal, accounting or other advisors and consultants and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. In particular, the Compensation Committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms. During the past fiscal year, the Compensation Committee did not engage any outside compensation consultants.

Historically, the Compensation Committee has generally made most significant adjustments to annual compensation, determined bonus and equity awards and established new performance objectives at one or more meetings held during the first quarter of the year. Generally, the Compensation Committee's process is composed of two related elements: the determination of compensation levels and the establishment of performance objectives for the current year. For executives other than the Chief Executive Officer, the Compensation Committee considers evaluations and recommendations made by the Chief Executive Officer. In the case of the Chief Executive Officer, the evaluation of his performance is conducted by the Compensation Committee, which determines any adjustments to his compensation as well as awards to be granted. For all executives and directors, as part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such

as financial reports and projections, operational data, tax and accounting information, tally sheets that set forth the total compensation that may become payable to executives in various hypothetical scenarios, executive and director stock ownership information, company stock performance data, analyses of historical executive compensation levels and current Company-wide compensation levels, and recommendations of the Compensation Committee's compensation consultant, including analyses of executive and director compensation paid at other companies.

The specific determinations of the Compensation Committee with respect to executive compensation for the fiscal year ended December 31, 2007 are described in greater detail in the Compensation Discussion and Analysis section of this proxy statement.

NOMINATING COMMITTEE

The Nominating Committee of the Board is responsible for identifying, reviewing and evaluating candidates to serve as our directors (consistent with criteria approved by the Board), reviewing and evaluating incumbent directors, recommending to the Board for selection candidates for election to the Board, making recommendations to the Board regarding the membership of the committees of the Board, periodically reviewing and making appropriate recommendations regarding compensation paid to non-employee directors on the Board and periodically reviewing and making appropriate recommendations regarding plans for succession to the office of our Chief Executive Officer. In 2007, the Nominating Committee consisted of Thomas R. Baruch (Chair) and Edmon R. Jennings. Upon Mr. Baruch's resignation from our Board in March 2008, Mr. Jennings was appointed as Chair of the Nominating Committee. In 2008, the Nominating Committee consisted of Mr. Jennings and Christine A. White. All members of the Nominating Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the NASDAQ listing standards). The Nominating Committee did not meet during the fiscal year ended December 31, 2007. As Dr. White was new to the Committee and Mr. Jennings, the Committee chairman, was a potential nominee for director, the director nominees for the 2008 Annual Meeting were nominated at a regular meeting of our board of directors by a majority of the independent directors, following the nominating process of the Nominating Committee. The Nominating Committee has adopted a written Nominating Committee Charter which has been posted on our website (www.Monogrambio.com) on the "Investor/Media" page under the heading "Corporate Governance;" however, information found on our website is not incorporated by reference into this proxy statement.

The Nominating Committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Nominating Committee also intends to consider such factors as possession of relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to our affairs, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of our stockholders. However, the Nominating Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board, our operating requirements and the long-term interests of stockholders. In conducting this assessment, the Nominating Committee considers diversity, age, skills, and such other factors as it deems appropriate given the current needs of the board and Monogram, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Nominating Committee reviews these directors' overall service to us during their term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the Nominating Committee also determines whether the nominee must be independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the

function and needs of the board. The Nominating Committee meets to discuss and consider such candidates' qualifications and then selects a nominee for recommendation to the Board by majority vote. To date, the Nominating Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates. To date, the Nominating Committee has not rejected a timely director nominee from a stockholder or stockholders holding more than 5% of our voting stock.

At this time, the Nominating Committee does not consider director candidates recommended by stockholders. The Nominating Committee believes that it is in the best position to identify, review, evaluate and select qualified candidates for board membership, based on the comprehensive criteria for board membership approved by the board.

Meetings of the Board of Directors

The Board of Directors met five times during the last fiscal year ended December 31, 2007. Each Board member attended 75% or more of the aggregate of the meetings of the Board and of the committees on which they served, held during the period for which they were a director or committee member, respectively.

Stockholder Communications with the Board of Directors

Historically, we have not adopted a formal process for stockholder communications with the Board. Nevertheless, every effort has been made to ensure that the views of stockholders are heard by the Board or individual directors, as applicable, and that appropriate responses are provided to stockholders in a timely manner. We believe our responsiveness to stockholder communications to the board has been excellent. Persons interested in communicating with the independent directors with their concerns or issues may address correspondence to a particular director, or to the independent directors generally, in care of Monogram Biosciences, Inc. at 345 Oyster Point Boulevard, South San Francisco, California 94080. If no particular director is named, letters will be forwarded, depending on the subject matter, to the Chair of the Audit, Compensation, or Nominating Committee.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to our directors and employees (including our principal executive officer, principal financial officer and principal accounting officer), and have posted the text of the policy on our website (www.Monogrambio.com) on the "Investor/Media" page under the heading "Corporate Governance;" however, information found on our website is not incorporated by reference into this proxy statement. In addition, we intend to promptly disclose (i) the nature of any amendment to the policy that applies to our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions and (ii) the nature of any waiver, including an implicit waiver, from a provision of the policy that is granted to one of these specified individuals, the name of such person who is granted the waiver and the date of the waiver on our website in the future.

Report of the Audit Committee of the Board of Directors*

The Audit Committee of the Board of Directors is composed of three independent directors and operates under a written charter adopted by the Board of Directors. Three directors comprise the Audit Committee: Cristina H. Kepner (Chair), William Jenkins, and Edmon R. Jennings.

Management is responsible for Monogram's internal controls and the financial reporting process. Monogram's independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for performing an independent audit of Monogram's financial statements in accordance with generally accepted auditing standards and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

The Audit Committee has met and held discussions with management and PricewaterhouseCoopers LLP. Management represented to the Audit Committee that Monogram's financial statements for the fiscal year ended December 31, 2007 were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed those financial statements with management and with PricewaterhouseCoopers LLP. The Audit Committee discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

PricewaterhouseCoopers LLP also provided to the Audit Committee the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board, and the Audit Committee discussed with the independent registered public accounting firm the firm's independence.

Based on the Audit Committee's discussion with management and PricewaterhouseCoopers LLP and the Audit Committee's review of the representation of management and the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended that the board of directors include the audited financial statements in Monogram's Annual Report on Form 10-K for the year ended December 31, 2007, filed with the Securities and Exchange Commission.

The Audit Committee of the Board of Directors
of Monogram Biosciences, Inc.:

Cristina H. Kepner (Chair)
William Jenkins, M.D.
Edmon R. Jennings

* The material in this report is not "soliciting material," is not deemed "filed" with the SEC, and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language in that filing.

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008 and has further directed that management submit the selection of our independent registered public accounting firm for ratification by the stockholders at the Annual Meeting.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm. However, the Audit Committee of the Board is submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of us and our stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting will be required to ratify the selection of PricewaterhouseCoopers LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

Fees for audit services provided by PricewaterhouseCoopers LLP during 2006 totaled $0.85 million. Fees for audit services provided during 2007 were $0.84 million. The fees for audit services included fees associated with the annual audit of the financial statements included in our Annual Report on Form 10-K, procedures related to attestation of the effectiveness of internal control over financial reporting under the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, and the reviews of Monogram's quarterly reports on Form 10-Q and other SEC filings.

Audit-Related Fees

There were no fees for audit-related services in 2006. Fees for audit-related services provided in 2007 were $0.16 million.

Tax Fees

There were no fees for tax related services in 2006 and 2007 paid to PricewaterhouseCoopers LLP.

All Other Fees

There were no fees for other services not included above in 2006 and 2007.

All fees described above were pre-approved by the Audit Committee.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy for the pre-approval of audit, review and attest services, as well as permitted non-audit services to be performed by our independent registered public accounting firm. The engagement to perform services may be approved on an explicit case-by-case basis before the independent registered public accounting firm is engaged to provide each service or the engagement may be pre-approved on a collective basis. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has delegated specific pre-approval authority for up to $50,000 to Ms. Kepner, the Chair of the Audit Committee. These pre-approvals are reported to the Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of the services other than audit services by PricewaterhouseCoopers LLP is compatible with maintaining the independent registered public accounting firms' independence.

The Board of Directors Recommends
A Vote in Favor of Proposal 2.

Executive Officers

The following table sets forth information about our executive officers as of October 31, 2008:

Name	Age	Position
William D. Young	64	Chairman of the Board, Chief Executive Officer and Director
Michael P. Bates, M.D.	51	Vice President, Clinical Research
Michael J. Dunn	52	Chief Business Officer
Kathy L. Hibbs	45	Senior Vice President, General Counsel
Alfred G. Merriweather	54	Senior Vice President, Finance and Chief Financial Officer
Gordon Parry, Ph.D.	57	Vice President, Research and Development, Oncology
Christos J. Petropoulos, Ph.D.	54	Vice President, Research and Development and Chief Scientific Officer
William J. Welch	46	Senior Vice President and Chief Commercial Officer
Jeannette Whitcomb, Ph.D.	47	Vice President, Operations
Patricia Wray	51	Vice President, Human Resources

William D. Young has served as our Chief Executive Officer since November 1999 and has served as the Chairman of the Board since May 1999. From March 1997 to October 1999, Mr. Young was Chief Operating Officer at Genentech, Inc., a biotechnology company. As COO at Genentech, Mr. Young was responsible for all of the company's development, operations and commercial functions. Mr. Young joined Genentech in 1980 as Director of Manufacturing and Process Sciences and held various executive positions prior to becoming COO. Prior to joining Genentech, Mr. Young was employed by Eli Lilly and Company, a pharmaceutical company, for fourteen years. Mr. Young is a member of the board of directors of Biogen IDEC, Inc., a pharmaceutical and biotechnology company, and Theravance, Inc., a biopharmaceutical company. He received his bachelor's degree in chemical engineering from Purdue University, his M.B.A. from Indiana University and an honorary Doctorate in Engineering from Purdue University. He was elected to the National Academy of Engineering, USA, in 1993.

Michael P. Bates, M.D. joined our Clinical Research group as Medical Director in January 2001, was promoted to Senior Director in 2003 and was named Vice President of Clinical Research in June 2004. Prior to joining Monogram, Dr. Bates completed his internship and residency in Internal Medicine at the University of California, San Francisco, before pursuing fellowship training in Cardiology at Duke University in Durham, North Carolina, and in Infectious Diseases at the University of Washington in Seattle, Washington. Following two years on the junior faculty at the University of Washington and the Fred Hutchinson Cancer Research Center in Seattle, Dr. Bates moved to industry. Dr. Bates was Regional Medical Director/Medical Liaison for Roche, a healthcare company, focusing on virology from February 1999 to December 2000.

Michael J. Dunn has served as our Chief Business Officer since our merger with ACLARA in December 2004. From April 2003 to December 2004, Mr. Dunn was Chief Business Officer for ACLARA BioSciences, Inc. From March 2002 to April 2003, Mr. Dunn served as Executive Vice President of Business Development for ActivX Bioscience, Inc., a biotechnology company. From July 1998 to March 2002, Mr. Dunn was Vice President of Business Development for Aurora Biosciences Corporation, a biotechnology tools company. From 1995 to 1998, Mr. Dunn was Vice President of Business Development for SIBIA Neurosciences, Inc., a pharmaceutical company that was acquired by Merck & Co., Inc. in 1999. Mr. Dunn has an M.B.A. from the University of San Diego and a B.A. in biology from the University of Chicago.

Kathy L. Hibbs joined Monogram as Vice President, General Counsel in April 2001, and was promoted to Senior Vice President in February 2007. Prior to joining Monogram, Ms. Hibbs was Vice President and General Counsel for Multitude, Inc., an Internet telecommunications company. Prior to that, from 1996 to 2000, she served as Senior Corporate Counsel at Varian Medical Systems, Inc., a leading manufacturer of integrated cancer

therapy systems. At Varian, she was responsible for numerous legal matters including regulatory compliance, employment law, litigation and SEC reporting. Before her employment with Varian, Ms. Hibbs worked as a litigator for two California law firms and dealt with various legal issues, including civil rights and securities law. She received her J.D. degree from the University of California, Hastings College of Law, and her bachelor's degree in political science from the University of California, Riverside.

Alfred G. Merriweather has served as our Chief Financial Officer since our merger with ACLARA in December 2004, and was promoted to Senior Vice President in February 2007. From December 2001 to December 2004, Mr. Merriweather served as Vice President, Finance, Chief Financial Officer and Secretary of ACLARA BioSciences, Inc. From 1999 to 2001, he was Vice President and Chief Financial Officer for Citadon, Inc., a software company. From 1996 to 1999, Mr. Merriweather was Vice President of Finance and Chief Financial Officer of Symphonix Devices, Inc., a manufacturer of implantable medical devices. From 1993 to 1996, Mr. Merriweather was Senior Vice President of Finance and Chief Financial Officer of LipoMatrix, Inc., a medical device company based in Neuchatel, Switzerland. Prior to that, Mr. Merriweather was Vice President of Finance and Chief Financial Officer of Laserscope, a manufacturer of surgical laser systems. Mr. Merriweather holds a B.A. from The University of Cambridge, England.

Gordon Parry, Ph.D. joined Monogram as our Senior Director of Research and Development, Oncology in 2007 and was named our Vice President, Research and Development, Oncology in March 2008. Prior to joining Monogram, he worked for twelve years at Berlex Biosciences where he was the Department Head of their Cancer Research Department. Previously, he held a variety of research positions in academia, including ten years at the University of California's Lawrence Berkeley Laboratory. He is currently an Advisory Council Member for the California Breast Cancer Research Program. Dr. Parry received his PhD in Biochemistry at the University of London.

Christos J. Petropoulos, Ph.D. joined Monogram as our Director of Research and Development in August 1996, became Senior Director of Research and Development in September 1997, was named our Vice President, Research and Development in November 1999, was named our Vice President, Research and Development, Virology and Chief Scientific Officer in December 2004, was named Vice President of Research and Development in October 2005 and in August 2007, was named Vice President of Research and Development, Virology. Since December 2004, Dr. Petropoulos has served as our Chief Scientific Officer. From 1992 to 1996, Dr. Petropoulos was a scientist at Genentech, Inc., a biotechnology company, where he headed the Molecular Virology Laboratory and the Research Virology and Molecular Detection Laboratories from 1994 to 1996. Dr. Petropoulos received his Ph.D. in molecular and cell biology from Brown University.

William J. Welch has served as our Senior Vice President and Chief Commercial Officer since September 2005. From 1998 to 1999 and from 2001 to August 2005, Mr. Welch was with LaJolla Pharmaceutical, Inc., a pharmaceutical company, most recently as Vice President, Sales & Marketing. From 1999 to 2001, Mr. Welch was Vice President of Global Marketing for Dade Behring MicroScan, a clinical diagnostics company, where he managed marketing and strategic development for a $150 million business. From 1993 to 1998, Mr. Welch held a number of management positions with Abbott Laboratories, a health care company, including General Manager of the Ambulatory Infusion Systems Division. Mr. Welch holds a B.S. from the University of California at Berkeley and an M.B.A. from Harvard University.

Jeannette M. Whitcomb, Ph.D. joined Monogram as one of the first scientists in the Research and Development department in 1996, transitioned to the Operations group in 2002 and was named Vice President of Operations in June 2003. Prior to joining Monogram, Dr. Whitcomb was a Postdoctoral Fellow in Dr. Stephen H. Hughes' lab at the National Cancer Institute—Frederick Cancer Research and Development Center. Prior to that, she was a Fogerty Fellow in Dr. Peter A. Cerutti's lab at the Swiss Institute for Experimental Cancer Research in Lausanne, Switzerland. Dr. Whitcomb received her bachelor's degree in Biology from Widener University in Chester, Pennsylvania and her Ph.D. in Microbiology and Immunology from Temple University School of Medicine in Philadelphia.

Patricia Wray is our Vice President, Human Resources. She has overseen Monogram's Human Resources function in a number of capacities since 1998, beginning as our Senior Director of Human Resources prior to being named our Vice President of Human Resources in November 1999. In February of 2003 Ms. Wray's role was converted to a consultant to the Company. In September of 2004 she returned as the Senior Director until again being named our Vice President of Human Resources in September 2006. Prior to joining Monogram, Ms. Wray held a number of positions at Genentech, Inc., a biotechnology company, including Director of Employee Relations and Training from 1989 to 1997. From 1981 to 1989, Ms. Wray worked as Employee Relations Manager at Hewlett-Packard Company, a technology company, in both the Networking and Analytical Instrument Divisions. She received her Masters degree from Michigan State University, and a B.S. in Horticulture from University of Delaware.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of our Common Stock as of October 31, 2008 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all of our executive officers and directors as a group; and (iv) all those known by us to be beneficial owners of more than five percent of our Common Stock.

Beneficial ownership is determined according to the rules of the Securities and Exchange Commission, and generally means that a person has beneficial ownership of a security and warrants if he or she possesses sole or shared voting or investment power of that security, and includes options and warrants that are currently exercisable or exercisable within 60 days of October 31, 2008. Some of the information with respect to beneficial ownership has been furnished to us by each director, officer or 5% or more stockholder, as the case may be. Except as otherwise indicated, we believe that the beneficial owners of the Common Stock listed below, based on the information each of them has given us, have sole investment and voting power with respect to their shares, except where community property laws may apply.

This table lists applicable percentage ownership based on 135,060,647 shares (such number not reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008) of Common Stock outstanding as of October 31, 2008. Options and warrants to purchase shares of the Common Stock that are exercisable within 60 days of October 31, 2008, are deemed to be beneficially owned by the persons holding these options and warrants for the purpose of computing percentage ownership of that person, but are not treated as outstanding for the purpose of computing any other person's ownership percentage. Shares underlying options, warrants and convertible securities that are deemed beneficially owned are listed in this table separately in the column labeled "Shares Subject to Options, Warrants and Convertible Securities." These shares are included in the number of shares listed in the column labeled "Total Number."

	Shares Beneficially Owned (1)		
Name of Beneficial Owner	Total Number (2)	Shares Subject to Options, Warrants and Convertible Securities (2)	Percent of Class Beneficially Owned
5% Stockholders			
Gilder, Gagnon, Howe & Co., LLC (3)	7,068,718	—	5.23%
Federated Investors, Inc. (4)	23,488,900	—	17.39%
Kenneth F. Siebel (5)	16,728,000	—	12.39%
Kopp Investment Advisors LLC (6)	6,693,350	—	4.96%
Directors and Executive Officers			
William D. Young (7)	3,962,184	3,565,625	2.86%
Alfred G. Merriweather (8)	1,009,067	982,292	*
Christos J. Petropoulos, Ph.D. (9)	1,001,011	934,272	*
Michael P. Bates, M.D. (10)	581,485	545,333	*
William J. Welch (11)	416,081	404,165	*
John D. Mendlein, J.D., Ph.D.	207,600	207,600	*
David H. Persing, M.D., Ph.D.	170,000	160,000	*
Cristina H. Kepner	320,850	160,000	*
William Jenkins, M.D.	160,000	160,000	*
Edmon R. Jennings	151,100	150,000	*
Christine A. White, M.D.	2,777	2,777	*
All directors and executive officers as a group (16 persons)	10,734,245	9,743,742	7.85%

* Less than one percent.

(1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the Securities and Exchange Commission (the "SEC"). Unless otherwise indicated, the address of each person in this table is c/o Monogram, Inc., 345 Oyster Point Boulevard, South San Francisco, California 94080.

(2) Share numbers do not reflect the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008.

(3) The business address for Gilder, Gagnon, Howe & Co. LLC is 1775 Broadway, 26th Floor, New York, NY 10019. This information is based solely on a Schedule 13G filed with the SEC on March 31, 2008.

(4) The business address for Federated Investors, Inc. is Federated Investor Tower, Pittsburgh, PA 15222-3779. This information is based solely on a Schedule 13G/A filed with the SEC on December 31, 2007.

(5) The shares include shares beneficially owned directly and indirectly by Mr. Siebel, including shares of the Company's Common Stock beneficially owned by Private Wealth Partners LLC, a California limited liability company and a registered investment adviser ("IA"). Mr. Siebel controls IA by virtue of Mr. Siebel's position as a majority managing member of IA. IA acts as an investment advisor to PWP Partnership Fund, LLC and manages discretionary client accounts that include shares of the Company's Common Stock. The business address for Kenneth F. Siebel is 80 E. Sir Francis Drake Blvd., 4th Fl., Larkspur, CA 94939. This information is based solely on a Form 4 filed with the SEC on October 28, 2008.

(6) The business address for Kopp Investment Advisors LLC is 7701 France Avenue South, Suite 500, Edina, MN 55435. This information is based solely on a Schedule 13G filed with the SEC on December 31, 2007.

(7) Total number of shares beneficially owned includes 13,221.38 shares (such number not reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008) that are held in trust by the Company's 401(k) plan as part of matching contributions in the form of Common Stock.

(8) Total number of shares beneficially owned includes 7,847.27 shares (such number not reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008) that are held in trust by the Company's 401(k) plan as part of matching contributions in the form of Common Stock.

(9) Total number of shares beneficially owned includes 2,833.54 shares (such number not reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008) that are held in trust by the Company's 401(k) plan as part of matching contributions in the form of Common Stock.

(10) Total number of shares beneficially owned includes 11,351.11 shares (such number not reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008) that are held in trust by the Company's 401(k) plan as part of matching contributions in the form of Common Stock.

(11) Total number of shares beneficially owned includes 4,787.56 shares (such number not reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008) that are held in trust by the Company's 401(k) plan as part of matching contributions in the form of Common Stock.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "1934 Act") requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2007 all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were complied with.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The goal of our executive compensation program is to provide a structure of incentives and rewards that will drive behavior and performance in a way that builds long term value for our stockholders. In support of this goal we have implemented compensation and benefit programs that are designed to:

- drive and reward performance
- align the interests of management and stockholders
- enable the recruitment and retention of high quality executives
- provide fair and reasonable levels of compensation

We have implemented specific compensation elements to address these objectives. These have included base salary, equity participation, benefits and a cash bonus plan. Some of these are short term in nature and others are more relevant as longer term incentives and rewards. Our goal is to have a blend of compensation elements that in the aggregate meets the objectives described above.

The compensation committee of our board of directors oversees our executive compensation arrangements, in accordance with a committee charter approved by the board of directors.

The programs described here relate to all of our executive officers, including the vice presidents and senior vice presidents who report directly to our chief executive officer, and to the chief executive officer himself. This includes those individuals who are identified as named executive officers.

Compensation Objectives

The following are the principal objectives of our compensation programs.

Performance—We strive to maintain a performance-oriented culture. Each of our compensation elements are designed to recognize the actual performance and the potential future performance of our executive officers. We expect all of our executive officers to perform to high standards of competence. We also expect them to set and achieve appropriate goals for their area of responsibility and for the company as a whole.

Alignment with stockholders—We seek to align ourselves with the interests of our stockholders. We do this by setting our goals based on the business milestones that we believe are most likely to drive long term stockholder value and by tying significant elements of executive compensation to our business success. Cash bonuses are designed to acknowledge short term goal accomplishment while over the long term, executive officers expect to benefit directly from increases in the value of our common stock through equity participation, primarily stock options.

Recruiting and Retention—Building an outstanding organization and delivering excellence in all aspects of our performance requires that we hire, and retain, high quality executives. We believe that an environment in which employees are able to have an enjoyable, challenging and rewarding work experience is critical to our ability to recruit and retain the right people. A critical aspect of that environment is the structure of incentives and rewards that are embedded in the compensation structure. We strive to keep this structure competitive so that qualified people are motivated to join our team and to stay at Monogram for long and successful careers.

Fair and Reasonable—We strive to make our compensation programs fair in two ways. First, we aim for fairness internally in relation to other executives and to other employees throughout the organization. Second, we seek fairness externally in relation to comparable positions in other companies. We also set compensation levels that are reasonable in terms of our overall financial and competitive condition as a company and that reflect the experience, skills and level of responsibility of the executive. We utilize data from the Radford Global Life

Sciences Survey for companies nationwide with 150-499 employees to aid in benchmarking our cash compensation levels to outside market conditions. We did not, for 2007, benchmark against a list of specifically identified peer companies, nor do we know which specific companies' data comprises the Radford Global Life Sciences Survey results.

Implementing our Objectives

Roles of the Compensation Committee and Management—The compensation committee of the board of directors operates under a board-approved charter. This charter specifies the principal responsibilities of the committee as follows: (i) to review and approve the overall compensation strategy (including performance goals, compensation plans, programs and policies, employment and similar agreements with executive officers); (ii) to determine the compensation and terms of employment of the chief executive officer and the other executive officers; (iii) to administer and to recommend adoption, change or termination of plans, including option plans, bonus plans, deferred compensation plans, pension plans and (iv) to establish appropriate insurance for the directors and officers. The committee consists of four directors, each of whom satisfies the independence requirements of the NASDAQ Global Market as well as applicable SEC and IRS regulations.

The chief executive officer and the vice president of human resources attend compensation committee meetings, except those meetings or portions of those meetings where their respective compensation is being discussed by the committee. The chief executive officer, with the assistance of the vice president of human resources, presents performance assessments of other executive officers to the compensation committee and proposes ranges of compensation benefits for each officer based upon each respective assessment. Neither the company nor the compensation committee engaged any third party consultants regarding 2007 executive compensation.

The performance of each of our executive officers is evaluated annually at the end of the calendar year. The chief executive officer's performance is evaluated by the compensation committee and the performance of the other executive officers is evaluated by the chief executive officer and reviewed with the compensation committee. The factors taken into account in the evaluation of performance include: the extent to which pre-established goals were accomplished and the extent to which the executive demonstrated leadership, creativity, teamwork and commitment, and embodied our company values. Other factors that are considered in making compensation determinations are the experience, skill level and level of responsibility of the executive and competitive market conditions.

Equity Grant Practices—All options granted to executive officers must be approved by either the compensation committee or the board of directors. At the time of hire, options are granted effective on the employment start date for the executive. Generally, we assess all of our executive officers on an annual basis for potential additional stock option grants. These annual awards are approved by the compensation committee or by the board of directors. In 2006, 2007 and 2008, these awards were granted at the first regularly scheduled board meeting of the calendar year, on April 7, 2006, March 29, 2007, and March 13, 2008, respectively. These options vest in accordance with our normal vesting schedule which is 25% after twelve months and then in equal monthly increments over the remaining three years of a four year vesting term.

Elements Used to Achieve Compensation Objectives

Base Salary—In determining base salaries for our executive officers, we benchmarked each of our executive positions using the data from the Radford Global Life Sciences Survey for companies nationwide with 150-499 employees. We used the 50th percentile as a general benchmark for salary levels. However, many factors affected the determination of the salary level for individual executives, including performance, experience, skill, responsibilities and competitive market factors. In general, we seek to provide a fair, reasonable and competitive level of base salary.

Cash Bonus—While we believe that the provision of short-term cash incentives is important to aligning the interests of executive officers and stockholders, and to the rewarding of performance, we also take into account the overall financial situation of the company. For 2007, we implemented a cash bonus plan that provided for the payment of cash bonuses based on the compensation committee's assessment of our performance against specified pre-determined corporate goals for the year including revenue, operational and product development goals, as well as an assessment of individual performance for each executive. Payment of bonuses based on these assessments was contingent on a minimum level of revenue being attained. The chief executive officer was eligible for a total target bonus of up to 40% of base salary. The other executive officers were each eligible for a total target bonus of up to 30% of base salary. In determining these target bonus percentages we benchmarked our executives using the Radford Global Life Sciences Survey for companies nationwide with 150-499 employees, with the 50th[h] percentile as a general target for potential bonus levels. Because the specified minimum level of revenue was not attained, no cash bonuses were paid to our Named Executive Officers for 2007.

Equity Incentive—We utilized stock options as the primary method of equity participation for our executive officers. In the future we may consider using other forms of equity participation such as restricted stock grants. Equity incentive awards are determined separately and independently from cash-based awards. We determined option grants by reference to our own capitalization structure and to internally generated benchmarks that we have established to determine appropriate levels of stock option grants for our employees. These options vest in accordance with our normal vesting schedule which is 25% after twelve months and then in equal monthly increments over the remaining three years of a four year vesting term.

Benefits—We provide a competitive range of health and other benefit programs to our executive officers. These are provided on the same basis to executive officers and all employees. These include health and dental insurance, life and disability insurance, and a 401(k) plan under which certain matching contributions are made in company stock.

In addition to these benefit programs, we have implemented a non qualified deferred compensation plan. Those eligible for this plan include members of the board of directors, the executive officers and certain other senior employees. Under this plan, individuals enrolled in the plan can, by election in advance, defer a portion of their total compensation on a pretax basis. None of our named executive officers have participated in this plan. There are no special perquisites or benefit programs made available exclusively to any of the executive officers, either individually or as a group.

Relocation—When necessary and appropriate, upon the hire of new executives, we may pay additional amounts in reimbursement of relocation costs and/or as additional compensation to assist with the high cost of housing in the San Francisco Bay Area.

Severance—Under provisions of our chief executive officer's employment agreement, in the event of a termination of employment for reasons other than cause, he is entitled to receive severance benefits, as described below under "*Employment, Severance and Change of Control Agreements.*" We entered into this agreement with Mr. Young to attract and retain his services. None of our other executive officers have agreements providing for any severance payments, except in the context of a change in control, as described below.

Change in Control—In the event of an actual or constructive termination of employment, other than for cause, within three months before or twenty-four months after a change of control of the company, our named executive officers will receive severance benefits, as described below under "*Employment, Severance and Change of Control Agreements.*" We enter into these agreements to help attract and retain key executive talent for the company.

Compensation of the Named Executive Officers in 2007

William D. Young, Chairman and Chief Executive Officer—Mr. Young's base salary was set at $475,000 for 2007, an increase of 4% over his salary for 2006. This increase reflected the compensation committee's

assessment of his performance in leading the company and based on his experience, skills and leadership abilities. No cash bonus was paid to Mr. Young for 2007. At the time of our annual review of stock option grants, on March 29, 2007, Mr. Young was granted an option to purchase 300,000 shares of common stock (such number not reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008) at an exercise price of $1.88 per share. This option grant was considered appropriate by the compensation committee, taking into account Mr. Young's performance, role, responsibilities and anticipated contributions to the company. This option vests in accordance with our normal vesting schedule which is 25% after twelve months and then in equal monthly increments over the remaining three years of a four year vesting term.

Alfred G. Merriweather, Senior Vice President and Chief Financial Officer; William Welch, Senior Vice President and Chief Commercial Officer; Christos Petropoulos, Vice President R&D Virology and Chief Scientific Officer; Michael Bates, Vice President Clinical Research—Base salary for the other named executive officers were set for 2007 at the following levels, and represented the stated percentage increase over their salaries for 2006: Mr. Merriweather—$275,600 (6%); Mr. Welch—$297,150 (5%); and Dr. Petropoulos—$281,200 (3%). Dr. Bates' base salary for 2007 was initially set at $286,200, representing an 8% increase over his salary for 2006, and then in September 2007 Dr. Bates' base salary was further increased to $307,000. These salaries are set at market levels and also reflect the compensation committee's concurrence with Mr. Young's assessment of their performance in leading their functions, in execution of pre-established goals for their functions and in contributing to the company's overall progress. Mr. Merriweather's increase in salary was reflected in his promotion to senior vice president. Dr. Bate's salary increases in 2007 were higher than other executives in order to bring Dr. Bates' salary to a competitive market level for professionals with his qualifications.

No cash bonuses were paid to any of our Named Executive Officers for 2007. At the time of our annual review of stock option grants, on March 29, 2007, the named executives were granted options to purchase the following number of shares of common stock at an exercise price of $1.88 per share: Mr. Merriweather—100,000; Mr. Welch—100,000; Dr. Petropoulos—100,000; and Dr. Bates—100,000 (such numbers not reflecting the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008). These option grants were considered appropriate by the compensation committee, taking into account the executives' performance, roles, responsibilities and anticipated contributions to the company. These options vest in accordance with our normal vesting schedule which is 25% after twelve months and then in equal monthly increments over the remaining three years of a four year vesting term.

In addition, in accordance with our agreement with Mr. Welch at the time of his recruitment to be our Chief Commercial Officer in 2005 and his relocation to the San Francisco Bay Area, we paid him mortgage assistance payments in 2007 of $40,000.

SUMMARY COMPENSATION TABLE

The following table shows for the fiscal years ended December 31, 2006 and December 31, 2007, compensation awarded to or paid to, or earned by, the Company's Chief Executive Officer, Chief Financial Officer and its three other most highly compensated executive officers at December 31, 2006 and December 31, 2007, respectively (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE FOR FISCAL 2007

Name and Principal Position	Year	Salary ($)	Option Awards (a) ($)	All Other Compensation ($)	Total ($)
William D. Young	2006	$454,519	$1,123,228	$ 4,914(b)	$1,582,661
Chairman of the Board and Chief Executive Officer	2007	$475,000	$ 731,487	$ 5,125(c)	$1,211,612
Alfred G. Merriweather	2006	$259,615	$ 210,719	$ 4,901(d)	$ 475,235
Sr. VP , Finance and Chief Financial Officer	2007	$275,600	$ 161,946	$ 5,397(e)	$ 442,943
Christos J. Petropoulos, PhD	2006	$272,846	$ 383,458	$ 250(f)	$ 656,554
VP, Research and Development	2007	$280,885	$ 258,836	$ 254(f)	$ 539,975
William J. Welch	2006	$282,846	$ 271,134	$70,214(g)	$ 624,194
Sr. VP and Chief Commercial Officer	2007	$297,150	$ 215,495	$43,875(h)	$ 556,520
Michael P. Bates, MD	2007	$291,800	$ 181,497	$ 4,129(i)	$ 477,426
VP, Clinical Research					

Note:

(a) Represents the compensation expense related to all outstanding options that we recognized for the year ended December 31, 2006 and the year ended December 31, 2007 under Statement of Financial Accounting Standards No. 123R (SFAS123R), adjusted to exclude estimates of forfeitures. This expense is determined by computing the fair value of each option on the grant date in accordance with SFAS 123R and recognizing that amount as expense ratably over the option vesting term and accordingly includes the portion of options granted in previous years, that vested in 2006 or 2007, as applicable. The assumptions used to calculate the value of option awards are set forth under Note 8 of the Notes to the Financial Statements included in the Company's Annual Report on Form 10-K for fiscal 2007 filed with the SEC on March 12, 2008.

(b) Consists of $4,914 of matching payments under our 401(k) plan in the form of shares of our common stock.

(c) Consists of $5,125 of matching payments under our 401(k) plan in the form of shares of our common stock.

(d) Consists of $4,648 of matching payments under our 401(k) plan in the form of shares of our common stock and $253 of reimbursement of health club fees in accordance with a benefit program available to all employees.

(e) Consists of $5,125 of matching payments under our 401(k) plan in the form of shares of our common stock and $272 of reimbursement of health club fees in accordance with a benefit program available to all employees.

(f) Consists of reimbursement of health club fees in accordance with a benefit program available to all employees.

(g) Consists of $3,664 of matching payments under our 401(k) plan in the form of shares of our common stock, $6,550 in moving costs and $60,000 in mortgage assistance payments, both related to Mr. Welch's relocation in the San Francisco Bay Area.

(h) Consists of $3,875 of matching payments under our 401(k) plan in the form of shares of our common stock and $40,000 in mortgage assistance payments, both related to Mr. Welch's relocation in the San Francisco Bay Area.

(i) Consists of $3,875 of matching payments under our 401(k) plan in the form of shares of our common stock and $254 of reimbursement of health club fees in accordance with a benefit program available to all employees.

GRANT OF PLAN-BASED AWARDS

The following table shows for the fiscal year ended December 31, 2007, certain information regarding grants of plan-based awards to the Named Executive Officers:

GRANT OF PLAN-BASED AWARDS IN FISCAL 2007

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#) (1)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
William D. Young	3/29/2007	300,000	$1.88	$400,230
Alfred G. Merriweather	3/29/2007	100,000	$1.88	$133,410
Christos J. Petropoulos, PhD	3/29/2007	100,000	$1.88	$133,410
William J. Welch	3/29/2007	100,000	$1.88	$133,410
Michael Bates	3/29/2007	100,000	$1.88	$133,410

(1) These options vest in accordance with our normal vesting schedule which is 25% after twelve months and then in equal monthly increments over the remaining three years of a four year vesting term. Share numbers do not reflect the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008.

We determined option grants by reference to our own capitalization structure and to internally generated benchmarks that we have established to determine appropriate levels of stock option grants for our employees.

Outstanding Equity Awards at Fiscal Year-End

The following table shows for the fiscal year ended December 31, 2007, certain information regarding outstanding equity awards at fiscal year end for the Named Executive Officers.

Outstanding Equity Awards at December 31, 2007

	Option Awards			
Name	Number of Securities Underlying (1)	Number of Securities Underlying Unexercised (1)	Option Exercise Price ($)	Option Expiration Date
William D. Young	300,000	—	$1.51	6/19/2013
	125,000	175,000	$1.62	4/6/2014
	—	300,000	$1.88	3/28/2015
	1,134,375	515,625	$2.28	3/1/2013
	222,500	—	$2.57	2/20/2012
	281,250	18,750	$3.00	3/16/2014
	150,000	—	$3.14	11/1/2009
	250,000	—	$3.14	11/11/2009
	250,000	—	$3.14	11/10/2009
	65,000	—	$3.22	7/15/2011
	12,500	—	$5.40	11/9/2008
	150,000	—	$6.00	1/31/2011
Alfred G. Merriweather	41,666	58,334	$1.62	4/6/2014
	—	100,000	$1.88	3/28/2015
	171,875	78,125	$2.28	3/1/2013
	122,188	5,313	$1.88(2)	2/6/2014
	212,500	—	$1.38(2)	5/5/2013
	127,500	—	$1.24(2)	1/6/2013
	170,000	—	$2.71(2)	12/19/2011
Christos J. Petropoulos	50,000	—	$1.51	6/19/2013
	41,666	58,334	$1.62	4/6/2014
	—	100,000	$1.88	3/28/2015
	412,500	187,500	$2.28	3/1/2013
	56,250	—	$2.57	2/20/2012
	70,312	4,688	$3.00	3/16/2014
	15,000	—	$3.22	7/15/2011
	20,000	—	$3.70	2/7/2010
	4,331	—	$3.70	2/8/2010
	5,775	—	$5.40	3/30/2009
	35,000	—	$6.00	1/31/2011
William J. Welch	72,916	102,084	$1.62	4/6/2014
	—	100,000	$1.88	3/28/2015
	175,000	125,000	$2.44	8/30/2013
Michael Bates	15,000	—	$1.27	3/18/2013
	20,000	—	$1.51	6/19/2013
	52,083	72,917	$1.62	4/6/2014
	—	100,000	$1.88	3/28/2015
	206,250	93,750	$2.28	3/1/2013
	10,000	—	$2.57	2/20/2012
	46,875	3,125	$3.00	3/16/2014
	7,000	—	$3.22	7/15/2011
	35,000	—	$8.00	1/16/2011

(1) Share numbers do not reflect the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008.

(2) Upon exercise of these assumed ACLARA BioSciences, Inc. ("ACLARA") stock options, Mr. Merriweather will be entitled to receive a payment of $0.88 per share as payment in lieu of receiving contingent value rights, or CVRs, issued to holders of ACLARA common stock in connection with the Company's merger with ACLARA in December 2004.

Option Exercises and Stock Vested

The following table presents information concerning the aggregate number of shares for which options were exercised during fiscal 2007 for each of the named executive officers.

	Option Awards	
Name	Number of Shares Acquired on Exercise (1)	Value Realized on Exercise (2)
Christos J. Petropoulos	7,500	$9,000
William D. Young	—	—
Alfred G. Merriweather	—	—
William Welch	—	—
Michael Bates	—	—

(1) Share numbers do not reflect the 6-to-1 reverse split of the Company's common stock that occurred on November 3, 2008.

(2) Represents the difference between the aggregate market price of the common stock acquired on the date of exercise and the aggregate exercise price.

EMPLOYMENT, SEVERANCE AND CHANGE OF CONTROL AGREEMENTS

William D. Young

We have an amended and restated agreement with William D. Young governing his employment as our Chief Executive Officer. This agreement provides for a base salary initially of $475,000 per year, plus a yearly incentive bonus as part of our bonus program based on objectives established by the Board of Directors after consultation with Mr. Young.

Our agreement with Mr. Young specifies that Mr. Young's employment is at-will. If we terminate his employment for any reason other than for cause, including in the context of a change of control, however, or if his employment is terminated as a result of death or permanent disability, we have also agreed to continue to pay him his base salary, at the level in effect at the time of termination, for an additional 12 months. If Mr. Young elects to continue his health insurance under the Consolidated Omnibus Budget Reconciliation Act, or COBRA, following the termination of his employment, then we will pay Mr. Young's monthly premium under COBRA until the earliest of (i) twelve months or (ii) the expiration of Mr. Young's continuation coverage under COBRA. If Mr. Young is constructively terminated within three months prior to or twenty-four months after a change in control then he will receive a one time cash severance payment equal to twelve months of his base salary plus an amount equal to the bonus that he received for the prior year.

Executive Severance Agreements and Stock Option Acceleration Provisions

We have entered into executive severance benefits agreements with each of our executive officers other than William Young which were amended as of September 20, 2007. These executive severance benefits agreements provide that if the executive is terminated without cause or constructively terminated within three months prior to or twenty-four months after a change in control then the executive will receive a one time cash severance payment equal to twelve months of the executive's base salary plus an amount equal to the bonus that the executive received for the prior year. If the executive elects to continue his health insurance under COBRA following the termination of his employment, then the Company shall pay the executive's monthly premium under COBRA until the earliest of (i) twelve months or (ii) the expiration of the executive's continuation coverage under COBRA.

The stock option agreements we have entered into with our executive officers in connection with stock option grants made to them under the 2004 Plan provide for acceleration of vesting of the stock option if the executive is terminated without cause or for good reason as of, or within 13 months after, a change in control. Options granted to executives under our 2000 Equity Incentive Plan, pursuant to the terms of that plan, are also subject to accelerated vesting if the executive is terminated without cause or for good reason as of, or within 13 months after, a change in control.

Potential Payouts Upon Termination or Change in Control

The table below shows the potential payments and benefits to which each Named Executive Officer would be entitled under the executive severance benefits agreements and stock option acceleration provisions described above and, in the case of Mr. Young, his employment agreement. The amounts shown in the table assume that termination was effective as of December 31, 2007 and that all eligibility requirements under the executive severance benefits agreements or applicable employment agreement were met.

		Termination without Cause or Constructively Terminated	
Name	Benefits	Within the Context of Change in Control	Outside the Context of Change in Control
William D. Young	Cash severance	$475,000	$475,000
	Cash bonus	—	—
	Medical benefits	13,650	13,650
	Stock option vesting acceleration (1)	4,931	4,931
	Total	$493,581	$493,581
Alfred G. Merriweather	Cash severance	$275,600	—
	Cash bonus	—	—
	Medical benefits	19,732	—
	Stock option vesting acceleration (1)	1,588	—
	Total	$296,920	—
Christos J. Petropoulos, PhD	Cash severance	$281,200	—
	Cash bonus	—	—
	Medical benefits	6,630	—
	Stock option vesting acceleration (1)	1,653	—
	Total	$289,483	—
William J. Welch	Cash severance	$297,150	—
	Cash bonus	—	—
	Medical benefits	19,732	—
	Stock option vesting acceleration (1)	2,236	—
	Total	$319,118	—
Michael P. Bates, MD	Cash severance	$307,000	—
	Cash bonus	—	—
	Medical benefits	19,732	—
	Stock option vesting acceleration	1,810	—
	Total	$328,542	—

(1) Represents the value of the portion of the stock option that is assumed to be accelerated, calculated using a Black-Scholes option valuation method.

DIRECTOR COMPENSATION

The following table shows for the fiscal year ended December 31, 2007 certain information with respect to the compensation of all non-employee directors of the Company:

DIRECTOR COMPENSATION FOR FISCAL 2007

Name	Fees Earned or Paid in Cash (a) ($)	Option Awards (b) ($)	Total ($)
Thomas Baruch (c)	$24,500	$26,459	$50,959
William Jenkins	$44,500	$26,459	$70,959
Edmon Jennings	$33,000	$26,459	$59,459
Cristina Kepner	$45,500	$26,459	$71,959
John Mendlein	$28,500	$26,459	$54,959
David H. Persing	$31,000	$26,459	$57,459

Note:

(a) Represents retainer, committee and meeting fees.

(b) Amounts shown do not reflect compensation actually received by the directors. Instead, the amounts shown are the compensation costs recognized by Monogram in fiscal 2007 for option awards as determined pursuant to Statement of Financial Accounting Standards No. 123 (R), or FAS 123(R), adjusted to exclude estimates of forfeitures. The assumptions used to calculate the value of option awards are set forth under Note 8 of the Notes to the Financial Statements included in Monogram's Annual Report on Form 10-K for fiscal 2007 filed with the SEC on March 12, 2008.

(c) On March 6, 2008, Mr. Baruch resigned as a member of our board of directors, effective March 11, 2008.

Each of our non-employee directors received an annual retainer of $20,000 in 2007, paid in equal quarterly installments. In addition, in 2007 each non-employee director received a fee of $2,000 for each Board of Directors meeting attended in person ($3,000 for directors resident outside of the U.S.), a fee of $500 for each Board of Directors meeting attended by phone and a fee of $500 for each committee meeting attended by committee members. In addition, the chair of the Audit Committee will receive an annual retainer of $10,000 and the chair of the Compensation Committee will receive an annual retainer of $5,000. In the fiscal year ended December 31, 2007, the total cash compensation paid to non-employee directors was $207,000. The members of the Board of Directors are also eligible for reimbursement for their expenses incurred in attending Board meetings in accordance with our policy.

All of our directors are eligible to participate in our 2004 Equity Incentive Plan, or the 2004 Plan. Option grants to non-employee directors are discretionary. However, the Board of Directors has adopted a policy pursuant to which it makes initial grants of stock options to new non-employee directors at their time of election to the Board of Directors, and, on an annual basis, grants stock options to its continuing non-employee directors. During the fiscal year ended December 31, 2007, we granted each of our six continuing non-employee directors options to purchase 20,000 shares of common stock. These options vest monthly over a one-year period; provided that the vesting may accelerate and all shares subject to the options may become immediately exercisable in the event of a change in control of us.

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended December 31, 2007, the following non-employee directors served as members of the Compensation Committee: William Jenkins (Chair), Cristina H. Kepner, John D. Mendlein, and David H. Persing. During that fiscal year, none of our executive officers served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis ("CD&A") contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to the Board of directors that the CD&A be included in this proxy statement for the fiscal year ended December 31, 2007.

William Jenkins (Chair)
Cristina H. Kepner,
John D. Mendlein
David H. Persing

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

INDEPENDENCE OF THE BOARD OF DIRECTORS

As required under the NASDAQ listing standards, a majority of the members of a listed company's Board of Directors ("Board") must qualify as "independent," as affirmatively determined by the Board. The Board consults with the Company's counsel to ensure that the Board's determinations are consistent with relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in the pertinent NASDAQ listing standards, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent auditors, the Board has affirmatively determined that the following six directors are independent directors within the meaning of the applicable NASDAQ listing standards: William Jenkins, Edmon Jennings, Cristina Kepner, John Mendlein, David H. Persing, and Christine A. White. In making this determination, the Board found that none of these directors or nominees for director had a material or other disqualifying relationship with the Company. William Young, the Chief Executive Officer of the Company, is not an independent director by virtue of his employment with the Company.

TRANSACTIONS WITH RELATED PERSONS

Indemnity Agreements

We have entered into indemnity agreements with each of our officers and directors which provide, among other things, that we will indemnify those officers or directors, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as a director, officer or other agent of Monogram, and otherwise to the fullest extent permitted under Delaware law and the Company's Bylaws. We also intend to enter into these agreements with our future directors and officers.

RELATED-PERSON TRANSACTIONS POLICY AND PROCEDURES

It is our practice and policy to comply with all applicable laws, rules and regulations regarding related-person transactions, including the Sarbanes-Oxley Act of 2002 and the NASDAQ listing standards. A related person is any executive officer, director, or more than 5% stockholder of the Company, including any of their immediate family members, and any entity owned or controlled by such persons. Under its charter, our Audit Committee is charged with reviewing and approving all related-person transactions, as required by the NASDAQ rules. In considering related-person transactions, the Audit Committee takes into account the relevant available facts and circumstances. In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval. The Company has not yet adopted a written related-person transactions policy.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are Monogram stockholders will be "householding" our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement and annual report, please notify your broker, direct your written request to Monogram Biosciences, Inc., Investor Relations, 345 Oyster Point Boulevard, South San Francisco, California 94080 or contact Investor Relations at (650) 635-1100. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request "householding" of their communications should contact their broker. In addition, Monogram will promptly deliver, upon written or oral request, to the address or telephone number above, a separate copy of the annual report and proxy statement to a stockholder at a shared address to which a single copy of the documents were delivered.

OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

KATHY L. HIBBS
Secretary

November 18, 2008

A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K, as amended, for the fiscal year ended December 31, 2007 is available without charge upon written request to: Corporate Secretary, Monogram Biosciences, Inc. 345 Oyster Point Boulevard, South San Francisco, California 94080.

monogram biosciences

The Mark of
Individualized Medicine

2007 ANNUAL REPORT

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

SEC Mail Processing Section
NOV 25 2008
Washington, DC
311

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Transition Period From to

Commission file No. 000-30369

MONOGRAM BIOSCIENCES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	94-3234479
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer identification no.)
345 Oyster Point Blvd South San Francisco, California	94080
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, Including Area Code: (650) 635-1100

Securities Registered Pursuant to Section 12(b) of the Act:
Common Stock, $0.001 Par Value
(Title of class)
The NASDAQ Stock Market LLC
(Name of Each Exchange on Which Registered)
Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2007 was $149,360,123.*

The number of shares outstanding of the Registrant's Common Stock was 134,193,374 as of March 7, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's Definitive Proxy Statement, to be filed with the Securities and Exchange Commission (the "Commission") pursuant to Regulation 14A in connection with the 2008 Annual Meeting of Stockholders (the "2008 Annual Meeting"), is incorporated by reference into Part III of this Report.

* Excludes 43,864,331 shares of Common Stock held by directors, officers and stockholders whose beneficial ownership exceeds 5% of the Registrant's Common Stock outstanding. The number of shares owned by such persons was determined based upon information supplied by such persons and upon Schedules 13D and 13G, if any, filed with the SEC. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the Registrant, that such person is controlled by or under common control with the Registrant, or that such persons are affiliates for any other purpose.

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This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding development and commercialization of our proposed products and services, and the possible growth of our business into new markets. These statements, which sometimes include words such as "expect," "goal," "may," "anticipate," "should," "continue," or "will," reflect our expectations and assumptions as of the date of this Annual Report based on currently available operating, financial and competitive information. Actual results could differ materially from those in the forward-looking statements as a result of a number of factors, including our ability to successfully complete the development and clinical validation of HERmark and other assays based on the VeraTag technology platform and commercialize these assays for guiding treatment of cancer patients, the potential role of our assays in the development and use of new classes of human immunodeficiency virus, or HIV, drugs such as CCR5 inhibitors including Pfizer's Selzentry™, the market acceptance of our products, the effectiveness of competitive products, new products and technological approaches, the risks associated with our dependence on patents and proprietary rights, the possible infringement of the intellectual property rights of others, and our ability to raise additional capital if needed. These factors and others are more fully described in "Risk Factors" and elsewhere in this Form 10-K. We assume no obligation to update any forward-looking statements.

PART I

Item 1. *Business*

Overview

We are a life sciences company committed to advancing personalized medicine and improving patient outcomes through the development of innovative molecular diagnostic products that guide and target the most appropriate treatments. Through a comprehensive understanding of the genetics, biology and pathology of particular diseases, we have pioneered and are developing molecular diagnostics and laboratory services that are designed to:

- enable physicians to better manage infectious diseases and cancers by providing the critical information that helps them prescribe personalized treatments for patients by matching the underlying molecular features of an individual patient's disease to the drug expected to have maximal therapeutic benefit; and
- enable pharmaceutical companies to develop new and improved anti-viral therapeutics and targeted cancer therapeutics more efficiently and cost effectively by providing enhanced patient selection and monitoring capabilities throughout the development process.

We are a leader in developing and commercializing innovative products that help guide and improve the treatment of infectious diseases, cancer and other serious diseases. Our goal with personalized medicine is to enable the management of diseases at the individual patient level through the use of sophisticated diagnostics that permit the targeting of therapeutics to those patients most likely to respond to or benefit from them, thereby offering *the right treatment* to *the right patient* at *the right time*.

Monogram's PhenoSense™ and GeneSeq™ products provide a practical method for measuring the impact of genetic mutations on human immunodeficiency virus, or HIV, drug resistance. This information is used to optimize various treatment options for the individual patient. We currently market phenotypic and genotypic resistance testing products directed at patients with HIV infection and the traditional drug classes of reverse transcriptase inhibitors, protease inhibitors and entry (fusion) inhibitors. In addition, we have resistance tests in development or already used in research that are relevant to two new drug classes for which first-in-class drugs have been approved by the Food and Drug Administration, or the FDA,—CCR5 antagonists and integrase inhibitors. In addition to these resistance tests, in 2007, we initiated commercial sales of the Trofile™ Co-Receptor Tropism Assay. Trofile is a patient selection assay for the new class of CCR5 antagonists. The first

drug in this class, Selzentry™ *(maraviroc)* from Pfizer Inc (Pfizer), was approved by the FDA and by the European Commission in 2007. Upon approval of Selzentry in the U.S., we introduced our Trofile Assay commercially and it is now available to help physicians select patients for clinical use of Selzentry. Outside of the U.S., we are making Trofile available through our global collaboration with Pfizer.

Over the last several years, we have built a business based on the personalized medicine approach in HIV drug resistance testing and, more recently, in patient selection. We now seek to leverage the experience and infrastructure we have built in the HIV market to the potentially larger market opportunity of cancer utilizing our proprietary *VeraTag*™ technology. In the future, we plan to seek opportunities to address an even broader range of serious diseases.

Numerous targeted drug therapies for the treatment of cancer are now being marketed and additional targeted therapies are in development. Our proprietary *VeraTag* (formerly known as "eTag™") technology provides an assay platform for analyzing very small amounts of tumor samples recovered and prepared in a variety of methods, including formalin fixation, the current standard technique in hospital pathology laboratories. We believe this analytical platform may be well suited for currently marketed drugs such as Herceptin™ as well as the next generation of targeted cancer therapeutics. Conventional tests provide a qualitative measure of the presence of genes or proteins. The *VeraTag* technology permits the quantitative and accurate measurement of proteins, and proteins in their activated form of homodimers and heterodimers. We believe that by making these measurements closer to the target of drugs we can provide a more reliable indicator of likely drug response or drug resistance, and thereby may permit the prediction, with a high degree of accuracy, of the likelihood of a patient's cancer responding to a given therapy, facilitating the selection of more precise and effective therapeutic options. Our first product, *HERmark*™, is approved for routine testing in our Clinical Laboratory Improvement Amendments, or CLIA, certified clinical reference laboratory. *HERmark* is focused on testing patients with breast cancer and clinical studies are in progress to determine its clinical utility and to optimize its commercial value. Additional assays are in development related to other protein drug targets and signaling pathways that are key drivers of proliferation or survival in cancer cells, both in breast cancer and other cancers.

We were incorporated in the state of Delaware, in November 1995, and commenced commercial operations in 1999. Our principal executive offices are located at 345 Oyster Point Blvd., South San Francisco, CA 94080. Further information can be found on our website: *www.monogrambio.com*. Information found on our website is not incorporated by reference into this report.

Background

Personalized Medicine

There is growing evidence that while many serious diseases, such as Acquired Immune Deficiency Syndrome, or AIDS, and cancer, can be characterized at the molecular level, many drugs simply do not work optimally for an entire population of patients in these broad disease categories. The biopharmaceutical industry is witnessing two mutually dependent innovations:

- targeted therapies that act on very specific disease mechanisms that may not be present in all patients with a broadly defined disease; and
- molecular diagnostic tests that may be able to predict, in advance, if a patient is likely to respond to a certain drug.

Based on these innovations, a new approach to disease management is emerging—*Personalized Medicine*—in which effective treatment options for the individual patient can be identified using specific diagnostic tests. The ideal of personalized medicine is to move from the so-called "one size fits all" method of drug treatment, to providing "the right treatment to the right patient at the right time."

Infectious Diseases

Viruses are microorganisms that must infect living cells to reproduce or replicate. These viruses infect human cells and replicate, making new viruses that can infect other cells. There are many different types of viruses, but all viruses share structural and functional characteristics associated with their ability to replicate. During the replication cycle, all types of virus often change slightly, or mutate. This is particularly true of viruses such as HIV and hepatitis C virus, or HCV. For example, in an untreated HIV-infected patient, HIV generates virus variants with genetic mutations at every possible nucleotide position, causing billions of new viruses to be produced each day. At any given time, there can be many different variants of the virus present within the infected patient's body, each with a slightly different genetic sequence. This large number of virus variants allows HIV to adapt very rapidly and develop resistance to drugs. As a consequence of drug resistance, HIV continues to cause a large number of infections and deaths despite the availability and introduction of new and effective treatments.

Viral drug resistance refers to a reduction in the ability of a particular drug or combination of drugs to block replication of the virus. Drug resistance typically occurs as a result of mutations that accumulate in the viral genome as it replicates. As the virus replicates and creates a multitude of mutations, the drug resistant mutations become more prominent. For people infected with HIV, drug resistance can render drugs less effective or even completely ineffective, thus significantly reducing treatment options. The emergence and spread of strains of virus with drug resistance means that the ability to treat infections and save lives has become increasingly difficult.

There are approximately 40,000 new diagnoses of HIV infection in the United States each year. In time, most of these progress to AIDS, which is one of the leading causes of death worldwide. It is estimated that approximately one million individuals in the United States are currently living with this disease. While once considered a fatal disease, with the advent of over 20 FDA-approved anti-viral drugs for treatment of HIV and over 60 more in development, HIV infection increasingly can be treated as a chronic disease.

Drug Resistance

While more effective combination treatment regimens have been introduced for HIV, e.g. HAART (highly active antiretroviral therapy), over time the virus often develops resistance to the administered drugs, requiring a change in the combination of anti-viral agents prescribed. Selecting the right combination of drugs for optimal treatment of HIV patients is often difficult when physicians have limited information about the susceptibility of the patient's HIV to specific anti-viral drugs. Each treatment failure increases the risk that the next drug combination will not work or work for a shorter period of time leaving the patient with fewer effective future treatment options. Physicians are faced with the challenge of tailoring therapy to individual patients numerous times over the course of the disease.

Resistance to anti-viral drugs is one of the most serious impediments to successful treatment of HIV/AIDS patients. In response to the problem of anti-viral drug resistance, physicians use combinations, or cocktails, of anti-viral drugs, attacking different targets within the virus simultaneously. However, even combination therapy eventually fails in a great majority of patients, due, in large part, to the fact that the virus becomes resistant to some or all of the drugs used in combination.

Anti-viral drugs approved by the U.S. Food and Drug Administration, or FDA, are generally used in various combinations to treat HIV infected patients. Combination therapy requires each drug in the combination to be active, interfering with key viral functions, for the therapy to be most effective. If any of the drugs are not active, the combination therapy will likely fail more quickly. Each treatment failure leaves the patient with fewer future treatment options. Drug resistant viruses can also be transmitted to newly infected individuals, increasing the risk that initial treatment for those individuals will not work.

There are over 20 FDA-approved drugs currently marketed for treatment of HIV. These generally fall into four classes of drugs. These are nucleoside reverse transcriptase inhibitors, non-nucleoside reverse transcriptase

inhibitors, protease inhibitors and entry (fusion) inhibitors. For several years, most approved HIV therapeutics were in the first three classes. One fusion inhibitor has also been approved. In 2007, new drugs were approved in two separate new classes—CCR5 antagonists and integrase inhibitors. The first CCR5 antagonist, Selzentry from Pfizer, was approved by the FDA in August 2007. The first integrase inhibitor, Isentriss from Merck, was approved by the FDA in October 2007. Many more drugs in multiple classes are in development. These new drugs and drug classes may be expected to add to the richness of available therapeutic choices for physicians and patients, but they also add to the complexity of the choices, which may increase the need for sophisticated techniques for choosing among those potential therapies.

While new anti-viral drugs which may have increased potency and activity against drug resistant viruses are under development, the ability of HIV to mutate and replicate continues to challenge physicians, who are faced with the challenge of identifying the most appropriate therapy for the individual patient. We believe that this ability of HIV to continually mutate, coupled with the increased complexity of available therapy choices, will increase the need for sophisticated testing to identify resistance profiles and to guide treatment decisions on an individualized basis.

Viral Resistance Testing

In response to the challenge posed by drug resistant viruses and the complexity provided by multiple choices of therapies, tests have been developed to assess the resistance of viruses to particular drugs. Simple tests based on an analysis of the genetic composition of the virus are now quite common. In addition, more sophisticated tests focused on more direct, or phenotypic, measurement of drug resistance are also available. The technologies available for resistance testing are:

- Phenotypic Assays—based on direct measurements of anti-viral susceptibility in cell culture assays in the presence of commercially available drugs; and
- Genotypic Assays—based on scanning the viral genome to identify known mutations associated with resistance to particular drugs.

Both types of test may improve treatment response and can be used either to realign existing therapy or to help selection of the best initial therapy for a patient. Resistance testing has emerged as the "standard of care" in the management of patients with HIV. Current treatment guidelines from the U.S. Department of Health and Human Services, the International AIDS Society-USA and the EuroGuidelines Group recommend resistance testing to identify new potent drug combinations both on initial diagnosis and after therapy failure. Phenotypic testing provides the most direct measure of drug resistance and, when combined with genotypic testing, provides the most comprehensive view of a patient's situation. The ultimate goal of resistance testing is to optimize therapies for the individual patient. Increasingly, the complexity of the virus, the sophistication of available testing, and the cost to the patient both in terms of lost future treatment options as well as funds spent on expensive but ineffective therapies, make it more and more critical that physicians have access to as much information as possible when they determine therapy for their patients.

Tropism and Patient Selection Testing

Resistance testing is used at the time of therapy failure to determine which specific elements in a patient's treatment regimen are failing and which drugs might be added to the regimen prospectively. HIV utilizes one of two co-receptors to enter a patient's host cells. These co-receptors are known as CCR5 and CXCR4. Each infected patient has HIV that uses one or the other of these two co-receptors or that uses both co-receptors simultaneously. Where both co-receptors are used, such patients are known as "dual/mixed."

A new type of testing has emerged that can be used prior to therapy prescription to determine, in advance, whether specific patients are suitable for a particular drug. This form of testing assesses the "tropism" of the patient. Tropism refers to the particular co-receptor—CCR5 or CXCR4—that the patient's virus uses to infect host cells. Such testing may also have a role during therapy, or after therapy failure, for patient monitoring.

The new class of HIV drug called CCR5 antagonists is designed to inhibit the use of the CCR5 co-receptor, and thereby prevent entry by HIV into host cells. However, for CCR5 antagonists to be effective, it is necessary for the patient's virus to use the CCR5 co-receptor. Efficacy is not expected where the patient's HIV uses CXCR4 or is dual-mixed. Accordingly, efficacy of CCR5 antagonist drugs requires an effective test that identifies the tropism of the patient, or whether the CCR5 co-receptor target of the drug is present, or not. Monogram's Trofile Co-Receptor Tropism Assay is such a test and has been used in all phase II and phase III trials, to date, for CCR5 antagonists.

Current treatment guidelines from the U.S. Department of Health and Human Services recommend that tropism testing should be performed whenever the use of a CCR5 inhibitor is being considered, and that tropism testing might also be considered for patients who fail therapy while on a CCR5 inhibitor.

Oncology

Over one million new cases of solid tumor cancer are diagnosed each year in the United States, with three cancer types (breast, lung and colorectal) accounting for over 500,000 of these. Many more patients are living with cancer, and, it is estimated that there are more than two million women living with breast cancer. Although there are often several therapeutic options for a given indication, treatment is typically expensive and accompanied by a host of adverse side effects that are detrimental to patients' quality of life. In many cases, treatments are effective in only a small percentage of the total patient population and so multiple treatment options must be pursued sequentially, until an effective one is found. Often, relatively non-specific broader acting cancer therapeutic agents, including various chemotherapies and radiotherapy are used as first-line and second-line therapies before more specific, targeted therapeutics are used. These broader agents often have serious debilitating side effects associated with them. Typically, not until a patient has "failed" these treatments either because of intolerable or adverse side effects, or because their cancer does not respond or has progressed, are newer targeted therapies tried. These targeted therapies are often used in third-line treatment because the percentage of patients in the overall population, for whom they are effective, is relatively low (10%-20%). For patients with a life threatening disease, the sequential approach to the selection of therapies is not optimal but is a consequence of the limited information available to physicians. Despite many years of clinical studies, physicians still have inadequate information on which to base many treatment decisions and many newer targeted drugs have low levels of response in the general disease population, even though in a subset of the patient population they can be extremely effective. The consequences of suboptimal or inappropriate therapies include poor patient outcomes, both from side effects and lack of activity, as well as an economic burden on the healthcare system—the added costs of the physician's time, wasted drugs and increased hospitalization.

Patient Selection Testing

There is growing acknowledgement that the current methods of classifying different types of cancer by the tissue of origin (e.g. breast cancer or lung cancer) are relatively imprecise, and that better methods of categorizing an individual's cancer or tumor may be possible. In fact, it is now believed that tumors from different tissue types (e.g. lung cancer and breast cancer) from different patients may be more closely related at the molecular level, and more likely to respond to a particular targeted therapy, than two tumors from the same tissue (e.g. breast). Separate lung cancer tissues may appear to be the same, but at the molecular level they may display very different biological processes. For a treatment to be optimally effective in killing or controlling cancer cells in an individual patient, it is desirable to have diagnostic tests that are able to "see" at this level and to determine what is driving the growth of the cancer cells in the individual patient and which drug is likely to affect that particular process.

Cancer cells proliferate through the activation and interaction of complex biological pathways, stimulated by extra-cellular signals or by aberrations in intra-cellular signaling or regulatory processes. In order to cure a patient's cancer, or to control it and limit its progression, physicians must have an understanding of these complex processes, and which particular signaling pathways have been activated and are driving cancer cell growth in each particular patient. Attempts to understand these processes have used the available, although not

necessarily optimal, analytical tools. For example, use has been made of established tools for the identification of specific gene mutations or gene expression levels present in the tumor tissue of certain patients. While this information is extremely useful in some cases, the biological patterns that result in uncontrolled cell growth and cancer are much more complex, and are influenced by many additional factors—many more than can be communicated in simple gene-based measurements. Often, while statistical relationships are postulated between the presence of these genetic markers and clinical outcome, there may be no well understood biological rationale for the statistical relationship. The presence of certain genes may lead, through biological processes, to the generation of the related protein. However the genetic information, usually measured using a testing technology known as fluorescence in-situ hybridization (FISH), is not precise and is only an indirect indication of whether the related protein may be present and of the quantity in which it may be present. Measurements of the presence of proteins are often performed using a testing technology known as immunohistochemistry (IHC), which is qualitative in nature and subject to substantial variability depending on the individual interpretation of results. Whether assessing the gene or protein expression levels, neither testing approach directly addresses the critical aspect of whether the protein is activated or not nor whether a signaling pathway has actually been triggered. There is increasing debate in the clinical community as to the accuracy and reliability of the conventional testing methods.

We believe that a more comprehensive understanding of the biology involved in cancer cell growth and drug response is required to enable physicians to select the right therapy. We believe that such an understanding requires information at the level of proteins, especially activated proteins such as protein dimers, the target of many drugs. Accordingly, we believe that the most effective diagnostic tests would be those that can identify the presence of the proteins and protein complexes that are the targets of the drugs in question. Even greater predictive power would likely accrue to those diagnostic tests able to measure the target proteins in their activated state, specifically, those target proteins actively involved in the disease process or mechanism attacked by the drug.

There are many cellular pathways which, when activated, cause proliferation of cancer cells. One family of proteins that is thought to be active in a number of such pathways and for which substantial drug development activity has been targeted, is the EGFR/HER pathway. The four receptors in the EGFR/HER family—HER1, HER2, HER3 and HER4—are present on the surface of many cells and, when activated, can combine with other HER family receptors to form a protein "dimer." These dimers initiate signaling pathways that can cause proliferation of cancer cells. Examples of such dimers are "homodimers" of HER2, where two HER2 proteins dimerize, and "heterodimers" of two different HER proteins, such as where HER2 and HER3 proteins come together to form a dimer of HER2 and HER3. Knowledge of the particular signaling pathways that are active in particular patients, not only has the potential to inform decisions about the applicability of specific drugs to specific patients, but also potential combinations of drugs that may be relevant—raising the possibility of bringing cocktail therapy to cancer therapy, just as it has become the standard of care in HIV treatment. Signaling pathways activated by the HER family of proteins are believed to be relevant in many types of cancer, including breast cancer.

Breast Cancer

The number of women newly diagnosed with breast cancer each year in the United States approaches 200,000. In addition, it is estimated that there are more than two million women living with breast cancer. Traditionally, the first treatment approaches have included surgery to remove as much of the tumor as possible followed by chemotherapy or radiotherapy. Generally, only when patients had failed these courses of therapy and the cancer had continued to develop or had recurred, were newer targeted drugs prescribed. Herceptin® is one such drug that was approved by the FDA in 1998, for such use in late stage breast cancer patients, in whom the cancer had metastacized and spread to other organs. In 2006, Herceptin was approved for use in earlier stage patients in the adjuvant setting, i.e. in patients who had initial surgery and then embarked on a drug treatment to supplement the surgery. Recently a second targeted drug, Tykerb®, was approved by the FDA for patients who had failed Herceptin therapy. Both Herceptin and Tykerb are believed to act on different but related signaling pathways in the HER family. Many other drugs targeting the HER family are in development.

The approved labeling for Herceptin requires that patients be tested for the presence of HER2. This is done by either, or both, of IHC and FISH testing, which are the only currently available testing methods. IHC provides a qualitative assessment of the presence of the HER2 protein and FISH provides an assessment of the amplification level of the HER2 gene. Because of the inherent lack of precision in these tests, less than half of those patients reported as HER2 positive by these tests actually respond to Herceptin in the metastatic setting. There is growing recognition that these conventional tests may not be sufficiently accurate and may even miss patients who could benefit from Herceptin.

We believe that new technologies are required to more accurately determine which patients would be most likely to respond to targeted breast cancer drugs.

Monogram's Solution

Our solution to these challenges is based on molecular diagnostic tools that are designed to aid drug development and guide patient therapy by:

- enabling physicians to better manage infectious diseases and cancers by providing the critical information that helps them prescribe personalized treatments for patients by matching the underlying molecular features of an individual patient's disease to the drug expected to have maximal therapeutic benefit; and
- enabling pharmaceutical companies to develop new and improved anti-viral therapeutics and targeted cancer therapeutics more efficiently and cost effectively by providing enhanced patient selection and monitoring capabilities throughout the development process.

Infectious Diseases

Our proprietary technology identifies drug resistance to HIV and can also identify a patient's tropism to screen for likely drug response to certain HIV drugs. Our products are used primarily in the management of patients with HIV/AIDS, but do have potential applicability to other infectious diseases such as HCV. We make our tests available both to physicians to guide the management of patients' treatment and to pharmaceutical companies to aid in the development and clinical evaluation of new drugs.

The following table sets out the products that are offered to physicians in guiding the selection of therapy from among approved drugs and the tests available to pharmaceutical and biotechnology companies for use in drug development and clinical trial patient recruitment:

Products for HIV Testing

Product	Description	Target Customer	
		Physicians	Pharmaceutical Companies
PhenoSense HIV	Directly and quantitatively measures resistance of a patient's HIV to anti-viral drugs and measures viral fitness, or the ability of a virus to reproduce and infect new cells	✓	✓
GeneSeq HIV	Examines and evaluates the genetic sequences of a patient's HIV	✓	✓
PhenoSense GT	Combination product of the PhenoSense HIV and GeneSeq HIV tests integrated into one report	✓	✓
PhenoSense HIV Entry	Directly and quantitatively measures resistance of a patient's HIV to entry (fusion) inhibitors (2)	✓	✓
GeneSeq HIV Entry	Examines and evaluates the genetic sequences of a patient's HIV for evidence of resistance to entry (fusion) inhibitors (2)		✓
Trofile Co-Receptor Tropism	Identifies the co-receptor the patient's virus uses to enter cells, or tropism; a patient screening assay that may also be a prognostic factor in the pace of HIV disease progression	✓	✓
PhenoSense and GeneSeq HIV Integrase	Measures HIV resistance to integrase inhibitors for use in research and drug development	(1)	✓
PhenoSense HIV Antibody Neutralization	Tests patients' blood samples for the presence of antibodies that neutralize the HIV virus preventing the virus from infecting other cells (used in vaccine development programs)		✓
PhenoScreen	High-throughput screening for the identification of potential clinical drug candidates		✓

(1) Assays for the integrase class are being validated in our CLIA reference laboratory and could be made available for physician use upon completion of validation.

(2) Resistance assays for the Entry (CCR5) class are in development.

In addition to the HIV testing products detailed above, we have PhenoSense HCV and GeneSeq HCV assays, some of which are still in development with partial funding from pharmaceutical partners, while others are made available to pharmaceutical companies for use in their drug discovery and development programs.

Physicians

Utilizing the information from the various products that we have developed, physicians are able to manage the treatment of AIDS and prescribe personalized treatments for patients.

Our GeneSeq test determines the genetic sequence of HIV and provides physicians with a prediction of expected drug resistance based on the particular mutations present in the individual patient's virus. Our PhenoSense technology, rather than relying on known genotypic associations to make predictions of drug resistance, provides a direct measurement of the activity of each of the currently available anti-retroviral drugs against the patient's individual virus. By directly measuring the interaction of drug with viral enzyme, it avoids the need to rely on predictions when knowledge of genotypic resistance is lacking. The direct and quantitative nature of the phenotypic information that is provided facilitates a more useful characterization of the continuum of resistance than can be derived from basic genotypic tests. In addition, our tests can be automated and performed in large numbers, making them practical for routine use in the clinical management of patients. Currently marketed tests address the following classes of approved HIV drugs: nucleoside reverse transcriptase inhibitors, non-nucleoside reverse transcriptase inhibitors, protease inhibitors and entry (fusion) inhibitors. Assays for the integrase class are currently being validated in our CLIA certified reference laboratory. Resistance assays for the Entry (CCR5) class are in development.

Our Trofile Co-Receptor Tropism Assay identifies the co-receptor that the patient's HIV uses to enter the cell. For the new class of CCR5 inhibitor drugs, it is important to know which co-receptor is being accessed by the virus for entry into cells. This test has been used to select patients for all phase II and phase III clinical trials of CCR5 antagonists to date. The first of these drugs, Pfizer's Selzentry was approved, in 2007, by both the FDA and European Union regulatory authorities. Upon approval of the drug, we initiated commercial sales of Trofile in the U.S. and are making Trofile available outside of the U.S. through our collaboration with Pfizer.

We believe the information generated by our technology supports and guides the decision making process for physicians to identify optimal therapeutic treatment regimens for each patient. Through our genotypic and phenotypic tests, we provide a comprehensive report to the physician outlining the likely response of the patient's HIV to all of the approved HIV drugs in the reverse transcriptase inhibitor, protease inhibitor and entry (fusion) inhibitor classes. To provide more cost effective and timely data to the physician, we utilize an online test reporting system for our comprehensive portfolio of assays. Our secure online system facilitates data analysis, allowing examination of historical patient resistance data to help identify resistance patterns in patients over time, and, it helps decrease the time between sample submission and reporting the results of the assays to physicians.

Pharmaceutical Companies

Pharmaceutical companies are under significant pressure to increase the productivity of their research and development functions. Significant impact on revenue for a pharmaceutical company can be derived by accelerating the progress of existing drugs in development through clinical trials, as well as by enhancing drug discovery programs.

Increasing the speed and probability of success of clinical trials and accelerating the commercialization of drug candidates can be achieved through the advent of tests that are based on a personalized medicine approach. By identifying patients utilizing biomarkers that are predictive of response to the drug under investigation, we believe clinical trials can be shorter, smaller and less costly, and have a higher probability of successful completion. In addition, the drug can be prescribed with a higher degree of expected effectiveness, be brought to market more rapidly, and potentially be positioned as a first- or second-line treatment rather than a second- or third-line treatment.

Our products can be utilized by drug developers to:

- Predict novel compounds' potential benefits based on activity against a wide range of actual patient viruses and specific mutational patterns compared with other drugs in the same class; and
- Prioritize and optimize drug candidates based on identification of compounds with the best resistance profiles, allowing companies to invest resources in the most promising drug candidates.

Clinical trials are the most expensive part of drug development and pharmaceutical companies are now utilizing the information from pharmacogenomics, the scientific discipline focused on how genetic differences among patients determine or predict responsiveness or adverse reactions to particular drugs, to improve the outcomes of clinical trials. In a similar way, pharmaceutical companies are using our products to help select and monitor suitable patients for clinical trials and optimize background therapy prior to treatment with the investigational compound. This selection process may allow pharmaceutical companies to guide important drug development decisions before large resource commitments are made. To date, we have provided testing services to almost all the pharmaceutical companies with drugs in development for treatment of HIV/AIDS. Importantly, the FDA has endorsed and emphasized the importance of resistance testing in drug development.

Oncology

Utilizing our *VeraTag* technology platform, we plan to expand our franchise into oncology. We aim to leverage our commercial experience to develop molecular diagnostic tests that will differentiate those cancer patients who are likely to respond to targeted therapies from those patients who are less likely to respond.

VeraTag assays are designed to detect proteins and protein complexes, including protein dimers and modified forms of these proteins. These analytes are not readily discernible with other technologies, especially in human tissue samples that have been stored in the standard clinical method of formalin-fixed/paraffin embedded (FFPE). Measurements of activated proteins are expected to provide valuable information with respect to the activation states of key signaling pathways that drive cell proliferation and survival in tumors, and serve as biomarkers that indicate the likelihood of response to particular targeted therapeutics in individual patients and specific patient sub-groups. Importantly, our *VeraTag* assays require only a very small amount of biological sample and are designed to be performed directly on FFPE tissue samples, as well as other sample formats. This ability to utilize small amounts of human clinical samples in a wide range of formats, without extensive and time-consuming sample preparation, makes *VeraTag* assays well suited to diagnostic applications in human disease management.

Our first *VeraTag* product, *HERmark*, is approved for routine testing in our CLIA certified clinical reference laboratory. We believe that *HERmark* provides an accurate and precise quantification of the level of HER2 protein and the level of HER2 homodimers in breast cancer patient tumor samples. *HERmark* is currently undergoing separate clinical studies to determine clinical utility as a predictor of response to Herceptin in patients with metastatic breast cancer and also as a predictor of response to Herceptin in early stage breast cancer where Herceptin may be used in the adjuvant setting. We believe that, after completion of these clinical validation studies and upon presentation and publication of the results, *HERmark* could provide valuable information to physicians as an aide in managing the treatment of breast cancer patients.

In our clinical studies, we are accessing previously collected tumor samples, performing our *HERmark* assays on those samples and comparing the results and predictions obtained from our assays with the known clinical outcomes. In these retrospective studies, we are blinded to the clinical outcome by our clinical collaborators until assay measurements have been completed and analysis can be performed to correlate the assay measurements with clinical outcomes.

In our clinical studies of *HERmark* as a predictor of Herceptin response in metastatic breast cancer, we have analyzed three separate cohorts of patient samples, including samples both from well controlled clinical studies and samples from "real world" clinical settings and have observed consistent relationships between measurements of HER2 and HER2 homodimer levels and clinical outcomes. Results of these studies were presented at the American Society of Clinical Oncology (ASCO) annual meeting, in June 2007, and at the San Antonio Breast Cancer Symposium in December 2007. We plan to conduct studies in additional patient cohorts, some of which are in process, to confirm these initial findings and to establish clinical cutoffs that may make the measurements generally applicable.

In our clinical studies of *HERmark* as a predictor of Herceptin response in the adjuvant setting, we are evaluating *HERmark* assay measurements in two separate collaborations involving tissue samples from up to 2,600 patients. Both these collaborations involve access to patient samples derived from previously conducted and well controlled clinical studies of Herceptin. One is a U.S. based study, for which we expect to have access to up to 1,600 patient samples. The other is a European study, for which we expect to have access to up to 1,000 patient samples. Both studies are in process.

We are pursuing parallel paths to the potential commercialization of *HERmark* based on the results of these ongoing clinical studies of *VeraTag* in the metastatic and adjuvant use of Herceptin for the treatment of breast cancer patients.

Beyond *HERmark*, we are seeking to develop assays are under development for precise quantitative measurement of additional HER family analytes. These include both HER protein levels such as the level of HER 1 and HER3 proteins and HER heterodimers such as HER2:HER3 and HER1:HER2. These assays are still under development. We believe that such measurements could provide valuable insights into pathways relevant to likely response to other breast cancer drugs such as Tykerb, and could also illucidate resistance pathways for Herceptin, potentially providing a rational means by which to design combination therapy regimens for patients with breast cancer. We believe that the development of this comprehensive range of HER assays not only opens up a broader capability in breast cancer but also enables opportunities for the *VeraTag* platform in many other cancer types, such as lung and colorectal cancer, where the HER family may be relevant.

Monogram's Strategy

Our objective is to be a world leader in developing and commercializing innovative products to help guide and improve the treatment of infectious diseases, cancer and other serious diseases. We have developed products that meet the treatment needs for HIV/AIDS and believe that we have built the leading franchise in this area. We now seek to expand into the area of cancer therapy and, in the future, will seek opportunities to address an even broader range of serious diseases.

Our strategy for addressing these objectives is two-fold: to support drug development and guide patient therapy. Specifically, key elements of our strategy are to:

- *Leverage the Increasing Trend Towards Personalized Medicine.* Our innovative technologies are developed to facilitate and guide treatment regimens for specific patients. There is a growing need for technologies that identify those particular patients most likely to respond to a particular therapy, so that the drugs can be prescribed for the appropriate patient groups allowing for a personalized approach to therapy, by getting the right treatment to the right patient at the right time.
- *Maintain and Enhance Our Leadership Position in Molecular Testing for HIV/AIDS.* We believe we are the leading provider of sophisticated tests for HIV drug resistance and have established ourselves as a leader in this field. We believe the use of our Trofile Co-Receptor Tropism Assay in patient selection for the new HIV drug class of CCR5 antagonists opens a new era in molecular testing for HIV patients. We plan to maintain our leadership position by continuing a strong emphasis on the scientific basis for our products.
- *Develop a Leadership Position in Products to Guide Cancer Treatments.* We intend to develop a market position in oncology that mirrors the leadership position we have built in HIV, through our proprietary *VeraTag* technology. New targeted cancer drugs that are approved for marketing and in development for treatment of breast cancer, provide an outstanding opportunity for our expertise in developing tools that can differentiate likely responders and non-responders in a large patient population. As the range of available assays expands, we intend to broaden our activities from breast cancer to other cancer types.
- *Leverage Our Relationships with the Pharmaceutical/Biotechnology Industry.* We believe we are the partner of choice for pharmaceutical companies seeking molecular testing for HIV drugs in

development. We believe our drug resistance tests have been used in the testing of patient samples and we are currently working with almost every company with a significant HIV drug development program. We intend to leverage our expertise and position by enhancing our product portfolio for patient testing as these drugs are approved and brought to market.

- *Provide Broad, Convenient Access to our Products on a Worldwide Basis.* We have created broad access to our current commercial products in the United States by focusing on reimbursement, education and distribution. In the U.S., we have relationships, providing broad access to our HIV resistance tests, with Quest Diagnostics and Laboratory Corporation of America, the two largest national networks of clinical reference laboratories in the United States and will continue to seek the broadest and most optimal distribution structure for our products. We are making our Trofile Co-Receptor Tropism Assay available outside of the U.S. through our collaboration with Pfizer. For our future oncology products, we intend to utilize a similar commercial approach in the U.S. and intend to access major international markets, either directly or indirectly through partnerships.
- *Develop strategic partnerships to optimize the development of our business.* We will seek partnerships related to technologies, products and commercialization approaches where these can enhance our technology platforms or our market position.
- *Maintain a Strong Intellectual Property Portfolio.* We have a significant portfolio of patents and patent applications related to our products and technologies. We intend to continue enhancing our portfolio to maintain a strong proprietary position.

Sales & Marketing

We market our HIV tests to physicians and pharmaceutical customers in the United States, through both a direct and indirect sales organization. We have built an efficient commercial infrastructure to support the industry's most comprehensive line of drug resistance and patient selection tests currently available. Our commercial organization is composed of approximately 66 people in sales, marketing, customer service, payer relations and sales management functions.

We market our HIV tests to physicians in the U.S., directly to physician offices and indirectly through national, regional and hospital laboratories. For our HIV resistance tests, we have contracts and alliances with Quest Diagnostics and Laboratory Corporation of America, the two largest national networks of laboratories in the U.S. These alliances allow for streamlined collection of blood specimens as well as convenience for physicians who desire to consolidate testing for payers.

We are marketing our Trofile Co-Receptor Tropism Assay outside of the U.S. through our collaboration with Pfizer Inc. On May 5, 2006, we entered into a Collaboration Agreement with Pfizer regarding our Trofile Assay (the "Collaboration Agreement"). The Collaboration Agreement has an initial term that expires on December 31, 2009, and is renewable by Pfizer for five successive one-year terms.

Under the agreement, we collaborate with Pfizer to make our Trofile Co-Receptor Tropism Assay available globally. We are responsible for making the assay available in the U.S. and performing the assay in accordance with agreed upon performance standards. We also are obligated to undertake certain efforts to plan for, establish and maintain an infrastructure to support the commercial availability of the assay outside the U.S. in countries designated by Pfizer, and we will be obligated to perform the assay with respect to patient blood samples originating outside of the U.S., in accordance with agreed upon performance standards. Pfizer is responsible for sales, marketing and regulatory matters related to the assay outside of the U.S. Pfizer will also reimburse us for costs incurred in establishing and maintaining the necessary logistics infrastructure to make the assay available outside of the U.S., and, Pfizer pays us for each assay that we perform with respect to patient blood samples originating outside of the U.S.

Subject to certain limitations, Pfizer will be entitled to establish its own facility to perform the assay in support of its human clinical trials, and to perform the assay with respect to patient blood samples in the event of

certain uncured material breaches by us of the Collaboration Agreement (including the performance standards). For such purposes, we have granted Pfizer a license to use certain intellectual property rights and proprietary materials related to our Trofile Co-Receptor Tropism Assay. We will be obligated in such a case to assist Pfizer in establishing and operating such facility, for which Pfizer will reimburse us for all costs incurred to provide such assistance. To secure our obligations under the license described above, we have granted Pfizer a security interest in certain of our intellectual property rights and proprietary materials related to the Trofile Co-Receptor Tropism Assay. We have also extended the co-receptor tropism assay portion of the existing services agreement between us and Pfizer in support of potential additional Pfizer clinical trials, through December 31, 2009.

We expect to leverage our existing experience and infrastructure to commercialize products for the oncology market. As we will be marketing to a separate physician group, we expect to hire sales personnel dedicated to the oncology market. We have hired a senior executive to lead this effort and have made other management additions to our commercial organization in anticipation of commercial introduction of products for the oncology market. We plan to hire sales and educational personnel within this organization prior to the commercial introduction of such products.

Our marketing strategies focus on physician, patient and payer education in order to increase market awareness of our resistance testing products. We routinely sponsor and participate in conferences and scientific meetings, sponsor educational forums for physicians, and advertise in relevant journals and publications. Additionally, we target patients directly through educational programs. As part of our effort to maintain scientific leadership within the clinical community, which represents our customer base, we have a clinical advisory board consisting of leading clinicians.

We have an active reimbursement strategy, and educate both private and public payers regarding the benefits of our molecular diagnostic testing services in an effort to maximize reimbursement. We believe that over 75% of HIV/AIDS patients in the U.S. now have access to coverage for resistance testing. At the end of 2007, 49 state Medicaid programs, including California, Florida, New Jersey and New York, the states with the largest HIV/AIDS patient populations, had favorable coverage policies for drug resistance testing. Medicare and nearly all private payers, including Aetna, the Blue Cross Blue Shield Association, Humana and United Health Care, pay for HIV resistance testing. For our tropism test, we currently have coverage from the federal Medicare program, most of the state Aids Drug Assistance Programs (ADAP programs), sixteen state Medicaid programs and from certain private insurers. We intend to leverage this experience as we introduce molecular diagnostic testing products for oncology.

Research & Development

Research and development expenditures were $19.4 million, $19.0 million and $19.0 million in 2007, 2006 and 2005, respectively. These expenditures reflect both ongoing research and development work on our portfolio of HIV and related testing products and continuing development of our proprietary *VeraTag* technology. We are developing products based on this *VeraTag* technology for therapy guidance in oncology for use by pharmaceutical companies and physicians.

As of February 22, 2008, we had 56 employees in research and development and clinical research activities, of whom approximately 35% were primarily focused on infectious disease programs, and approximately 65% were primarily focused on oncology programs.

We maintain an active effort to seek grant funding in support of research programs. Revenue from grants, recorded as contract revenue, was $1.9 million, $1.8 million, and $2.3 million in 2007, 2006 and 2005, respectively. These grants help support the development of analytical and database tools used to facilitate the identification and characterization of drug resistant strains of HIV, and assays that aid in the pre-clinical and clinical evaluation of the next generation of anti-viral therapeutics and vaccines.

Competition

The markets for life science research and diagnostic products are highly competitive and are subject to rapid technological change. In particular, approaches to personalized medicine are rapidly evolving and there are many companies attempting to establish their technological approaches and products as the standard of care.

For our HIV resistance testing products, the principal competitors include Tibotec-Virco, a division of Johnson & Johnson, Specialty Laboratories, Applied Biosystems Group, Visible Genetics, a division of Siemens, Viralliance, and reference and academic laboratories performing genotypic testing. For our Trofile Co-Receptor Tropism Assay, we are not aware of any other clinically validated products currently available for this application. However, we are aware of efforts by third parties to develop competitive assays using phenotypic and genotypic approaches. We believe that genotypic approaches to the identification of tropism are significantly less precise than our phenotypic approach. Nevertheless, we expect that reference laboratories and academics may develop products based on genotypic approaches.

For diagnostic testing used for cancer therapies, we expect to compete with companies that are developing alternative technological approaches for patient testing in the cancer field. There are likely to be many competitive companies and many technological approaches in the emerging field of testing for likely responsiveness to the new class of targeted cancer therapies, including companies such as DakoCytomation A/S, Genzyme and Abbott Laboratories, that currently commercialize testing products for guiding therapy of cancer patients. Established diagnostic product companies such as Abbott Laboratories, Roche Diagnostics and Bayer Diagnostics and established clinical laboratories such as Quest Diagnostics and Laboratory Corporation of America may also develop or commercialize services or products that are competitive with those that we anticipate developing and commercializing. In addition, there are numerous alternative technological approaches being developed by competitors and evaluated by pharmaceutical and biotechnology companies as well as being studied by the oncology community. In particular, while our anticipated oncology testing products will be based on the identification of protein-based differences among patients, there is significant interest in the oncology community for gene-based approaches that may be available from other companies.

We believe that the principal competitive factors in our markets are product capability supported by clinical validation, scientific credibility and reputation, customer service, cost effectiveness of the technology and the sales and marketing strength of the supplier.

Many of our competitors and potential competitors in these markets have substantially greater market presence and substantially greater financial, technical and human resources than we do. We cannot assure you that our competitors will not succeed in developing technologies and products that would render our technologies and products obsolete and noncompetitive. We also cannot assure you that we will be able to compete effectively with these competitors' greater marketing presence and financial strength.

Operations

We perform our HIV testing in South San Francisco, California. Our clinical laboratory is accredited by the College of American Pathologists and our facility is subject to stringent CLIA operating regulations. Patient samples for testing are delivered by courier and treated as infectious specimens. After processing of the samples with our proprietary technology, results are reported to the customer. The CLIA regulations require that we meet certain quality and personnel standards and undergo proficiency testing and inspections.

HERmark, our first product based on our *VeraTag* technology platform, has been validated in our CLIA certified clinical laboratory in South San Francisco, California. This validation involved testing and analysis to demonstrate reproducibility and compliance with CLIA standards and procedures, including documentation and quality procedures comparable to those applicable to our HIV testing products. This process for *HERmark* was completed in December 2007. Currently, *HERmark* assays are being run in the CLIA lab in support of ongoing studies designed to establish clinical utility for *HERmark*.

While initial products for the cancer market are expected to be introduced through our CLIA certified clinical laboratory, future cancer testing products may include test kits that could be subject to the regulatory authority of the FDA. The FDA regulatory framework is complicated, and we have limited experience at managing FDA compliance issues. If we develop cancer test kits, the kits could be subject to premarket FDA approval requirements, which would be expensive and time-consuming, and could delay or prevent us from marketing these tests. In addition, the production of the future cancer test kits may be subject to Good Manufacturing Practice Regulation, or GMP, under the auspices of the FDA. Our facilities are not GMP compliant. If the manufacture of the proposed kits is subject to GMP regulation, we will be required to establish a GMP compliant facility, or to enter into a relationship with a third party manufacturer that operates a GMP compliant facility. We do not have experience with GMP compliance. GMP compliance, or entry into a manufacturing relationship with a third party manufacturer, would be time-consuming and expensive.

Patents and Proprietary Rights

Our Intellectual Property Strategy

We will be able to protect our technology from unauthorized use by third parties only to the extent that our proprietary rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. Patents and other proprietary rights are an essential element of our business. Our policy is to file patent applications and to protect technology, inventions and improvements to inventions that are commercially important to the development of our business. Our commercial success will depend in part on obtaining this patent protection.

With respect to our viral disease portfolio, we currently have approximately 99 granted, issued, allowed and pending patent applications in the United States and in other countries, including 47 issued patents. With respect to our potential oncology products and *VeraTag* technology, we currently have approximately 77 granted, issued, allowed and pending patent applications in the United States and in other countries, including 27 issued patents. We have 105 granted, issued, allowed and pending patent applications in the United States and in other countries, including 79 issued or allowed patents, relating to the historic microfluidics business of ACLARA. These microfluidics patents and patent applications have been licensed to Caliper Life Sciences, Inc. and we may receive certain royalties pursuant to this license agreement. We have licensed certain patents and technologies as described below.

Our patents and patent applications related to our *VeraTag* technology and products in development address the following essential areas: Biomarkers identified by *VeraTag* technology, including the recognition, determination and quantification of protein-protein complexes, such as cell-surface receptor dimers and intracellular factors, to indicate disease status, particularly in the cancer field; and *VeraTag* technology, including compositions, methods and applications related to gene expression and recognition, determination and quantification of protein-protein interactions, post-translational modification of proteins and/or protein activation, particularly as those processes relate to cell-based assays for quantification of dimerized receptors and analysis of signal transduction pathways. Patents related to ACLARA's historic microfluidics business address microfluidic and nanofluidic instruments and devices, their fabrication and their applications.

Our patents and patent applications related to our viral disease portfolio address the following essential aspects of resistance testing: 1) assessment of patient resistance to treatment regimens, including phenotypically assessing whether a patient is likely to respond to treatments targeted to viral protein targets, such as protease inhibitors or reverse transcriptase (RTs), or whether a patient is likely to respond to a treatments targeted to viral processes more generally, such as viral entry or incorporation of nucleotide analogues into the viral coding sequence; and 2) genotypic assessment of patient resistance to treatment regimens, including a comprehensive proprietary database of mutations in viral proteins and an assessment of whether patients harboring mutations will respond to current treatment regimens.

These patents and patent applications also include many patents around our entry and tropism assays. The phenotypic approach covered by these patents is able to directly and accurately assess the susceptibility or

resistance of a patient's HIV to entry inhibitors, and to determine to what extent a patient's virus is able to gain entry into cells via one or other, or a mixture, of the two major co-receptors, CCR5 or CXCR4. This approach also allows us to assess how resistant a patient's virus is to entry inhibitors, to identify the "tropism" that a patient's virus exhibits (i.e. whether it uses the CCR5 or CXCR4 co-receptor, or both), to screen for new entry inhibitor compounds, and to test for antibody responses capable of blocking infection, a critical need in assessing HIV vaccines. We have a comprehensive intellectual property portfolio covering both broad and narrow aspects of the assay.

These patents and patent applications cover a broad range of technology applicable across our entire current and planned product line. We cannot assure you that any of the currently pending or future patent applications will be issued as patents, or that any patents issued to us will not be challenged, invalidated, held unenforceable or circumvented. Further, we cannot assure you that our intellectual property rights will be sufficiently broad to prevent third parties from producing competing products that are similar in design to our products.

In addition to patent protection, we also rely on protection of trade secrets, know-how and confidential and proprietary information. We generally enter into confidentiality agreements with our employees, consultants and our collaborative partners upon commencement of a relationship with us. However, we cannot assure you that these agreements will provide meaningful protection against the unauthorized use or disclosure of our trade secrets or other confidential information or that adequate remedy would exist if unauthorized use or disclosure were to occur. The exposure of our trade secrets and other proprietary information would impair our competitive advantage and could have a material adverse effect on our operating results, financial condition and future growth prospects. Further, we cannot assure you that others have not or will not independently develop substantially equivalent know-how and technology.

Further, there is a risk that some of our confidential information could be compromised during the discovery process of any litigation. During the course of any lawsuit, there may be public announcements of the results of hearings, motions and other interim proceedings or developments in the litigation. If securities analysts or investors perceive these results to be negative, it could have a substantial negative effect on the trading price of our stock.

Intellectual Property of Others

Our commercial success also depends, in part, on avoiding the infringement of other parties' patents or proprietary rights and the breach of any licenses that may relate to our technologies and products. Third parties may have patents or patent applications relating to products or processes similar to, competitive with or otherwise related to our products. These products and processes may include technologies relating to HIV, hepatitis B and C, other viruses and oncology technologies. Third parties have from time to time threatened to assert infringement or other intellectual property rights against us based on their patents or other intellectual property rights.

We have had to, and expect to continue to have to, enter into licenses covering the rights at issue. Unless we are able to expand our existing licenses or obtain additional licenses, patents covering these technologies may adversely impact our ability to commercialize one or more of our potential products. We are aware of various third-party patents that may relate to our technology. We believe that we do not infringe on these patents but cannot assure that we will not be found in the future to infringe on these or other patents or proprietary rights of third parties, either with products we are currently developing or with new products that we may seek to develop in the future. If third parties assert infringement claims against us, we may be forced to enter into license arrangements with them. Further, we may be prohibited from selling our products before we obtain a license, which, if available at all, may require us to pay royalties. Even if infringement claims against us are without merit, defending a lawsuit will take significant time, and may be expensive and divert management attention from other business concerns. For instance, we were informed Bayer Diagnostics, in 2002, that it believes we require one or more licenses to patents controlled by Bayer in order to conduct certain of our current and planned

operations and activities. We, in turn, believe that Bayer may require one or more licenses to patents controlled by us. Although we believe we do not need a license from Bayer for our HIV products, we initiated discussions with Bayer concerning the possibility of entering into a cross-licensing or other arrangement in 2004. During 2005, the Bayer patents at issue in these discussions became the subject of an interference action at the United States Patent and Trademark Office. We believe that, if necessary, licenses from Bayer would be available to us on commercially acceptable terms. However, in the future, we may have to pay damages, possibly including treble damages, for infringement if it is ultimately determined that our products infringe a third party's patents.

We cannot assure you that we could enter into the required licenses on commercially reasonably terms, if at all. The failure to obtain necessary licenses or to implement alternative approaches may prevent us from commercializing products under development and would impair our ability to be commercially competitive. We may also become subject to interference proceedings conducted in the U.S. Patent and Trademark Office to determine the priority of inventions.

The defense and prosecution, if necessary, of intellectual property suits, U.S. Patent and Trademark Office interference proceedings and related legal and administrative proceedings will result in substantial expense to us, and significant diversion of effort by our technical and management personnel. An adverse determination in litigation or interference proceedings to which we may become a party could subject us to significant liabilities to third parties, could put our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing.

Historically, we have licensed technology from Roche that we use in our PhenoSense and GeneSeq tests. We held a non-exclusive license for the life of the patent term of the last licensed Roche patent. We were notified, in March 2005, by Roche that the license had terminated in March 2005, because the last licensed patent had expired. However, Roche advised us that additional licenses may be necessary for certain other patents and has offered us a license to these patents. We are in the process of reviewing whether additional licenses are necessary or useful for our operations. We believe such licenses, if necessary, are available on commercially acceptable terms.

Regulation and Reimbursement

Regulation of Clinical Laboratory Operations

The Clinical Laboratory Improvement Amendments of 1988 (CLIA) extends federal oversight to virtually all clinical laboratories by requiring that laboratories be certified by the federal government, by a federally approved accreditation agency or by a state that has been deemed exempt from the regulation's requirements. We currently provide our viral disease assays, including our PhenoSense, PhenoSense GT and Trofile Co-Receptor Tropism Assays, and intend to provide our *VeraTag* Assays, under the standards of these regulations. Pursuant to these federal clinical laboratory regulations, clinical laboratories must meet quality assurance, quality control and personnel standards. Labs also must undergo proficiency testing and inspections. Standards are based on the complexity of the method of testing performed by the laboratory.

These regulations categorize our laboratory as high complexity, and we believe we are in compliance with the more stringent standards applicable to high complexity testing for personnel, quality control, quality assurance and patient test management. Our clinical laboratory holds a Certificate of Registration under these regulations. Our clinical laboratory has been surveyed by the College of American Pathologists, a federally approved accreditation agency, which has accredited our clinical laboratory. In order to offer *VeraTag* assays in our clinical laboratory for patient use we will be required to validate those assays and related systems in accordance with our quality control, quality assurance and patient test management protocols and for specificity and reproducibility pursuant to the CLIA standards.

In addition to the Federal laboratory regulations, states, including California, require laboratory licensure and may adopt regulations that are more stringent than federal law. We believe we are in material compliance with California and other applicable state laws and regulations.

The sanctions for failure to comply with federal or state clinical laboratory regulations, or accreditation requirements of federally approved agencies, may be suspension, revocation or limitation of a laboratory's certificate or accreditation. There also could be fines and criminal penalties. The suspension or loss of a license, failure to achieve or loss of accreditation, imposition of a fine, or future changes in applicable federal or state laws or regulations or in the interpretation of current laws and regulations, could have a material adverse effect on our business.

Under our current labeling and marketing plans, our phenotypic products have not been subject to FDA regulation.

In September 2006, the FDA issued draft guidance related to the regulation of certain kinds of tests, multivariate index assays ("MIAs") provided by CLIA labs. Following public comment, the FDA issued revised draft guidance in July 2007. The revised guidance was again subject to public comment and may be further revised before being finalized. The draft guidance states that it applies to those tests provided by CLIA laboratories and that are categorized as IVDMIAs where multiple variables are analyzed, using complex statistical proprietary algorithms and the reported results may not be understood by physicians. It is not clear which tests may be covered by the final guidance when issued, when such guidance may be issued or what form of approval process may be required. There is no assurance that some or all of our current products and products in development, including those for HIV or for cancer based on the *VeraTag* technology, will not be covered by the final guidance. In addition, certain members of Congress have announced that they may introduce proposed legislation regarding laboratory testing.

We cannot predict the nature or extent of future FDA, or other regulation, such as Congressional regulation, and all of our products, including our existing virology assays and our planned *VeraTag* oncology products, might be subject in the future to greater regulation, or different regulations, that could have a material effect on our finances and operations.

Regulation for Manufacture and Sale of Kit based Assays

We may be subject to FDA and other regulation with regard to future diagnostic kits and services that we may develop. Under the Federal Food, Drug and Cosmetic Act and related regulations, the FDA regulates the design, development, manufacturing, labeling, sale, distribution and promotion of drugs, medical devices and diagnostics. Before a new drug, device or diagnostic product can be introduced in the market, the product must undergo rigorous testing and an extensive regulatory approval process implemented by the FDA under federal law. In addition, the FDA imposes additional regulations on manufacturers of approved products. We have limited experience with obtaining FDA approvals and developing, manufacturing, distributing or selling products within FDA requirements. Any failure to obtain FDA and other requisite governmental approvals with regard to any future products that we may develop could have a material adverse affect on our business, results of operations and financial condition.

Medical Waste and Radioactive Materials

We are subject to licensing and regulation under federal, state and local laws relating to the handling and disposal of medical specimens, hazardous waste and radioactive materials, as well as to the health and safety of laboratory employees. Our clinical laboratory facility in South San Francisco, California is operated in material compliance with applicable federal and state laws and regulations relating to disposal of all laboratory specimens. We utilize outside vendors for disposal of specimens. Our research and development and manufacturing processes at the former ACLARA facilities in Mountain View, California involved the use of hazardous materials, including chemicals and biological materials. Our ongoing operations also produce hazardous waste materials.

We cannot eliminate the risk of accidental contamination or discharge and any resultant injury from these materials. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and

disposal of these materials. We could be subject to damages in the event of an improper or unauthorized release of, or exposure of individuals to, hazardous materials. In addition, claimants may sue us for injury or contamination that results from our use, or the use by third parties, of these materials, and our liability may exceed our total assets. Compliance with environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development or production efforts.

Occupational Safety

In addition to its comprehensive regulation of safety in the workplace, the Federal Occupational Safety and Health Administration has established extensive requirements relating to workplace safety for healthcare employers, including clinical laboratories, whose workers may be exposed to blood-borne pathogens such as HIV and the hepatitis virus. These regulations, among other things, require work practice controls, protective clothing and equipment, training, medical follow-up, vaccinations and other measures designed to minimize exposure to chemicals and transmission of the blood-borne and airborne pathogens. Although we believe that we are currently in compliance in all material respects with such federal, state and local laws, failure to comply could subject us to denial of the right to conduct business, fines, criminal penalties and other enforcement actions.

Specimen Transportation

Regulations of the Department of Transportation, the International Air Transportation Agency, the Public Health Service and the Postal Service apply to the surface and air transportation of clinical laboratory specimens.

Regulation of Coverage and Reimbursement

Revenues for clinical laboratory testing services come from a variety of sources, including Medicare and Medicaid programs; other third-party payers, including commercial insurers, health maintenance and other managed care organizations; and patients, physicians, hospitals and other laboratories. We are a Medicare laboratory services provider. Medicare has issued coverage policies and payment guidelines for resistance testing, including phenotypic and genotypic testing. Currently, nearly all public and a majority of private payers have approved the reimbursement of our HIV Resistance Testing products. While recently issued guidelines of the Department of Health and Human Services recommend drug resistance testing for HIV patients, this does not assure coverage or level of coverage, by state, Medicare or any other payers. We are in the process of establishing coverage and obtaining reimbursement for Trofile. Coverage has not been established for any of our *VeraTag* products under development.

Since 1984, Congress has periodically lowered the ceilings on Medicare reimbursement for clinical laboratory services from previously authorized levels. In addition, state Medicaid programs are prohibited from paying more than Medicare for clinical laboratory tests. In some instances, they pay significantly less. Similarly, other payers, including managed care organizations, have sought on an ongoing basis to reduce the costs of healthcare by limiting utilization and payment rates. Actions by Medicare or other payers to reduce reimbursement rates or limit coverage or utilization of resistance testing would have a direct adverse impact on our revenues and cash flows. We cannot predict whether reductions or limitations will occur, though we feel some reductions are likely.

Our agreements with third-party payers, including Medicare and Medicaid, require that we identify the services we perform using industry standard codes known as the Current Procedural Terminology, or CPT, codes, which are developed by the American Medical Association, or AMA. Most payers maintain a list of standard reimbursement rates for each code, and our ability to be reimbursed for our services is therefore effectively limited by our ability to describe the services accurately using the CPT codes. From time to time, the AMA changes its instructions about how our services should be coded using the CPT codes. If these changes leave us unable to accurately describe our services or are not coordinated with payers such that corresponding changes are made to the payers' reimbursement schedules, we may have to renegotiate our pricing and reimbursement rates, the changes may interrupt our ability to be reimbursed, and/or the overall reimbursement rates for our services may decrease dramatically.

Significant uncertainty exists as to the reimbursement status of new medical products such as our Trofile Assay, and *VeraTag* product in development for oncology, particularly if these products fail to show demonstrable value in clinical studies. If government and other third-party payers do not provide adequate coverage and reimbursement for our planned products, our revenues will be reduced.

Fraud and Abuse Regulation

Existing federal laws governing Medicare and Medicaid and other federal healthcare programs, as well as similar state laws, impose a variety of broadly described fraud and abuse prohibitions on healthcare providers, including clinical laboratories. Multiple government agencies enforce these laws. The Health Insurance Portability and Accountability Act of 1996 provides for the establishment of a program to coordinate federal, state and local law enforcement programs. Over the last several years, the clinical laboratory industry has also been the focus of major government enforcement actions.

One set of fraud and abuse laws, the federal anti-kickback laws, prohibits clinical laboratories from, among other things, making payments or furnishing other benefits intended to induce the referral of patients for tests billed to Medicare, Medicaid, or certain other federally funded programs. California also has its own Medicaid anti-kickback law, as well as an anti-kickback law that prohibits payments made to physicians to influence the referral of any patients. California laws also limit the ability to use a non-employee sales force.

Under another federal provision, known as the "Stark" law or "self-referral" prohibition, physicians who have an investment or compensation relationship with a clinical laboratory may not, unless a statutory exception applies, refer Medicare or Medicaid patients for testing to the laboratory. In addition, a laboratory may not bill Medicare, Medicaid or any other party for testing furnished pursuant to a prohibited referral. There is a California self-referral law, as well, which applies to all patient referrals.

Currently, we have a financial relationship with one referring physician, who serves as part-time medical director at our clinical laboratory. Very few of this physician's patients, if any, are federal healthcare program patients. In addition, we do not bill for services furnished to any patients referred by this physician. We believe that we are in compliance with applicable state and federal regulations.

There are a variety of other types of federal and state anti-fraud and abuse laws, including laws prohibiting submission of false or otherwise improper claims to federal healthcare programs, and laws limiting the extent of any differences between charges to Medicare and Medicaid and charges to other parties. We seek to structure our business to comply with the federal and state anti-fraud and abuse laws. We cannot predict, however, how these laws will be applied in the future, and we cannot be sure arrangements will not be found in violation of them. Sanctions for violations of these laws may include exclusion from participation in Medicare, Medicaid and other federal healthcare programs, criminal and civil fines and penalties, and loss of license. Any of these could have a material adverse effect on our business.

Patient Privacy

The Department of Human Health and Services, or HHS, issued final regulations under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, designed to improve the efficiency and effectiveness of the health care system by facilitating the electronic exchange of information in certain financial and administrative transactions, while protecting the privacy and security of the information exchanged. Three principal regulations have been issued:

- Privacy regulations
- Security regulations; and
- Standards for electronic transactions, or transaction standards.

The privacy regulations prohibit the use or disclosure of "protected health information" except for certain purposes or unless specific conditions are met. Protected health information is information transmitted or maintained in any form—by electronic means, on paper, or through oral communications that: (1) relates to the past, present or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual; and (2) identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual. Data that has been de-identified in accordance with the Privacy regulation's stringent de-identification standard are not considered protected health information and are not subject to the regulation. We have implemented privacy and security changes that we believe comply with these standards. In addition, we implemented measures that we believe will reasonably and appropriately meet the specifications of the security regulations and the transaction standards.

The HIPAA regulations on transaction standards establish uniform standards for electronic transactions and code sets, including the electronic transactions and code sets used for claims, remittance advices, enrollment and eligibility. These standards are complex, and subject to differences in interpretation. We cannot guarantee that our compliance measures will meet the specifications for any of these regulations. In addition, certain types of information, including demographic information not usually provided to us by physicians, could be required by certain payers. As a result of inconsistent application of requirements by payers, or our inability to obtain billing information, we could face increased costs and complexity, a temporary disruption in receipts and ongoing reductions in reimbursements and net revenues.

HHS issued additional guidance on July 24, 2003, stating that it will not penalize a covered entity for post-implementation date transactions that are not fully compliant with the transactions standards, if the covered entity can demonstrate its good faith efforts to comply with the standards. HHS' stated purpose for this flexible enforcement position was to "permit health plans to mitigate unintended adverse effects on covered entities' cash flow and business operations during the transition to the standards, as well as on the availability and quality of patient care."

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) mandated that the Secretary of Health and Human Services adopt a standard unique health identifier of health care providers. All covered health care providers, both individuals and organizations must obtain a National Provider Identifier (NPI) for use on all HIPAA-related electronic transactions. The compliance date for obtaining and using an NPI was May 23, 2008. The NPI will be the sole provider identifier and will replace the multiple provider identification numbers currently used. We have been notified by some payers (both major and minor) that they will not meet this deadline. At this time, we cannot estimate the potential impact of payers implementing, or failing to implement the HIPAA standard on our cash flows and results of operations.

In addition to the HIPAA provisions described above, there are a number of state laws regarding the confidentiality of medical information, some of which apply to clinical laboratories. These laws vary widely, and new laws in this area are pending, but they most commonly restrict the use and disclosure of medical information without patient consent. Penalties for violation of these laws include sanctions against a laboratory's state licensure, as well as civil and/or criminal penalties. Compliance with such rules could require us to spend substantial sums, which could negatively impact our profitability.

Employees

As of February 22, 2008, we had 349 employees, of whom 34 hold Ph.D. or M.D. degrees and 67 hold other advanced degrees. Approximately 171 employees are engaged in clinical laboratory, process development and supporting operations, 56 employees are engaged in research and development and clinical research activities, 66 employees are engaged in sales and marketing and 56 employees are engaged in general and administrative functions.

Available Information

We maintain a site on the worldwide web at *www.monograMbio.com*; however, information found on our website is not incorporated by reference into this report. We make available free of charge on or through our website our SEC filings, including our annual report on Form 10-K, quarterly interim reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Item 1A. *Risk Factors*

Except for the historical information contained or incorporated by reference, this annual report on Form 10-K and the information incorporated by reference contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed here. Factors that could cause or contribute to differences in our actual results include those discussed in the following section, as well as those discussed in Part I, Item 1 entitled "Business," Part II, Item 7 entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere throughout this annual report and in any other documents incorporated by reference into this annual report. You should consider carefully the following risk factors, together with all of the other information included in this annual report on Form 10-K. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common stock.

We have not achieved profitability and we anticipate continuing losses, which may cause our stock price to fall.

We have experienced significant losses each year since inception, and we expect to continue to incur additional losses as we complete the development of the *VeraTag* technology and commercialize products for oncology. We have experienced losses applicable to common stockholders of $23.5 million for the year ended December 31, 2007. As of December 31, 2007, we had an accumulated deficit of approximately $287.5 million. We expect to continue to incur losses, primarily as a result of expenses related to:

- research and product development costs, including the continued development and validation of the *VeraTag* technology and products based on that technology;
- clinical studies to validate the effectiveness of *VeraTag* assays as tests for responsiveness of cancer patients to particular cancer therapies;
- sales and marketing activities related to existing and planned products, including the development of a sales organization focused on the oncology market;
- general and administrative costs to support growth of the business;
- interest expense related to outstanding debt;
- non-cash adjustments in our statement of operations to reflect changes in the fair value of our outstanding convertible debt;
- higher market rent and capital and operating expenses as a result of additional laboratory and office space; and
- non-cash adjustments relating to stock-based compensation.

If our losses continue, our liquidity may be impaired, our stock price may fall and our stockholders may lose part or all of their investment.

New classes of drugs for treatment of HIV, including new drugs, such as Pfizer's CCR5 antagonist, *Selzentry*, may not be successful. While *Selzentry* has been approved by the FDA, it may not achieve significant market adoption, other drugs may not be successful in clinical trials and may not be approved by the FDA, and the drugs may not require our testing services. If *Selzentry* is successful, and if additional drugs are approved by the FDA and require our testing services, we may not be able to adequately meet the demand for these services in all markets.

Our testing services, including our Trofile Assay, have been used by certain pharmaceutical company customers, including Pfizer, in phase III clinical trials of the new class of CCR5 antagonist drugs. Pfizer's CCR5 antagonist, *Selzentry*, was approved by the FDA in August 2007, for use in CCR5-tropic treatment-experienced patients. The FDA-approved label for *Selzentry* indicates that tropism testing should guide the use of *Selzentry* and we expect that the Trofile Assay will be used to select patients for *Selzentry*. However, if our test is not used to select patients for *Selzentry*, this could have a significant negative impact on our potential future revenues.

With the approval of *Selzentry*, patient testing use of the Trofile assay could be an important source of future testing revenue for us. While the FDA-approved label for *Selzentry* states that tropism testing should guide the use of *Selzentry*, there is no guarantee that our testing services will be used by physicians. If such use does not develop then these drugs will not generate significant future patient testing revenues for us. If *Selzentry* is successful, we may not be able to deliver our testing services on a global basis in support of the drugs, which could damage our market position, adversely affect our business, and cause our revenues to decline. While there are a number of such new drugs in development, Pfizer's CCR5 antagonist, *Selzentry*, has the most significance to our near term business as it has been approved by the FDA. Any difficulty related to *Selzentry* would have a serious adverse affect on our revenues and business. If safety or efficacy concerns arise related to *Selzentry*, or to the entire class of CCR5 antagonists, all use and additional clinical trials related to this class of drugs could be terminated, *Selzentry* may not remain on the market and additional drugs might not be approved by the FDA, which would abruptly and negatively impact our revenues.

Even if *Selzentry* is successful, and our testing services are used to select *Selzentry* patients, there is no assurance that other drugs for treating HIV will be approved or, if approved, that our testing services will be required in connection with their use. The likelihood of additional drugs receiving FDA approval is subject to significant uncertainty and is determined by factors outside of our control. Difficulties encountered by our pharmaceutical company customers related to patient enrollment, drug performance, regulatory considerations and other factors could cause trials to be delayed or terminated or cause the drugs not to get approved. If such events occurred, our revenues would be adversely affected and could decline.

Our revenues will be limited or diminished if changes are made to the way that our products are reimbursed, or if government or third-party payers limit the amounts that they will reimburse for our current products, or do not authorize reimbursement for our planned products.

Government and third-party payers, including Medicare and state Medicaid programs, generally require that we identify the services we perform in our clinical laboratory using industry standard codes known as the Current Procedural Terminology, or CPT codes, which are developed by the American Medical Association, or AMA. Most payers maintain a list of standard reimbursement rates for each such code, and our ability to be reimbursed for our services may therefore be effectively limited by our ability to describe the services accurately using the CPT codes. From time to time, the AMA changes its instructions about how our services should be coded using the CPT codes. If these changes leave us unable to accurately describe our services or we are not coordinated with payers such that corresponding changes are made to the payers' reimbursement schedules, we may have to renegotiate our pricing and reimbursement rates, the changes may interrupt our ability to be reimbursed, and/or the overall reimbursement rates for our services may decrease dramatically. We may spend significant time and resources to minimize the impact of these changes on reimbursement. If the coding available does not apply or cannot accurately reflect the testing we perform, such as in the billing of a new product, we may have to use an unlisted procedure CPT Code, or a "miscellaneous"code. This is the approach we have adopted for Trofile and the use of this code may delay our ability to be reimbursed and could cause interruptions in the future in reimbursement for our products, including Trofile.

Government and third-party payers are attempting to contain or reduce the costs of healthcare and are challenging the prices charged for medical products and services. In addition, increasing emphasis on managed care in the United States will continue to put pressure on the pricing of healthcare products. This could in the future limit the price that we can charge for our products or cause fluctuations in reimbursement rates for our products. Changes occur from time to time in the administration of reimbursement by public payers, such as the recent change in the local contractor for the Medicare system for reference laboratories in California, and such changes could cause interruptions or changes in previously established reimbursement arrangements. This could hurt our ability to generate revenues. Significant uncertainty exists as to the reimbursement status of new medical products, such as our Trofile Assay, and products that we expect to develop, such as our *VeraTag* Assays for oncology. Additionally, revenue recognition is delayed until reimbursement is established, on a payer by payer basis. If government and other third-party payers do not continue to provide adequate coverage and reimbursement for our testing products or do not authorize reimbursement for our newly introduced and our planned products, our revenues will be reduced.

We derive a significant portion of our revenues from a small number of customers and our revenues may decline significantly if any major customer cancels, reduces or delays a purchase of our products.

Our revenues to date consist, and are anticipated to consist in 2008, largely of sales of HIV testing products. We have significant customer concentration and the loss of any major customer or the reduced use of our products by a major customer could have a significant negative impact on our revenue. Our revenue derived from tests performed for beneficiaries of Medicare and Medicaid programs represented approximately 29%, 21% and 22% of the Company's revenues in 2007, 2006 and 2005, respectively. Additionally, in 2007, 2006, and 2005, Quest Diagnostics Incorporated represented approximately 11% for each year, Laboratory Corporation of America represented approximately 11%, 6% and 6%, Pfizer Inc represented approximately 6%, 19% and 19%, and GlaxoSmithKline represented approximately 2%, 6% and 10% of our total revenue, respectively. Gross accounts receivable balances from Medicare and Medicaid represented 32% and 27% at December 31, 2007 and December 31, 2006, respectively. It is likely that we will have significant customer concentration in the future.

Following our entry into a Collaboration Agreement with Pfizer in May 2006, and the amendment of our services agreement with Pfizer, we expect Pfizer's significance as a customer will grow. Although certain of our agreements with pharmaceutical company customers have provisions for minimum purchases, these provisions are generally subject to annual renewal or cancellation provisions. The loss of any major customer, a slowdown in the pace of increasing physician and physician group sales as a percentage of sales, cancellation or non-renewal of agreements with pharmaceutical company customers, the delay of significant orders from any significant customer, even if only temporary, or delays or terminations of clinical trials by pharmaceutical company customers, could have a significant negative impact on our revenues and our ability to fund operations from revenues, generate cash from operations or achieve profitability.

We may be unable to perform under our collaboration agreement with Pfizer, which could adversely affect our business.

Our collaboration agreement with Pfizer requires us to make our Trofile Assay available in the United States and to perform the assay for Pfizer in accordance with agreed upon performance standards. We are also obligated to undertake certain efforts to plan for, establish and maintain an infrastructure to support the availability of the assay in countries outside the United States designated by Pfizer.

We have never been subject to breach remedies in the case of failure to meet performance standards like those in the Pfizer collaboration agreement, and we may be unable to meet them. The performance standards include standards regarding shipment times, assay turnaround times, percent of unscreenable samples and assay sensitivity. In addition, patient blood samples originating outside the United States will be included in the overall performance standards. We anticipate that under the collaboration agreement we will receive patient samples from countries and laboratories that we have not previously dealt with. Although individual sites and countries must meet minimum volume and performance standards before they are included in the overall performance

standard calculations, samples from these sources may not be consistently collected or maintained in accordance with our requirements, which could make a sample unscreenable or lead to unacceptable variability in the assay results. While we and Pfizer have agreed to exclude third party sample collection problems from the measurement of our performance under the collaboration agreement, there may be instances where we are unable to identify a sample collection problem, or where we and Pfizer disagree as to whether or not a performance issue is attributable to such a problem. In performing under the collaboration agreement, we will need to contract with third party laboratories outside the United States. We do not have experience in negotiating and managing relationships with overseas laboratories, and may have difficulty doing so. In addition, we anticipate that certain HIV variants will be more prevalent in patient populations in some countries from which we will be receiving patient samples under the collaboration, and with which we do not have extensive prior experience. Our assay may not work effectively with these variants, or may require additional enhancements. The foregoing and other factors may make us unable to perform under our collaboration with Pfizer, which could constitute a material breach of the collaboration agreement.

Following certain uncured material breaches by us under the collaboration agreement, including our failure to achieve the performance standards, Pfizer will be entitled to establish its own facility, with our assistance, to perform the assay in support of its human clinical trials, and to perform the assay in respect of patient blood samples. For these purposes, we have granted Pfizer a license to use intellectual property rights and proprietary materials related to the assay, secured by a security interest in favor of Pfizer, in intellectual property rights and proprietary materials related to the assay. Pfizer would pay us a royalty for each such assay that it performs. If we materially default under the collaboration agreement, including failing to achieve the performance standards, and Pfizer becomes entitled to use our intellectual property and proprietary materials to establish its own facility, our business could be significantly and adversely impacted by this potential loss in product revenue from Pfizer.

We are currently restricted by accounting rules in our ability to recognize revenue from activities under the collaboration agreement with Pfizer, impacting our revenue and profitability.

In accordance with Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," ("EITF 00-21") revenue arrangements entered into after June 15, 2003, that include multiple element arrangements are analyzed to determine whether the deliverables are divided into separate units of accounting or as a single unit of accounting. Revenues are allocated to a delivered product or service when all of the following criteria are met: (1) the delivered item has value to the customer on a standalone basis; (2) there is objective and reliable evidence of the fair value of the undelivered item; and (3) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in our control. If all of the three required criteria under EITF 00-21 are met, then the deliverables would be accounted for separately, as performed. Otherwise, the arrangement would be accounted for as a single unit of accounting and the payments for performance obligations would be recognized as revenue over the estimated period of when the performance obligations are performed. If we cannot reasonably estimate when a performance obligation either ceases or becomes inconsequential, then revenue is deferred until we can reasonably estimate when the performance obligation ceases or becomes inconsequential.

The Pfizer collaboration is a multiple element arrangement, including supply of the Trofile Assay in additional clinical studies (including early access programs in both the U.S. and outside the U.S.), supply of the Trofile Assay for clinical use outside of the U.S., reimbursement of costs for the establishment and operation of supply infrastructure outside of the U.S. and potential assistance to Pfizer in the establishment and operation of a second facility for processing of tropism assays. Under the guidelines of EITF 00-21, we have determined that the collaboration with Pfizer should be accounted for as a single unit of accounting due to the absence of established fair values of certain undelivered elements. Accordingly, we have deferred revenue under this collaboration until the earlier of establishment of fair values or completion of the deliverables. Additionally, related direct costs that are contractually reimbursable on a non-refundable basis under this collaboration have been deferred. We anticipate the application of these accounting rules will prevent us from recognizing any revenue under the Pfizer collaboration until the expiry or termination of the agreement, or the completion of certain deliverables, which we anticipate will take at least several years, if not longer, which would adversely affect our profitability.

Proposed new products based on the *VeraTag* technology could be delayed or precluded by regulatory, clinical or technical obstacles, thereby delaying or preventing the development, introduction and commercialization of these new products and adversely impacting our revenue and profitability.

We are developing testing products for use in connection with the treatment of cancer patients, including our first *VeraTag* product, *HERmark*. These products will be based on our proprietary *VeraTag* technology and are expected to leverage our experience in patient testing for HIV. We expect that the development and commercialization of *VeraTag* assays for use in clinical trials by pharmaceutical and biotechnology customers could exceed one year. In addition, we expect to commercialize clinical assays for diagnostic use in patient testing, upon the successful completion of clinical validation through clinical trials, which could also exceed one year. The completion of these research and development activities is subject to a number of risks and uncertainties including the extent of clinical trials required for regulatory and marketing purposes, the timing and results of clinical trials, inability to access tumor samples on which to conduct studies of the correlation between measurements by *VeraTag* assays and clinical outcomes, failure or delay in validating the technology in clinical trials, failure to have results of clinical studies published in peer reviewed journals, and failure to achieve necessary regulatory approvals. These factors make it impossible to predict with any degree of certainty whether we will be able to complete the development of commercial products utilizing *VeraTag* technology or if we are able to do so what the cost and timing of such completion may be.

The FDA may impose medical device regulatory requirements on our tests, including possible pre-market approval requirements, which could be expensive and time-consuming and could prevent us from marketing these tests.

In September 2006, the FDA issued draft guidance related to the regulation of certain kinds of tests, multivariate index assays ("IVDMIAs") provided by CLIA labs. Following public comment, the FDA issued revised draft guidance in July 2007. The revised guidance was again subject to public comment and may be further revised before being finalized. The draft guidance states that it applies to those tests provided by CLIA laboratories and that are categorized as IVDMIAs where the values of multiple variables are combined using an interpretation function to yield a single patient-specific result that is intended for use in diagnosis, cure, mitigation, treatment or prevention of disease. It is not clear which tests may be covered by the final guidance when issued, when such guidance may be issued or what form of approval process may be required, although in certain cases a full premarket approval may be required. There is no assurance that some or all of our current products and products in development, including those for HIV or for cancer based on the *VeraTag* technology, will not be covered by the final guidance, or by other FDA regulation. In addition, certain members of Congress have announced that they may introduce proposed legislation regarding laboratory testing, which may apply to current or future products.

As our Trofile Assay has been used in phase III trials of CCR5 inhibitor drug candidates, we filed a master file with the FDA providing information about the specification and validation of the assay. We have had discussions with the FDA regarding this information and the use of our tests as a patient selection tool in such trials. While we have initiated commercial sales of our Trofile Assay as a CLIA based service for use as a patient selection tool for CCR5 drugs, such as *Selzentry*, there is no guarantee that the FDA will not seek to regulate such services.

In the past, the FDA has not required that genotypic or phenotypic resistance testing for HIV conducted at a clinical laboratory be subject to pre-marketing clearance or approval, although the FDA has stated that it believes its jurisdiction extends to tests generated in a clinical laboratory. We received a letter from the FDA in September 2001, that asserted such jurisdiction over in-house tests like our HIV resistance tests, but which also stated the FDA was not currently requiring pre-market approval for HIV monitoring tests such as ours provided that the promotional claims for such tests are limited to its analytical capabilities and do not mention the benefit of making treatment decisions on the basis of test results. The FDA letter to us also asserted that our GeneSeq test had been misbranded due to the use of purchased analyte specific reagents, or ASRs, if test reports did not include a statement disclosing that the test has not been cleared or approved by the FDA. Since 2002, we have

utilized in-house prepared ASRs in our products. The FDA indicated in those discussions that the focus of the letter was our genotypic tests and not our phenotypic tests. On August 8, 2007, the FDA issued final guidance regarding classification of HIV genotypic resistance testing devices as class II devices. We do not believe that this guidance impacts our genotypic products all of which are conducted in our clinical laboratory. The recent draft IVDMIA guidance described above indicates that genotypic testing, such as our HIV genotypic resistance testing, does not fall within the scope of that IVDMIA draft guidance. We believe that our phenotypic resistance tests, as direct biological measurements of drug response, do not fall within the definition of IVDMIA. However, there is no assurance that the FDA will not seek to regulate our genotypic and phenotypic resistance tests.

Either as a result of a decision to produce future test kits, or as a result of FDA regulation or other regulation, of our laboratory testing business, we may become subject to Good Manufacturing Practice Regulation, or GMP, under the auspices of the FDA. Our facilities are not GMP compliant. If our operations are subject to GMP regulation, then we will be required to establish a GMP compliant facility, or to enter into a relationship with a third party manufacturer that operates a GMP compliant facility. We do not have experience with GMP compliance. GMP compliance, or entry into a manufacturing relationship with a third party manufacturer, would be time-consuming and expensive. We anticipate that if we are required to establish our own GMP compliant facility, or we elect to enter into a relationship with a GMP compliant third party, either process would require significant start-up costs and would significantly increase on-going overhead costs.

We cannot be sure that the FDA will accept the steps we take, or that the FDA will not require us to alter our promotional claims or undertake the expensive and time-consuming process of seeking premarket approval with clinical data demonstrating the sensitivity and specificity of our currently offered tests or tests in development, including tests for oncology based on our *VeraTag* technology. If premarket approval is required, we cannot be sure that we will be able to obtain it in a timely fashion or at all; and in such event the FDA would have authority to require us to cease marketing tests until such approval is granted.

In general, we cannot predict the extent of future FDA or other regulation, including congressional regulation, of our business. In the future, we might be subject to greater or different regulations that could have a material effect on our finances and operations. If we fail to comply with existing or additional FDA regulations, it could cause us to incur civil or criminal fines and penalties, increase our expenses, prevent us from increasing revenues, or hinder our ability to conduct our business.

With the broadening of our business from infectious disease to oncology, we are a larger and broader organization. If our management is unable to adequately manage the company, our operating results will suffer.

As of December 31, 2007, our total number of employees was 341. Our proposed testing products using the *VeraTag* technology and our commercialization infrastructure have not yet been developed, and the two will need to be integrated as a necessary part of the development process. We do not have experience in commercializing testing products for use in the oncology field. We face challenges inherent in efficiently managing an increased number of employees and addressing new markets, including the need to implement appropriate systems, policies, benefits and compliance programs and the need to build a sales organization focused on oncologists.

Difficulties or delays in successfully managing the substantially larger and broader organization could have a material adverse effect on our business and, as a result, on the market price of our common stock.

We could lose key personnel, which could materially affect our business and require us to incur substantial costs to recruit replacements for lost personnel.

Any of our key personnel could terminate their employment at any time and without notice. We do not maintain key person life insurance on any of our key employees. Any failure to attract and retain key personnel could have a material adverse effect on our business.

Charges to operations resulting from the possible future impairment of goodwill and intangible assets may adversely affect the market value of our common stock.

If we are unable to successfully develop products based on our *VeraTag* technology, our financial results, including net income (loss) per common share, could be adversely affected. In accordance with United States generally accepted accounting principles, we have accounted for the merger with ACLARA as a business combination. We have allocated the total purchase price to the acquired net tangible assets, amortizable intangible assets, and in-process research and development based on their fair values as of the date of completion of the merger, and have recorded the excess of the purchase price over those fair values as goodwill.

To the extent the value of goodwill becomes impaired; we may be required to incur material non-cash charges relating to the impairment of those assets. The additional charges could adversely affect our financial results, including net income (loss) per common share, which could cause the market price of our common stock to decline.

Our current products may not continue to receive market acceptance and our potential future products may not achieve market acceptance, which could limit our future revenue.

Our ability to establish our testing products, both current and potential, as the standard of care to guide and improve the treatment of viral diseases and cancer will depend on continued acceptance and use of our current testing products by physicians and clinicians and pharmaceutical companies, similar acceptance and use of our potential future products and the development and commercialization of new drugs and drug classes that require or could benefit from testing services such as ours. While certain testing products for viral diseases are established, others are still relatively new, and testing products for the treatment of cancer have not yet been developed. We cannot predict the extent to which physicians and clinicians will accept and use these testing products. They may prefer competing technologies and products. The commercial success of these testing products will require demonstrations of their advantages and potential clinical and economic value in relation to the current standard of care, as well as to competing products. Market acceptance of our products will depend on:

- the success of Pfizer's *Selzentry* and the adoption of our Trofile Assay to select patients for *Selzentry* ;
- the development and commercialization of competitive products for the assessment of tropism related to the use of Selzentry and other CCR5 antagonists in development;
- the availability of third party reimbursement by Medicare, Medicaid and other public and private payers of healthcare costs;
- the success of clinical trials of additional CCR5 antagonists for HIV in which our testing services are being used, whether those drugs get approved by the FDA and whether our tests are required or recommended after those drugs are approved;
- our marketing efforts and continued ability to demonstrate the utility of PhenoSense in guiding anti-viral drug therapy, especially in relation to genotyping technology;
- the effectiveness of Pfizer in developing the market and commercializing our Trofile Assay outside of the United States;
- our ability to demonstrate to potential customers the clinical benefits and cost effectiveness of our *VeraTag* technology, relative to competing technologies and products;
- the extent to which opinion leaders in the scientific and medical communities publish supportive scientific papers in reputable academic journals;
- the extent and success of our efforts to market, sell and distribute our testing products;
- the timing and willingness of potential collaborators to commercialize our PhenoSense and *VeraTag* products and other future testing product candidates;

- general and industry-specific economic conditions, which may affect our pharmaceutical customers' research and development, clinical trial expenditures and the use of our PhenoSense, Trofile and *VeraTag* products;
- progress of clinical trials conducted by our pharmaceutical customers;
- our ability to generate clinical data indicating correlation between data recognized by *VeraTag* assays and clinical responses to particular drugs;
- changes in the cost, quality and availability of equipment, reagents and components required to manufacture or use our PhenoSense, Trofile and *VeraTag* products and other future testing product candidates;
- the development by the pharmaceutical industry of anti-viral drugs and targeted medicines for specific patient populations, the success of these targeted medicines in clinical trials and the adoption of our technological approach in these development activities; and
- our ability to develop new products.

If the market does not continue to accept our existing testing products, such as our PhenoSense products or does not accept our future testing products such as products based on the *VeraTag* technology, our ability to generate revenue will be limited.

Our indebtedness and debt service obligations have increased as a result of the issuance of our convertible note to Pfizer in the principal amount of $25 million, our issuance of 0% convertible senior unsecured notes, in the principal amount of $30 million, and our entry into a credit and security agreement with Merrill Lynch Capital (subsequently acquired by General Electric), or GE, which individually or in the aggregate may adversely affect our cash flow, cash position and stock price.

As a result of the sale and issuance of $30 million principal amount of 0% convertible senior unsecured notes in January 2007, to a single qualified institutional buyer, our entry into a credit and security agreement with GE, in September 2006, which provides us with a revolving credit line of up to $10 million, and our issuance of a convertible note to Pfizer in the principal amount of $25 million in May 2006, we increased our total debt and debt service obligations. If we issue other debt securities or enter into other debt obligations in the future, our debt service obligations will increase further.

We intend to fulfill our debt service obligations from our existing cash. In the future, if we are unable to generate cash or raise additional cash through financings sufficient to meet these obligations and need to use existing cash in order to fund these obligations, we may have to delay or curtail research, development and commercialization programs.

Our indebtedness could have significant additional negative consequences, including, without limitation:

- requiring the dedication of a portion of our expected cash flow to service our indebtedness, thereby reducing the amount of our expected cash flow available for other purposes, including funding our research and development programs and other capital expenditures;
- increasing our vulnerability to general adverse economic conditions;
- limiting our ability to obtain additional financing;
- placing us at a possible competitive disadvantage to less leveraged competitors and competitors that have better access to capital resources; and
- requiring us to reflect adjustments in our statement of operations to reflect changes in the fair value of the embedded derivatives in our outstanding convertible debt.

Our outstanding senior indebtedness to Pfizer and GE imposes restrictions on how we conduct our business, and if we fail to meet our obligations under this indebtedness, our payment obligations may be accelerated and collateral for our loans may be forfeited.

In May 2006, in connection with our entry into a Collaboration Agreement, we and Pfizer entered into a Note Purchase Agreement, which we amended in January 2007, pursuant to which we sold to Pfizer a 3% Senior Secured Convertible Note in the principal amount of $25 million, which we refer to as the Pfizer Note. The Pfizer Note is secured by a first priority security interest in favor of Pfizer in our assets related to our HIV testing business.

Under the terms of the Pfizer Note, we are prohibited from incurring certain types of indebtedness, from permitting certain liens on our assets, from entering into transactions with affiliates and from entering into certain capital transactions such as dividends, stock repurchases, capital distributions or other similar transaction without Pfizer's prior consent. We are also subject to certain other covenants as set forth in the Pfizer Note, including limitations on our ability to enter into new lines of business. These limitations imposed by the Pfizer Note could impair our ability to operate or expand our business.

In addition, in September 2006, we entered into a credit and security agreement with GE. Our agreement with GE provides us with a $10 million revolving credit line and grants GE a security interest over certain of our assets, including our accounts receivable, intellectual property used or held for use in connection with our oncology testing business, and our inventory. Under the terms of this agreement, we are also prohibited from incurring certain types of indebtedness and certain liens on our assets.

If an event of default occurs under either of these loan arrangements, Pfizer or GE, as the case may be, may declare the outstanding principal balance and accrued but unpaid interest owed to them immediately due and payable, which would have a material adverse affect on our financial position. A default under either our Pfizer or GE indebtedness would also trigger a default under the terms of our convertible senior unsecured notes, in the principal amount of $30 million. We may not have sufficient cash to satisfy these obligations. If a default occurs under the Pfizer Note, and we are unable to repay Pfizer, Pfizer could seek to enforce its rights under its first priority security interest in our assets related to our HIV testing business. If this were to happen, Pfizer may receive some or all of the assets related to our HIV testing business in satisfaction of our debt, which could cause our business to fail. Similarly, if a default occurs under our agreement with GE, and we are unable to repay GE, GE could seek to enforce its security interest in the assets it has secured, including our accounts receivable, intellectual property used or held for use in connection with our oncology testing business, and our inventory, which could also cause our business to fail.

Billing complexities associated with health care payers could delay our accounts receivable collection, impair our cash flow and limit our ability to reach profitability.

Billing for laboratory services is complex. Laboratories must bill various payers, such as Medicare, Medicaid, insurance companies, doctors, employer groups and patients, all of whom have different requirements. Our revenue derived from tests performed for beneficiaries of the Medicare and Medicaid programs represented approximately 29%, 21% and 22% of our revenue in 2007, 2006 and 2005, respectively. In addition, gross accounts receivable balances from Medicare and Medicaid represented 32% and 27% of gross accounts receivable balance at December 31, 2007 and 2006, respectively. Billing difficulties often result in a delay in collecting, or ultimately an inability to collect, the related receivable. This impairs cash flow and ultimately reduces profitability if we are required to record bad debt expense and/or contractual adjustments for these receivables. We recorded bad debt expense of $0.8 million, $0.4 million and $0.8 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Among many other factors complicating billing are:

- complexity of procedures, and changes in procedures, for electronic processing of insurance claims;
- complications related to use of new or miscellaneous codes for new products based on new technologies;

- cumbersome nature of manual processes at payers for processing claims where electronic processing is not possible;
- pricing or reimbursement differences between our fee schedules and those of the payers;
- changes in or questions about how products are to be identified in the requisitions;
- disputes between payers as to which party is responsible for payment;
- disparity in coverage among various payers; and
- difficulties of adherence to specific compliance requirements and procedures mandated by various payers.

Ultimately, if such issues are not resolved in a timely manner, our cash flows could be impaired and our ability to reach profitability could be limited.

We may encounter problems or delays in processing tests or in expanding our automated testing systems, which could impair our ability to grow our business, generate revenue and achieve and sustain profitability.

In order to meet future projected demand for our products and fully utilize our current clinical laboratory facilities, we may have to expand the volume of patient samples that we are able to process. We will also need to incorporate the *VeraTag* assays into our laboratory processes. We will also need to continue to develop our quality-control procedures and to establish more consistency with respect to test turnaround so that results are delivered in a timely manner. Thus, we will need to continue to develop and implement additional automated systems to perform our tests. We have installed laboratory information systems over the past few years to support the automated tests, analyze the data generated by our tests and report the results. If these systems do not work effectively as we scale up our processing of patient samples, we may experience processing or quality-control problems and may experience delays or failures in our operations. These problems, delays or failures could adversely impact the promptness and accuracy of our transaction processing, which could impair our ability to grow our business, generate revenue and achieve and sustain profitability. We have experienced periods during which processing of our test results was delayed and periods during which the proportion of samples for which results could not be generated were higher than expected. While we are continuing to attempt to minimize the likelihood of any recurrence of these issues, future delays, processing problems and backlog may nevertheless occur, resulting in the loss of our customers and/or revenue and an adverse effect on our results of operations.

We face intense competition, and if our competitors' existing products or new products are more effective than our products, the commercial opportunity for our products will be reduced or eliminated.

The commercial opportunity for our products will be reduced or eliminated if our competitors develop and market new testing products that are superior to, or are less expensive than, the testing products that we develop using our proprietary technology. The biotechnology industry evolves at a rapid pace and is highly competitive. Our competitors for our HIV resistance testing products include manufacturers and distributors of phenotypic and genotypic drug resistance technology, such as Tibotec-Virco, a division of Johnson & Johnson, Quest Diagnostics, Laboratory Corporation of America, Applied Biosystems Group, Visible Genetics, a division of Siemens, Viralliance, and other reference and academic laboratories. For our Trofile Assay, we are not aware of any assay that has been clinically validated for patient selection or used in any phase II or phase III clinical trial of a CCR5 antagonist. However, we are aware of efforts by third parties, including Quest Diagnostics and Laboratory Corporation of America, to develop and introduce assays using various gene-based approaches. We believe genotypic approaches to the identification of tropism are thought to be significantly less precise than our phenotypic approach. However, we cannot be assured that simpler, less expensive tropism tests will not be developed and commercialized.

We also compete with companies that are developing alternative technological approaches for patient testing in the cancer field. There are likely to be many competitive companies and many technological

approaches in the emerging field of testing for likely responsiveness to the new class of targeted cancer therapies, including companies such as DakoCytomation A/S, Genzyme and Abbott Laboratories that currently commercialize testing products for guiding therapy of cancer patients. Established diagnostic product companies such as Abbott Laboratories, Roche Diagnostics and Siemens and established clinical laboratories such as Quest Diagnostics and Laboratory Corporation of American may also develop or commercialize services or products that are competitive with those that we anticipate developing and commercializing. In addition, there are a number of alternative technological approaches being developed by competitors. In particular, while our anticipated oncology testing products will be based on the identification of protein-based differences among patients, there is significant interest in the oncology community in gene-based approaches that may be available from other companies, which may prove to be a superior technology to ours.

Each of these competitors is attempting to establish its own test as the standard of care. Our competitors may successfully develop and market other testing products that are either superior to those that we may develop or that are marketed prior to marketing of our testing products. One or more of our competitors may render our technology obsolete or uneconomical by advances in existing technological approaches or the development of different approaches. Some of these competitors have substantially greater financial resources, market presence and research and development staffs than we do. In addition, some of these competitors have significantly greater experience in developing products, and in obtaining the necessary regulatory approvals of products and processing and marketing products.

Various testing materials that we use are purchased from single qualified suppliers, which could result in our inability to secure sufficient materials to conduct our business.

We purchase some of the testing materials used in our laboratory operations from single qualified suppliers. Although these materials could be purchased from other suppliers, we would need to qualify the suppliers prior to using their materials in our commercial operations. Although we believe we have ample inventory to allow validation of another source, in the event of a material interruption of these supplies, the quantity of our inventory may not be adequate.

Any extended interruption, delay or decreased availability of the supply of these testing materials could prevent us from running our business as contemplated and result in failure to meet our customers' demands. If significant customer relationships were harmed by our failure to meet customer demands, our revenues may decrease. We might also face significant additional expenses if we are forced to find alternate sources of supplies, or change materials we use. Such expenses could make it more difficult for us to attain profitability, offer our products at competitive prices and continue our business as currently contemplated or at all.

We may be dependent on licenses for technology we use in our testing products, and our business would suffer if these licenses were terminated or were not available.

Historically, we have licensed technology from Roche Applied Science Division of Roche Diagnostics Corporation, or Roche, that we use in our PhenoSense and GeneSeq tests. We held a non-exclusive license for the life of the patent term of the last licensed Roche patent. We were notified by Roche that the license had terminated in March 2005, because the last licensed patent had expired. However, Roche advised us that additional licenses may be necessary for certain other patents and has offered us a license to these patents. We do not believe the additional licenses are necessary or useful for our operations. However, if necessary, we believe such licenses are available on commercially acceptable terms.

As we develop and begin to commercialize our testing products in oncology, we may encounter the need for licenses to technology owned by others in order to commercialize these products. If such licenses become necessary, there is no guarantee that they will be available on commercially acceptable terms.

The intellectual property protection for our technology and trade secrets may not be adequate, allowing third parties to use our technology or similar technologies, and thus reducing our ability to compete in the market.

The strength of our intellectual property protection is uncertain. In particular, we cannot be sure that:

- we were the first to invent the technologies covered by our patents or pending patent applications;
- we were the first to file patent applications for these inventions;
- others will not independently develop similar or alternative technologies or duplicate any of our technologies;
- any of our pending patent applications will result in issued patents; or
- any patents issued to us will provide a basis for commercially viable products or will provide us with any competitive advantages or will not be challenged by third parties.

With respect to our viral disease portfolio, as of December 31, 2007, we have approximately 99 granted, issued, allowed and pending patent applications in the United States and in other countries, including 47 issued patents. With respect to our potential oncology products and *VeraTag* technology, we currently have approximately 77 granted, issued, allowed and pending patent applications in the United States and in other countries, including 27 issued patents. We have 105 granted, issued, allowed and pending patent applications in the United States and in other countries, including 79 issued or allowed patents, relating to the historic microfluidics business of ACLARA.

The historic microfluidics patents and patent applications have been licensed to Caliper Life Sciences, Inc. We have received and will receive cash payments, including up-front and annual payments for the outlicense. In addition, we will receive royalty payments relevant to exactly which of the outlicensed patents are implicated. For some of the outlicensed patents, we will receive a flat royalty on all products for which Caliper grants a sublicense. On others, we will share sublicensing revenue based upon a formula determined according to the quality and quantity of Caliper patents implicated in the Caliper sublicense.

Other companies may have patents or patent applications relating to products or processes similar to, competitive with or otherwise related to our current and planned products. Patent law relating to the scope of claims in the technology fields in which we operate, including biotechnology and information technology, is still evolving and, consequently, patent positions in these industries are generally uncertain. We will not be able to assure you that we will prevail in any lawsuits regarding the enforcement of patent rights or that, if successful, we will be awarded commercially valuable remedies. In addition, it is possible that we will not have the required resources to pursue offensive litigation or to otherwise protect our patent rights.

In addition to patent protection, we also rely on protection of trade secrets, know-how and confidential and proprietary information. We generally enter into confidentiality agreements with our employees, consultants and their collaborative partners upon commencement of a relationship with them. However, we cannot assure you that these agreements will provide meaningful protection against the unauthorized use or disclosure of our trade secrets or other confidential information or that adequate remedies would exist if unauthorized use or disclosure were to occur. The unintended disclosure of our trade secrets and other proprietary information would impair our competitive advantages and could have a material adverse effect on our operating results, financial condition and future growth prospects. Further, we cannot assure you that others have not or will not independently develop substantially equivalent know-how and technology.

In addition, there is a risk that some of our confidential information could be compromised during the discovery process of any litigation. During the course of any lawsuit, there may be public announcements of the results of hearings, motions and other interim proceedings or developments in the litigation. If securities analysts or investors perceive these results to be negative, it could have a substantial negative effect on the trading price of our common stock.

Our products could infringe on the intellectual property rights of others, which may cause us to engage in costly litigation and, if we are not successful defending any such litigation or cannot obtain necessary licenses, we may have to pay substantial damages and/or be prohibited from selling our products.

Our commercial success depends upon our ability to develop, manufacture, market and sell our products and use our proprietary technologies without infringing the proprietary rights of others. Companies in our industry typically receive a higher than average number of claims and threatened claims of infringement of intellectual property rights. Numerous U.S. and foreign issued patents and pending patent applications owned by others exist in the fields in which we are selling and/or developing or expect to sell and/or develop products. We may be exposed to future litigation by third parties based on claims that our products, technologies or activities infringe the intellectual property rights of others. Because patent applications can take many years to issue, there may be currently pending applications, unknown to us, which may later result in issued patents that our products or technologies may infringe. There also may be existing patents, of which we are not aware, that our products or technologies may inadvertently infringe. Further, there may be issued patents and pending patent applications in fields relevant to our business, of which we may become aware from time to time, that we believe we do not infringe or that we believe are invalid or relate to immaterial portions of our overall business. We will not be able to assure you that third parties holding any of these patents or patent applications will not assert infringement claims against us for damages or seeking to enjoin our activities. We will also not be able to assure you that, in the event of litigation, we will be able to successfully assert any belief we may have as to non-infringement, invalidity or immateriality, or that any infringement claims will be resolved in our favor. Third parties have from time to time threatened to assert infringement or other intellectual property claims against us based on our patents or other intellectual property rights or informed us that they believe we required one or more licenses in order to perform certain of our tests. For instance, we were informed in 2004 by Bayer Diagnostics (now a unit of Siemens AG), or Bayer, that it believed we require one or more licenses to patents controlled by Bayer in order to conduct certain of our current and planned operations and activities. We, in turn, believe that Bayer may require one or more licenses to patents controlled by us. Although we believe we do not need a license from Bayer for our HIV products, we held preliminary discussions with Bayer, in 2004, concerning the possibility of entering into a cross-licensing or other arrangement. However, in the future, we may have to pay substantial damages, possibly including treble damages, for infringement if it is ultimately determined that our products infringe a third party's patents. Further, we may be prohibited from selling our products before we obtain a license, which, if available at all, may require us to pay substantial royalties. Even if infringement claims against us are without merit, defending a lawsuit will take significant time, and may be expensive and divert management attention from other business concerns.

Our business operations and the operation of our clinical laboratory facility are subject to stringent regulations and if we are unable to comply with them, we may be prohibited from accepting patient samples or may incur additional expense to attain and maintain compliance, which would have an adverse impact on our revenue and profitability.

The operation of our clinical laboratory facilities is subject to a stringent level of regulation under the Clinical Laboratory Improvement Amendments of 1988. Laboratories must meet various requirements, including requirements relating to quality assurance, quality control and personnel standards. Our laboratories are also subject to regulations by the State of California and various other states. We have received accreditation by the College of American Pathologists and therefore are subject to their requirements and evaluation. Our failure to comply with applicable requirements could result in various penalties, including loss of certification or accreditation, and we may be prevented from conducting our business as we currently do or as we may wish to in the future.

If we do not comply with laws and regulations governing the confidentiality of medical information, we may lose the state licensure we need to operate our business, and may be subject to civil, criminal or other penalties. Compliance with such laws and regulations could be expensive.

The Department of Human Health and Services, or HHS, has issued final regulations under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, designed to improve the efficiency and

effectiveness of the health care system by facilitating the electronic exchange of information in certain financial and administrative transactions, while protecting the privacy and security of the information exchanged. Three principal regulations have been issued:

- privacy regulations;
- security regulations; and
- standards for electronic transactions, or transaction standards.

We have implemented the HIPAA privacy regulations. In addition, we implemented measures we believe will reasonably and appropriately meet the specifications of the security regulations and the transaction standards.

These standards are complex, and subject to differences in interpretation. We will not be able to guarantee that our compliance measures will meet the specifications for any of these regulations. In addition, certain types of information, including demographic information not usually provided to us by physicians, could be required by certain payers. As a result of inconsistent application of requirements by payers, or our inability to obtain billing information, we could face increased costs and complexity, a temporary disruption in receipts and ongoing reductions in reimbursements and net revenues. We cannot estimate the potential impact of payers implementing (or failing to implement) the HIPAA transaction standards on our cash flows and results of operations.

In addition to the HIPAA provisions described above, there are a number of state laws regarding the confidentiality of medical information, some of which apply to clinical laboratories. These laws vary widely, and new laws in this area are pending, but they most commonly restrict the use and disclosure of medical information without patient consent. Penalties for violation of these laws include sanctions against a laboratory's state licensure, as well as civil and/or criminal penalties. Compliance with such rules could require us to spend substantial sums, which could negatively impact our profitability.

We may be unable to build brand loyalty because our trademarks and trade names may not be protected. We may not be able to build brand loyalty in the new markets that we are entering and may enter in the future.

Our registered or unregistered trademarks or trade names such as the names PhenoSense, PhenoSense GT, PhenoScreen, GeneSeq, Trofile, *HERmark* and *VeraTag* may be challenged, canceled, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build brand loyalty. Brand recognition is critical to our short-term and long-term marketing strategies especially as we commercialize future enhancements to our products. In particular as we broaden our commercial focus from viral diseases to oncology and other serious diseases, we may not be able to establish any brand recognition and loyalty in oncology and other new markets that we may enter in the future.

Clinicians or patients using our products or services may sue us and our insurance may not sufficiently cover all claims brought against us, which would increase our expenses.

Clinicians, patients and others may at times seek damages from us if drugs are incorrectly prescribed for a patient based on testing errors or similar claims. Although we have obtained product liability insurance coverage of up to $6 million, and expect to continue to maintain product liability insurance coverage, we will not be able to guarantee that insurance will continue to be available to us on acceptable terms or that our coverage will be sufficient to protect us against all claims that may be brought against us. We may not be able to maintain our current coverage, or obtain new insurance coverage for our planned future testing services and products, such as planned testing service and kits for use in connection with the treatment of cancer patients, on acceptable terms with adequate coverage, or at reasonable costs. We may incur significant legal defense expenses in connection with a liability claim, even one without merit or for which we have coverage.

We may be subject to litigation, which would be time consuming and divert our resources and the attention of our management.

ACLARA, with which we merged in December 2004, and certain of its former officers and directors, referred to together as the ACLARA defendants, are named as defendants in a securities class action lawsuit filed in the United States District Court for the Southern District of New York. This action, which was filed on November 13, 2001, and is now captioned ACLARA BioSciences, Inc. Initial Public Offering Securities Litigation, also names several of the underwriters involved in ACLARA's initial public offering, or IPO, as defendants. This class action is brought on behalf of a purported class of purchasers of ACLARA common stock from the time of ACLARA's March 20, 2000 IPO through December 6, 2000. The central allegation in this action is that the underwriters in the ACLARA IPO solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased ACLARA stock in the IPO and the after-market. The complaint also alleges that the ACLARA defendants violated the federal securities laws by failing to disclose in the IPO prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 300 issuers who went public between 1998 and 2000 have been named in similar lawsuits. In July 2002, an omnibus motion to dismiss all complaints against issuers and individual defendants affiliated with issuers (including ACLARA defendants) was filed by the entire group of issuer defendants in these similar actions. On February 19, 2003, the Court in this action issued its decision on the defendants' omnibus motion to dismiss. This decision dismissed the Section 10(b) claim as to ACLARA but denied the motion to dismiss Section 11 claim as to ACLARA and virtually all of the other defendants. On June 26, 2003, the plaintiffs in the consolidated class action lawsuits announced a proposed settlement with ACLARA and the other issuer defendants. The proposed settlement, which was approved by ACLARA's board of directors, provides that the insurers of all settling issuers will guarantee that the plaintiffs recover $1 billion from non-settling defendants, including the investment banks who acted as underwriters in those offerings. In the event that the plaintiffs do not recover $1 billion, the insurers for the settling issuers will make up the difference. Under the proposed settlement, the maximum amount that could be charged to ACLARA's insurance policy in the event that the plaintiffs recovered nothing from the investment banks would be approximately $3.9 million. We believe that ACLARA had sufficient insurance coverage to cover the maximum amount that we may be responsible for under the proposed settlement. On August 31, 2005, the Court granted unconditional preliminary approval of the proposed settlement. On April 24, 2006, the District Court held a fairness hearing to determine whether the proposed settlement should be approved. The District Court did not reach an opinion on this issue, because on December 5, 2006, the United States Court of Appeals for the 2nd Circuit issued a decision in re: *Initial Public Offering Securities Litigation* (Docket No. 05-3349-cv), reversing the District Court's finding that six focus cases involved in this litigation could be certified as class actions. Plaintiffs filed a petition for rehearing and/or for en banc review of the Second Circuit's decision, and the District Court indicated that it would not make any decision regarding the proposed settlement until the Second Circuit had decided whether to consider a rehearing.

On April 6, 2007, the Second Circuit denied plaintiffs' petition for rehearing, but allowed the plaintiffs to request that the district court certify a more limited class. On April 23, 2007, plaintiffs requested 30 days to report to the District Court on how they wish to proceed regarding class certification. The District Court indicated that a new class definition was a priority for the issuers' proposed settlement agreement and scheduled a conference for May 30, 2007, to discuss this, as well as other issues. At this hearing the Court also indicated that the settlement, in its present form, likely could not stand, in light of the Second Circuit's ruling. The Court continued the discovery stay for thirty days. During the May 30, 2007, conference the plaintiffs orally moved for revised class certification. The plaintiffs stated that they will file their opening brief on the motion to certify the classes in 120 days, and they will file any amended complaints in connection with their motion for revised class certification before June 25, 2007 (this deadline was subsequently extended by the parties until July 31, 2007, with the Court's approval, on June 27, 2007). At the May 30 conference, the plaintiffs stated that they will seek mixed class and merits discovery in advance of their opening brief on class certification. The plaintiffs have also indicated that they may seek discovery from issuers in cases other than the six focus cases.

On June 25, 2007, the parties submitted a stipulation to terminate the settlement, which was granted by Court Order. On June 26, 2007, plaintiffs served a document request on all issuer defendants. On June 27, 2007, the Court held a conference with counsel for all three groups in the case. The parties agreed that the plaintiffs had until July 31, 2007, to file any Amended Complaints. On July 31, 2007, the plaintiffs requested, and the Court granted, an extension to August 14, 2007, for filing any Amended Complaints. On August 14, 2007, Plaintiffs filed Amended Master Allegation. On September 27, 2007, the Plaintiffs filed a Motion for Class Certification. Per the briefing schedule, responses were due December 21, 2007, and reply briefs were filed on February 15, 2008. Defendants filed a Motion to Dismiss on November 9, 2007.

Due to the inherent uncertainties of litigation and assignment of claims against the underwriters, and because the settlement has not yet been finally approved by the District Court, the ultimate outcome of the matter cannot be predicted.

Our operating results may fluctuate from quarter to quarter, making it likely that, in some future quarter or quarters, we will fail to meet estimates of operating results or financial performance, causing our stock price to fall.

If revenue declines in a quarter, our losses will likely increase or our earnings will likely decline because many of our expenses are relatively fixed. Though our revenues may fluctuate significantly as we continue to build the market for our products, expenses such as research and development, sales and marketing and general and administrative are not affected directly by variations in revenue. The cost of our product revenue could also fluctuate significantly due to variations in the demand for our products and the relatively fixed costs to produce them. In addition, we could experience significant fluctuations in our statement of operations for stock-based compensation. We will not be able to accurately predict how volatile our future operating results will be because our past and present operating results, which reflect moderate sales activity, are not indicative of what we might expect in the future. Additionally, our revenues may fluctuate due to the timing of clinical trials utilizing our assays. As a result, it will be very difficult for us to forecast our revenues accurately and it is likely that in some future quarter or quarters, our operating results will be below the expectations of securities analysts or investors. In this event, the market price of our common stock may fall abruptly and significantly. Because our revenue and operating results will be difficult to predict, period-to-period comparisons of our results of operations may not be a good indication of our future performance.

In the event that we need to raise additional capital, or restructure existing convertible notes, our stockholders could experience substantial additional dilution. If such financing is not available on commercially reasonable terms, we may have to significantly curtail our operations or sell significant assets and may be unable to continue as a going concern.

We anticipate that our capital resources, together with funds from the sale of our products, contract and license revenue and borrowing under equipment and accounts receivable financing arrangements, will enable us to maintain our current research and development, marketing, production and general administrative activities related to HIV drug resistance in the United States, together with the development and initial commercialization of the *VeraTag* technology, at least for the next twelve months. The commercialization of the *VeraTag* technology is expected to include the development of a testing service and possibly test kits for use in connection with the treatment of cancer patients. However, we may need additional funding to accomplish these goals. To the extent operating and capital resources are insufficient to meet our obligations, including lease payments and future requirements, we will have to raise additional funds to continue the development, commercialization and expansion of our technologies, including the *VeraTag* technology and products based on that technology. Our inability to raise capital would seriously harm our business and product development efforts. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. However, we cannot guarantee that additional financing, in any form, will be available at all, or on terms acceptable to us. If we sell equity or convertible debt securities to raise additional funds, our existing stockholders may incur substantial dilution and any shares so issued will likely have rights, preferences and privileges superior to the rights, preferences and privileges of our outstanding common stock. In the event financing is not available in the time frame required, we could be forced

to reduce our operating expenses, curtail sales and marketing activities, reschedule research and development projects or delay, scale back or eliminate some or all of our activities. Further, we might be required to sell certain of our assets or obtain funds through arrangements with third parties that require us to relinquish rights to certain of our technologies or products that we would seek to develop or commercialize on our own. These actions, while necessary for the continuance of operations during a time of cash constraints and a shortage of working capital, could make it difficult or impossible to implement our long-term business plans or could affect our ability to continue as a going concern.

We may consider incurring additional indebtedness and issuing additional debt securities in the future to fund potential acquisitions or investments, to refinance existing debt or for general corporate purposes. As a result of recent subprime loan losses and write-downs, as well as other economic trends in the credit market industry, we may not be able to secure additional financing for future activities on satisfactory terms, or at all. If we are not successful in obtaining sufficient financing because we are unable to access the capital markets at financially economical interest rates, it could reduce our research and development efforts and may materially adversely affect our future growth, results of operations and financial results, and we may be required to curtail significantly, or eliminate at least temporarily, one or more of our development programs.

We may lose some or all of the value of some of our short term investments.

We engage one or more third parties to manage some of our cash consistent with an investment policy that allows a range of investments and maturities. The investments are intended to preserve principal while providing liquidity adequate to meet projected cash requirements. Risks of principal loss are intended to be minimized through diversified short and medium term investments of high quality, but the investments are not, in every case, guaranteed or fully insured. In light of recent changes in the credit market, some high quality short term investment securities, similar to the types of securities that we invest in, have suffered illiquidity or events of default. From time to time, we may suffer losses on our short term investment portfolio, which could have a material adverse impact on our operations.

If a natural disaster strikes our clinical laboratory facilities and we are unable to receive and or process our customers' samples for a substantial amount of time, we would lose revenue.

We rely on a single clinical laboratory facility to process patient samples for our tests, which are received via delivery service or mail, and have no alternative facilities. We will also use this facility for conducting other tests we develop, including *VeraTag* assays, and even if we move into different or additional facilities they will likely be in close proximity to our current clinical laboratory. Our clinical laboratories and some pieces of processing equipment are difficult to replace and could require substantial replacement lead-time. Our facilities may be affected by natural disasters such as earthquakes and floods. Earthquakes are of particular significance because our facilities are located in the San Francisco Bay Area, an earthquake-prone area, and we do not have insurance against earthquake loss. Our insurance coverage, if any, may not be adequate to cover total losses incurred in a natural disaster. However, even if covered by insurance, in the event our clinical laboratory facilities or equipment is affected by natural disasters, we would be unable to process patient samples and meet customer demands or sales projections. If our patient sample processing operations were curtailed or ceased, we would not be able to perform tests, which would reduce our revenues, and may cause us to lose the trust of our customers or market share.

We use hazardous chemicals and biological materials in our business, and any claims relating to any alleged improper handling, storage, use or disposal of these materials could adversely harm our business.

Our research and development and manufacturing processes involve the use of hazardous materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We will not be able to eliminate the risk of accidental contamination or discharge and any resultant injury from these materials. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of these materials. We do not maintain insurance coverage for damage caused by accidental release of hazardous chemicals, or exposure of individuals to hazardous chemicals off of our premises. We could be subject

to damages in the event of an improper or unauthorized release of, or exposure of individuals to, hazardous materials. In addition, claimants may sue us for injury or contamination that results from our use, or the use by third parties, of these materials, and our liability under a claim of this nature may exceed our total assets. Compliance with environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development or production efforts.

Concentration of ownership among some of our stockholders may prevent other stockholders from influencing significant corporate decisions.

As of December 31, 2007, approximately 30% of our common stock is beneficially held by our directors, our executive officers, and greater than five percent stockholder. Consequently, a small number of our stockholders may be able to substantially influence our management and affairs. If acting together, they would be able to influence most matters requiring the approval by our stockholders, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets and any other significant corporate transaction. The concentration of ownership may also delay or prevent a change in control of Monogram Biosciences at a premium price if these stockholders oppose it.

If our stockholders or convertible note holders sell substantial amounts of our common stock, the market price of our common stock may fall.

If our stockholders or convertible note holders sell substantial amounts of our common stock, including shares issued upon the exercise of outstanding options, or conversion of our outstanding convertible debt, the market price of our common stock may fall. As of December 31, 2007, we had outstanding options under our employee stock options plan to purchase 20.3 million shares of our common stock, which represents approximately 15% of our common stock outstanding on December 31, 2007, at a weighted-average price of $2.29 per share. Our outstanding convertible notes are convertible at the option of the holders into shares of our common stock. We registered both the shares of common stock issuable upon conversion of the 0% Notes and the shares issuable upon conversion of the Pfizer Note. Accordingly, so long as these registration statements are effective, the common stock issued upon conversion of the 0% Notes and the Pfizer Note will be freely tradable in the public markets without restriction. The conversion of these notes into common stock could result in the issuance of a substantial number of shares and substantial dilution to our stockholders. Sales of substantial amounts of our common stock, including hedging activities by our convertible note holders, or the perception that such sales could occur, whether currently outstanding, or issued as the result of option exercises or conversion of convertible debt, might also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. Sales of a substantial number of shares could occur at any time. This may decrease the price of our common stock and may impair our ability to raise capital in the future.

Provisions of our charter documents and Delaware law may make it difficult for our stockholders to replace our management and may inhibit a takeover, either of which could limit the price investors might be willing to pay in the future for our common stock.

Provisions in our certificate of incorporation and bylaws may make it difficult for our stockholders to replace or remove our management, and may delay or prevent an acquisition or merger in which we are not the surviving company. In particular:

- Our board of directors is classified into three classes, with only one of the three classes elected each year, so that it would take at least two years to replace a majority of our directors;
- Our bylaws contain advance notice provisions that limit the business that may be brought at an annual meeting and place procedural restrictions on the ability to nominate directors; and
- Our common stockholders are not permitted to call special meetings or act by written consent.

Because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law. These provisions could discourage changes of our management and

acquisitions or other changes in our control and otherwise limit the price that investors might be willing to pay in the future for our common stock.

We could adopt a stockholder rights plan, commonly referred to as a "poison pill," at any time without seeking the approval of our stockholders. Stockholder rights plans can act through a variety of mechanisms, but typically would allow our board of directors to declare a dividend distribution of preferred share purchase rights on outstanding shares of our common stock. Each such share purchase right would entitle our stockholders to buy a newly created series of preferred stock in the event that the purchase rights become exercisable. The rights would typically become exercisable if a person or group acquires over a predetermined portion of our common stock or announces a tender offer for more than a predetermined portion of our common stock. Under such a stockholder rights plan, if we were acquired in a merger or other business combination transaction which had not been approved by our board of directors, each right would entitle its holder to purchase, at the right's then-current exercise price, a number of the acquiring company's common shares at a price that is preferential to the holder of the right. If adopted by the our board of directors, a stockholder rights plan may have the effect of making it more difficult for a third party to acquire, or discourage a third party from attempting to acquire, control of us.

Our stock price may be volatile, and our common stock could decline in value.

The market prices for securities of biotechnology companies in general have been highly volatile and may continue to be highly volatile in the future. Our stock price has fluctuated widely during the last few years from a low of $0.72 per share in September 2002 to a high of $4.40 per share in January 2004. The following factors, in addition to other risk factors described in this section, may have a significant negative impact on the market price of our common stock:

- period-to-period fluctuations in financial results;
- financing activities;
- hedging activities by holders of our convertible notes;
- litigation;
- delays in product introduction, launches or enhancements, including delays in completing the development of the *VeraTag* technology and products based on that technology;
- announcements of technological innovations or new commercial products by our competitors;
- results from clinical studies;
- adverse developments in the clinical trials of drugs under development by our pharmaceutical company customers;
- adverse clinical or regulatory developments related to drugs, such as Pfizer's *Selzentry* , for which our tests are used in patient selection or monitoring;
- developments concerning proprietary rights, including patents;
- publicity regarding actual or potential clinical results relating to products under development by our competitors or our own products or products under development;
- regulatory developments in the United States and foreign countries;
- changes in payer reimbursement policies or developments related to the potential reimbursement of new products such as Trofile;
- limitations on the ability to recognize revenue from complex collaborations; and
- economic and other external factors or other disaster or crisis.

A low or volatile stock price may negatively impact our ability to raise capital and to attract and maintain key employees.

We will continue to implement additional financial and accounting systems, procedures or controls as we grow our business and organization and to satisfy new reporting requirements.

We are required to comply with the Sarbanes-Oxley Act of 2002, and the related rules and regulations of the SEC. Compliance with Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, and other requirements may increase our costs and require additional management resources. We may need to continue to implement additional finance and accounting systems, procedures and controls as we grow our business and organization and to comply with new reporting requirements. There can be no assurance that we will be able to maintain a favorable assessment as to the adequacy of our internal control over financial reporting. If we are unable to reach an unqualified assessment, or our independent registered public accounting firm is unable to issue an unqualified opinion as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial reporting which could harm our business and could impact the price of our common stock.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

As of December 31, 2007, we held a lease of building and subleases of office space in South San Francisco, California as follows:

- A lease of an approximately 41,000 square foot laboratory and office space through April 2018;
- A sublease of approximately 27,000 square feet of office space through May 2011;
- A sublease of approximately 9,000 square feet of office space through August 2008.

We also entered into a lease of an approximately 40,000 square foot facility of laboratory and office space, in South San Francisco, California; which will enable us to consolidate our operations and allow for anticipated growth and expansion. We anticipate utilizing this space in May 2008. The lease expires in April 2018.

In addition, as a result of our merger with ACLARA, we assumed the lease for a building of approximately 44,200 square feet in Mountain View, California comprising laboratory and office space. On February 7, 2007, we entered into a lease termination agreement with the landlord to terminate the lease prior to its scheduled expiry, or through June 2009.

Item 3. *Legal Proceedings*

ACLARA, with which we merged, and certain of its former officers and directors, referred to together as the ACLARA defendants, are named as defendants in a securities class action lawsuit filed in the United States District Court for the Southern District of New York. See "Commitments and Contingencies" Note 7 to the financial statements for further discussion.

Item 4. *Submission of Matters to a Vote of Security Holders*

None.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

(a) *Market Data; Dividends*

Our Common Stock trades on the NASDAQ Global Market under the symbol "MGRM." The following table sets forth, for the periods indicated, the high and low sales prices of our common stock on the NASDAQ Global Market:

	High	Low
2007		
Fourth Quarter	$1.62	$1.15
Third Quarter	$1.87	$1.41
Second Quarter	$2.61	$1.56
First Quarter	$2.17	$1.50
2006		
Fourth Quarter	$1.98	$1.48
Third Quarter	$1.95	$1.30
Second Quarter	$2.42	$1.33
First Quarter	$2.27	$1.69

The last reported sale price of our common stock on the NASDAQ Global Market on March 7, 2008 was $1.24. As of March 7, 2008, there were over 7,000 stockholders of record of our common stock.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings for funding growth and, therefore, do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any future determination to pay cash dividends on our common stock will be at the discretion of the board of directors and will be dependent upon our financial condition, results of operations, capital requirements, restrictions under our agreements and other such factors as the board of directors deems relevant. Additionally, under our credit and security agreement with GE, so long as any loan commitment or obligation remains outstanding under the agreement, we cannot pay cash dividends without the consent of GE. Under our Amended and Restated 3% Senior Secured Convertible Note issued to Pfizer, we cannot pay dividends without the consent of Pfizer.

Recent Sales of Unregistered Securities.

The following sets forth the number of shares of our common issued in the fourth quarter of 2007. For these issuances, we relied on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"):

On October 1, 2007, we issued 143,083 shares of our common stock to Pfizer Inc as interest payment under the 3.0% Senior Secured Convertible Note Due May 19, 2010, as amended and restated January 12, 2007.

On November 2, 2007, we issued 9,650 shares of our common stock to two holders of our outstanding warrants upon the holders net exercise of the warrants.

On November 6, 2007, we issued 619,835 shares of our common stock to a holder of our outstanding warrants upon that holder's cash exercise of the warrants.

On December 31, 2007, we issued 405,387 shares of common stock with a market value of $0.6 million as of the date of such issuance, to the Monogram Biosciences, Inc. 401(k) Profit Sharing Plan as a matching contribution under the terms of the plan.

Equity Compensation Plans

Information about our equity compensation plans is included in Item 12 of Part III of this Annual Report.

Item 6. ***Selected Financial Data***

The following selected financial information is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes thereto included in Item 8 of this Annual Report on Form 10-K in order to fully understand factors that may affect the comparability of the information presented below. The statements of operations data for the years ended December 31, 2007, 2006 and 2005, and the balance sheet data as of December 31, 2007 and 2006, are derived from our audited consolidated financial statements included in Item 8 of this Report. The statement of operations data for the year ended December 31, 2004 and 2003, and the balance sheet data as of December 31, 2005, 2004 and 2003, are derived from our audited financial statements not included in this Report.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(In thousands, except per share amounts) (Unaudited)				
Consolidated Statements of Operations Data:					
Revenue:					
Product revenue	$ 39,482	$ 45,150	$ 43,468	$ 34,811	$31,911
Contract revenue	2,064	2,808	4,784	1,990	1,468
License revenue	1,683	—	—	—	—
Total revenue	43,229	47,958	48,252	36,801	33,379
Operating costs and expenses:					
Cost of product revenue	22,926	22,703	20,001	17,794	16,713
Research and development	19,385	18,981	18,996	7,839	4,733
Purchased in-process research and development charge	—	—	—	100,600	—
Sales and marketing	15,927	14,735	12,588	10,056	8,306
General and administrative	15,686	15,042	10,200	10,192	9,256
Lease termination charge	—	—	—	433	—
Total operating costs and expenses	73,924	71,461	61,785	146,914	39,008
Operating loss	(30,695)	(23,503)	(13,533)	(110,113)	(5,629)
Convertible debt valuation adjustments and interest income, net	4,687	1,250	2,243	164	(35)
Contingent value rights revaluation	218	(16,450)	(26,296)	28,519	—
Other income	—	—	—	—	156
Deemed dividend to preferred stockholders	—	—	—	—	(2,155)
Preferred stock dividend	—	—	(162)	(324)	(1,610)
Net loss before cumulative effect of change in accounting principle	(25,790)	(38,703)	(37,748)	(81,754)	(9,273)
Cumulative effect of change in accounting principle	2,242	—	—	—	—
Net loss after cumulative effect of change in accounting principle applicable to common stockholders	$ (23,548)	$ (38,703)	$ (37,748)	$ (81,754)	$ (9,273)
Basic and diluted net loss per common share before cumulative effect of change in accounting principle	$ (0.19)	$ (0.30)	$ (0.31)	$ (1.43)	$ (0.27)
Cumulative effect per share of change in accounting principle	0.01	—	—	—	—
Basic and diluted net loss per common share after cumulative effect of change in accounting principle	$ (0.18)	$ (0.30)	$ (0.31)	$ (1.43)	$ (0.27)
Shares used in computing basic and diluted loss per common share	132,282	130,447	123,527	57,292	34,445

Our results for the year ended December 31, 2004, include the acquired operations of ACLARA for the period December 10, 2004 to December 31, 2004. Our results for the year ended December 31, 2007 and 2006, include the impact of the adoption of SFAS 123(R), "Share-Based Payments," on January 1, 2006. See notes to the financial statements for a description of the number of shares used in the computation of the basic and diluted net loss per common share.

We recorded a cumulative effect of change in accounting principle of $2.2 million in the year ended December 31, 2007, as a result of an election by the Company to early adopt SFAS No. 159 on January 1, 2007, to measure the fair value of the Pfizer Note as a hybrid debt instrument in its entirety with adjustments to the fair value reflected as a non-operating expense in the statement of operations.

	December 31,				
	2007	2006	2005	2004	2003
			(In thousands) (Unaudited)		
Consolidated Balance Sheet Data:					
Cash, cash equivalents, and short-term investments	$ 30,590	$ 31,130	$ 65,014	$ 78,848	$ 9,430
Accounts receivable, net	9,100	6,849	9,063	7,251	6,165
Working capital	26,075	21,603	23,984	73,463	13,038
Total assets	69,311	60,845	97,678	107,635	28,378
Current portion of contingent value rights	2,119	2,813	42,676	—	—
Long-term portion of contingent value rights	—	—	—	15,269	—
Long-term portion of restructuring costs	289	868	1,916	1,710	—
Long-term convertible promissory notes	39,297	25,000	—	—	—
Long-term portion of loans payable	—	—	233	311	—
Long-term portion of capital lease obligations	98	92	212	36	87
Redeemable convertible preferred stock	—	—	—	1,810	1,994
Accumulated deficit	(287,539)	(263,991)	(225,288)	(187,702)	(106,272)
Total stockholders' (deficit) equity	$ (1,240)	$ 13,908	$ 41,771	$ 72,673	$ 20,587

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion of the financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto included in this Annual Report on Form 10-K. The estimates and certain other statements below are forward-looking statements that involve risks and uncertainties. Our actual future capital requirements and the adequacies of our available funds will depend on many factors, including those under "Risk Factors."

OVERVIEW

We are a life sciences company committed to advancing personalized medicine and improving patient outcomes through the development of innovative molecular diagnostic products that guide and target the most appropriate treatments. Through a comprehensive understanding of the genetics, biology and pathology of particular diseases, we have pioneered and are developing molecular diagnostics and laboratory services that are designed to:

- enable physicians to better manage infectious diseases and cancers by providing the critical information that helps them prescribe personalized treatments for patients by matching the underlying molecular features of an individual patient's disease to the drug expected to have maximal therapeutic benefit; and
- enable pharmaceutical companies to develop new and improved anti-viral therapeutics and targeted cancer therapeutics more efficiently and cost effectively by providing enhanced patient selection and monitoring capabilities throughout the development process.

We are a leader in developing and commercializing innovative products that help guide and improve the treatment of infectious diseases, cancer and other serious diseases. Our goal with personalized medicine is to enable the management of diseases at the individual patient level through the use of sophisticated diagnostics that permit the targeting of therapeutics to those patients most likely to respond to or benefit from them, thereby offering *the right treatment* to *the right patient* at *the right time.*

Monogram's PhenoSense™ and GeneSeq™ products provide a practical method for measuring the impact of genetic mutations on human immunodeficiency virus, or HIV, drug resistance. This information is used to optimize various treatment options for the individual patient. We currently market phenotypic and genotypic resistance testing products directed at patients with HIV infection and the traditional drug classes of reverse transcriptase inhibitors, protease inhibitors and entry (fusion) inhibitors. In addition, we have resistance tests in development or already used in research that are relevant to the new drug classes for which first-in-class drugs have been approved by the FDA—CCR5 antagonists and integrase inhibitors. In addition to these resistance tests, in 2007 we initiated commercial sales of the Trofile™ Co-Receptor Tropism Assay. Trofile is a patient selection assay for the new class of CCR5 antagonists. The first drug in this class, Selzentry™ *(maraviroc)* from Pfizer Inc (Pfizer), was approved by the FDA and by the European Commission during 2007. Upon approval of Selzentry in the U.S., we introduced our Trofile Assay commercially and it is now available to help physicians select patients for clinical use of Selzentry. Outside of the U.S., we are making Trofile available through our global collaboration with Pfizer. The first product based on the *VeraTag*™ technology platform, the *HERmark*™ Breast Cancer Assay, is approved for routine testing in our CLIA certified clinical reference laboratory. Clinical studies to determine the assay's clinical utility are in progress.

Over the last several years, we have built a business based on the personalized medicine approach in HIV drug resistance testing and in patient selection. We now seek to leverage the experience and infrastructure we have built in the HIV market to the potentially larger market opportunity of cancer utilizing our proprietary *VeraTag* technology, In the future, we plan to seek opportunities to address an even broader range of serious diseases.

New targeted drug therapies are being introduced for the treatment of cancer. Our proprietary *VeraTag* technology provides an assay platform for analyzing very small amounts of tumor samples recovered and

prepared in a variety of methods, including formalin fixation, the current standard technique in hospital pathology laboratories. We believe this analytical platform may be well suited for the next generation of targeted cancer therapeutics. We believe that, upon completion of development, our *VeraTag* assays will permit the prediction, with a high degree of accuracy, of the likelihood of a patient's cancer responding to a given therapy, facilitating the selection of more precise and effective therapeutic options. We are developing Epidermal Growth Factor Receptor, or EGFR/HER, *VeraTag* assays that we believe will enable physicians to identify the appropriate course of treatment for cancers that have a particular molecular profile. Our current focus is on drugs that target the EGFR/HER receptor family, initially in breast cancer but subsequently in lung and other cancers. We intend to develop *VeraTag* assays that target other protein drug targets and signaling pathways that are key drivers of proliferation or survival in cancer cells.

We have incurred losses each year since inception. As of December 31, 2007, we had an accumulated deficit of approximately $287.5 million. We expect to incur additional operating losses at least for the next twelve months as we complete the development of the *VeraTag* technology, transfer the assays into the clinical laboratory, conduct clinical studies and develop the commercial infrastructure to support a commercial launch.

ISSUANCE OF 0% CONVERTIBLE SENIOR UNSECURED NOTES

In January 2007, we issued $30 million principal amount of 0% Convertible Senior Unsecured Notes, due 2026 (the "0% Notes"). Although the 0% Notes are due in December 2026, the 0% Notes may be called at the holder's option at December 31, 2011, December 31, 2016 or December 31, 2021, at a price equal to 100% of the accreted value. The aggregate purchase price for the 0% Notes was approximately $22.5 million. The 0% Notes do not bear interest and are convertible, at the option of the holder, into shares of our common stock, at an initial conversion price of $2.52 per share, which is equivalent to an initial conversion rate of approximately 396.8254 shares per $1,000 principal amount of the 0% Notes. The conversion price will adjust automatically upon certain changes to our capitalization.

We have the option to cause all or any portion of the 0% Notes to automatically convert at such time as the closing price of our common stock is greater than $3.15 for twenty out of thirty consecutive trading days, provided that certain conditions are met. The 0% Notes are subordinated to all of our present senior debt, including the $25 million 3% Senior Secured Convertible Note, due May 19, 2010, issued to Pfizer in May 2006, as amended as described below, and our $10 million line of credit with Merrill Lynch Capital (subsequently acquired by General Electric), or "GE".

In accordance with SFAS 155, "Accounting for Certain Hybrid Financial Instruments", the Company elected to initially and subsequently measure the 0% Notes as a hybrid debt instrument in its entirety with adjustments to the fair value reflected in the statement of operations. For the year ended December 31, 2007, the valuation led to a $2.2 million favorable convertible debt valuation adjustment to the carrying value of the 0% Notes, respectively, net of debt issuance costs to fair value. This net adjustment is reflected as a non-operating expense in the statement of operations. As of December 31, 2007, the fair value and unpaid principal balance of the 0% Notes was $18.5 million and $23.8 million, respectively.

AGREEMENTS WITH PFIZER INC

In May 2006, we entered into a non-exclusive Collaboration Agreement (the "Collaboration Agreement") with Pfizer to facilitate the global availability for patient use of our proprietary co-receptor tropism assay, Trofile™ ("Trofile Assay"). Our Trofile Assay is used to identify which co-receptor a patient's HIV uses for entry to cells and has been used in connection with phase III clinical trials of Pfizer's investigational CCR5 antagonist, Selzentry *(maraviroc)*. In August 2007, Selzentry was approved by the FDA for use in CCR5-tropic treatment-experienced patients. The FDA-approved label for Selzentry indicates that tropism testing should be used for patient selection and we expect that the Trofile Assay will be used to select patients for Selzentry. In October 2007, Selzentry was approved by the European Commission. Under the Collaboration Agreement we

have responsibility for making our Trofile Assay available in the U.S. Pfizer has responsibility for sales, marketing and regulatory matters outside of the U.S. and will reimburse us for our expenses in establishing and maintaining the logistics infrastructure that may be necessary to make the assay available outside the U.S. as required by Pfizer. The Collaboration Agreement covers the period through December 31, 2009, and is renewable by Pfizer for five successive one year terms. We and Pfizer also extended the co-receptor portion of our existing services agreement to support potential additional Pfizer clinical trials through December 31, 2009.

We also entered into a note purchase agreement with Pfizer under which Pfizer purchased a Senior Secured Convertible Note in the principal amount of $25 million (the "Pfizer Note"). The Pfizer Note bears a 3% annual interest rate, payable quarterly in cash or shares of our common stock, at our option, and matures in May 2010, unless converted earlier. The Pfizer Note is convertible at Pfizer's option into shares of our common stock at a conversion price of $2.7048 per share and will automatically convert into shares of our common stock should the closing price of our common stock be greater than 150%, of the conversion price, or $4.06 per share, for twenty out of thirty consecutive trading days. In addition, the Pfizer Note is secured by certain assets related to our HIV testing business, is subject to certain covenants on our part and will be senior in right of payment to all existing and future indebtedness, subject to certain limited exceptions. In connection with the sale of the 0% Notes, as described above, Pfizer and U.S. Bank, National Association, as trustee, and we entered into a subordination agreement in January 2007, setting forth the terms under which the 0% Notes are subordinated to the Pfizer Note. We also amended our note purchase agreement with Pfizer, and amended and restated the Pfizer Note, to conform to certain terms of the subordination agreement. As amended, the Pfizer Note provides that Monogram will be in default if (i) an event of default occurs and is continuing under the 0% Notes and (ii) the Trustee or any holders of the Notes gives notice to us of its or their intent to either accelerate the 0% Notes or exercise any other remedies thereunder (subject to certain limited exceptions).

As a result of the issuance of the 0% Notes, we were required to value and account for certain derivative instruments that are embedded in the Pfizer Note. We elected to early adopt SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" to measure the Pfizer Note as a hybrid debt instrument in its entirety with adjustments to the fair value reflected in the consolidated statement of operations. At the initial adoption of SFAS 159, we recorded a cumulative-effect of a change in accounting principle for the Pfizer Note of $2.2 million, resulting in a fair value of $22.8 million at January 1, 2007. For the year ended December 31, 2007, the valuation led to a $2.0 million decrease to the carrying value of the Pfizer Note, which is reflected as a non-operating expense in the consolidated statement of operations. As of December 31, 2007 and 2006, the value of the Pfizer Note was $20.8 million and $25.0 million, respectively. The unpaid principal balance of the Pfizer Note was $25 million for both periods ended December 31, 2007 and 2006.

In accordance with Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," ("EITF 00-21") revenue arrangements entered into after June 15, 2003, that include multiple element arrangements are analyzed to determine whether the deliverables are divided into separate units of accounting or as a single unit of accounting. Revenues are allocated to a delivered product or service when all of the following criteria are met: (1) the delivered item has value to the customer on a standalone basis; (2) there is objective and reliable evidence of the fair value of the undelivered item; and (3) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in our control. If all of the three required criteria under EITF 00-21 are met, then the deliverables would be accounted for separately, completed as performed. Otherwise, the arrangement would be accounted for as a single unit of accounting and the payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed. If we cannot reasonably estimate when a performance obligation either ceases or becomes inconsequential, then revenue is deferred until we can reasonably estimate when the performance obligation ceases or becomes inconsequential.

The Pfizer collaboration is a multiple element arrangement, including supply of the Trofile Assay in additional clinical studies (including expanded access programs in both the U.S. and outside the U.S.), supply of

the Trofile Assay for use outside of the U.S., reimbursement of costs for the establishment and operation of supply infrastructure outside of the U.S. and potential assistance to Pfizer in the establishment and operation of a second facility for processing of tropism assays. Under the guidelines of EITF 00-21, we have determined that the collaboration with Pfizer should be accounted for as a single unit of accounting due to the absence of established fair values of certain undelivered elements. Accordingly, we have deferred revenue under this collaboration until the earlier of establishment of fair values or completion of the deliverables. Additionally, related direct costs for the establishment and operation of supply infrastructure outside of the U.S. that are contractually reimbursable on a non-refundable basis under this collaboration have been deferred. As of December 31, 2007 and 2006, we had $12.6 million and $1.8 million of deferred revenue and $8.0 million and $1.8 million of deferred costs, respectively, under the Collaboration Agreement, within the U.S. and internationally.

SUMMARY OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Note 1 to the financial statements describes the significant accounting policies used in the preparation of the financial statements. Certain of these significant accounting policies are considered to be critical accounting policies, as defined below.

A critical accounting policy is defined as one that is both material to the presentation of our financial statements and requires management to make difficult, subjective or complex judgments that could have a material effect on our financial condition and results of operations. Specifically, critical accounting estimates have the following attributes: 1) we are required to make assumptions about matters that are highly uncertain at the time of the estimate; and 2) different estimates we could reasonably have used, or changes in the estimate that are reasonably likely to occur, would have a material effect on our financial condition or results of operations.

Estimates and assumptions about future events and their effects cannot be determined with certainty. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. These changes have historically been minor and have been included in the financial statements as soon as they became known. Based on a critical assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, we believe that our financial statements are fairly stated in accordance with accounting principles generally accepted in the United States, and present a meaningful presentation of our financial condition and results of operations.

We believe the following critical accounting policies reflect our more significant estimates and assumptions used in the preparation of our financial statements:

Accounting for Stock-Based Compensation

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004) "Share Based Payment" ("SFAS 123R") under provisions of Staff Accounting Bulletin No. 107 ("SAB 107") using the modified prospective approach, and therefore, has not restated results for prior periods. Under this approach, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award. Upon adoption of SFAS 123R, the Company records stock-based compensation as a charge to income, net of the estimated impact of forfeited awards. As such, the Company recognized stock-based compensation cost only for those stock-based awards that are estimated to ultimately vest over their requisite service period, based on the vesting provisions of the individual grants. The Company has no awards with market or performance conditions.

Prior to the adoption of SFAS 123R, we accounted for stock-based awards under the intrinsic method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and

made pro forma footnote disclosures as required by Statement of Financial Accounting Standards No. 148, "Accounting For Stock-Based Compensation—Transition and Disclosure," which amended Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation." Under the intrinsic method, no stock-based compensation expense had been recognized in the statement of operations because the exercise price of the stock options granted equaled the fair market value of the underlying stock on the date of grant. Pro forma net loss and pro forma net loss per share disclosed in the footnotes to the financial statements were estimated using the Black-Scholes option-pricing model.

In accordance with SFAS 123R, we used the Black-Scholes option-pricing valuation model to estimate the grant date fair value of our stock-based awards. The determination of fair value for stock-based awards on the date of grant using an option-pricing model requires management to make certain assumptions regarding: (i) the expected volatility in the market price of our common stock over the expected term of the awards; (ii) dividend yield; (iii) risk-free interest rates; and (iv) actual and projected employee exercise behaviors (referred to as the expected term). The expected volatility is based on the historical volatilities from our stock for the expected term in effect on the date of grant with considerations to similar public entities in similar markets. The risk-free interest rate is based on the U.S. Zero Coupon Treasury yield for the expected term in effect on the date of grant. The expected term of options represents the period of time that options granted are expected to be outstanding and is derived from actual historical exercise data with considerations to the contractual and vesting terms. The expected term of employee stock purchase plans is equal to the offering period. In addition, SFAS 123R requires us to estimate the expected impact of forfeited awards and recognize stock-based compensation expense only for those awards expected to vest. The cumulative effect on current and prior periods of a change in the estimated forfeiture rate will be recognized as compensation cost in earnings in the period of the revision. If actual forfeiture rates are materially different from our estimates or factors change and we employ different assumptions, stock-based compensation expense could be significantly different from what we have recorded in the current period. We periodically review actual forfeiture experience and revise our estimates, as considered necessary.

In addition, we accounted for stock option grants to non-employees in accordance with the Emerging Issues Task Force Consensus No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," which requires the options subject to vesting to be periodically re-valued over their service periods, which approximates the vesting period.

Revenue Recognition

Product revenue is recognized upon completion of tests made on samples provided by customers and the shipment of test results to those customers. Services are provided to certain patients covered by various third-party payer programs, such as Medicare and Medicaid. Billings for services under third-party payer programs are included in revenue, net of allowances, for differences between the amounts billed and estimated receipts under such programs. We estimate these allowances based on historical payment information and current sales data. If the government and other third-party payers significantly change their reimbursement policies, an adjustment to the allowance may be necessary. Revenue generated from our database of resistance test results is recognized when earned under the terms of the related agreements, generally upon shipment of the requested reports.

Contract revenue consists of revenue generated from NIH grants, commercial assay development and other non-product revenue. NIH grant revenue is recorded on a reimbursement basis as grant costs are incurred. The costs associated with contract revenue are included in research and development expenses. For commercial and research collaborations, we recognize non-refundable milestone payments received related to substantive at-risk milestones when performance of the milestone under the terms of the collaboration is achieved and there are no further performance obligations. Research and development fees from commercial collaboration agreements are generally recognized as revenue on a straight-line basis over the life of the collaboration agreement or as the research work is performed. Up front payments received in advance of meeting the revenue recognition criteria described above are deferred.

License revenue consists of up-front license fees when the earnings process is complete and no further obligations exist. If further obligations exist, the up-front license fee is recognized ratably over the obligation period. Royalties received are recorded as earned in accordance with contract terms, when third-party results are reliably measured and collectibility is reasonably assured.

In accordance with Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," ("EITF 00-21") revenue arrangements entered into after June 15, 2003, that include multiple element arrangements are analyzed to determine whether the deliverables are divided into separate units of accounting or as a single unit of accounting. Revenues are allocated to a delivered product or service when all of the following criteria are met: (1) the delivered item has value to the customer on a standalone basis; (2) there is objective and reliable evidence of the fair value of the undelivered item; and (3) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in our control. If all of the three required criteria under EITF 00-21 are met, then the deliverables would be accounted for separately, completed as performed. Otherwise, the arrangement would be accounted for as a single unit of accounting and the payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed. If we cannot reasonably estimate when our performance obligation either ceases or becomes inconsequential, then revenue is deferred until we can reasonably estimate when the performance obligation ceases or becomes inconsequential.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable, other accrued expenses and short-term obligations approximate fair value based on the highly liquid, short-term nature of these instruments. We also have long-term instruments consisting of debt obligations in the form of convertible promissory notes, which are subject to interest rate and market risk due to the convertible features of those notes. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. We value debt obligations in accordance with the guidelines set forth in SFAS 155, "Accounting for Certain Hybrid Financial Instruments" and SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" using the framework established by SFAS 157, "Fair Value Measurements" for measuring fair value.

Accounts Receivable

The process for estimating the collectibility of receivables involves significant assumptions and judgments. Billings for services under third-party payer programs are recorded as revenue net of allowances for differences between amounts billed and the estimated receipts under such programs. Adjustments to the estimated receipts, based on final settlement with the third-party payers, are recorded upon settlement as an adjustment to net revenue.

In addition, we review and estimate the collectibility of our receivables based on the period of time they have been outstanding. Historical collection and payer reimbursement experience is an integral part of the estimation process related to reserves for doubtful accounts. In addition, we assess the current state of our billing functions in order to identify any known collection or reimbursement issues in order to assess the impact, if any, on our reserve estimates, which involves judgment. We believe that the collectibility of our receivables is directly linked to the quality of our billing processes, most notably those related to obtaining the correct information in order to bill effectively for the services we provide. As such, we have implemented procedures to reduce the number of requisitions that we receive from healthcare providers with missing or incorrect billing information. Changes in the allowance for doubtful accounts are recorded as an adjustment to bad debt expense within general and administrative expenses. We believe that our collection and reserves processes, along with our close monitoring of our billing processes, helps to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection and reimbursement experience and billing operations. We write off accounts against the allowance for doubtful accounts when they are deemed to be uncollectible.

Goodwill, Other Intangible Assets and Impairment of Long-Lived Assets

Goodwill represents the excess of the purchase consideration over the fair values of the identifiable assets acquired and liabilities assumed from our merger with ACLARA, in 2004. In accordance with Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets," or SFAS 142, we are required to test for impairment of goodwill on an annual basis and at any other time if events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable.

Other intangible assets include acquired developed product technology, costs of patents and patent applications related to products and products in development, which are capitalized and amortized on a straight-line basis over their estimated useful lives. Circumstances that could trigger an impairment test include but are not limited to: a significant adverse change in the business or legal factors; an adverse action or assessment by a regulator; unanticipated competition or loss of key personnel.

Income Taxes

We record a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. Due to our lack of earnings history, the net deferred tax assets have been fully offset by a valuation allowance.

Contingent Value Rights

As part of the merger with ACLARA BioSciences, Inc. ("ACLARA"), we issued Contingent Value Rights ("CVR") to ACLARA stockholders and were obligated to issue CVRs to holders of assumed ACLARA stock options upon future exercise of those options. In June 2006, the amount payable related to the outstanding CVRs was determined at $0.88 per CVR and a cash payment of approximately $57.0 million was made to CVR holders on June 14, 2006. Holders of assumed ACLARA options are entitled to receive a cash payment of $0.88, upon future exercise of those options, for each CVR that would have been issuable to them had the option been exercised prior to the CVR maturity date.

The liability under the CVRs was recorded at the closing of the merger with ACLARA at fair value, estimated using a calculation based on a Black-Scholes valuation of the underlying CVR securities of $0.66 per CVR. Subsequent to the closing of the merger, an active trading market had been established and as a result, this liability was revalued based on the actual closing price of the CVRs on the OTC Bulletin Board at the end of each quarter. In addition, we record an additional liability each quarter for additional CVRs related to assumed ACLARA stock options as they vest during each quarter.

RESULTS OF OPERATIONS

Year Ended December 31, 2007 Compared to Years Ended December 31, 2006 and 2005.

	2007	2006	2005
		(In thousands)	
Product revenue	$39,482	$45,150	$43,468
Contract revenue	2,064	2,808	4,784
License revenue	1,683	—	—
Total revenue	$43,229	$47,958	$48,252

Revenue. Revenue was $43.2 million, $48.0 million and $48.3 million in 2007, 2006 and 2005, respectively. Product revenue consists of revenue from our HIV testing services. The $5.7 million decrease in product in revenue in 2007 as compared to 2006, and the $1.7 million increase in product revenue in 2006 as compared to 2005, was due primarily to the substantial completion, in 2006, of Pfizer's phase III clinical trial of *Selzentry,* the first drug in a new class of HIV drugs called CCR5 antagonists. The use of our testing services, including our

Trofile Co-Receptor Tropism Assay in Pfizer's phase III clinical trial of *Selzentry*, generated significant revenue in the second half of 2005 and first half of 2006. The decreased revenue of the phase III clinical trial of *Selzentry*, was partially offset by revenue generated from the commercialization of our Trofile Assay during 2007, excluding Trofile Assay revenue earned under the Collaboration Agreement with Pfizer, which is deferred. In August 2007, *Selzentry* was approved by the FDA for use in CCR5-tropic treatment-experienced patients. The FDA-approved label for *Selzentry* indicates that tropism testing should be used for patient selection and we expect that the Trofile Assay will be used to select patients for *Selzentry*. Medicare is already providing coverage and reimbursement for the assay. However, if our test is not used to select patients for *Selzentry*, this could have a significant negative impact on our potential future revenues.

Contract revenue consists of revenues from *VeraTag* and oncology collaborations with pharmaceutical and biotechnology companies as well as National Institutes of Health, or NIH, research grants and other non-product and non-license revenue. In 2007, these sources of revenue decreased by $0.8 million compared to 2006 and decreased $2.0 million as compared to 2005, as we focused our oncology development efforts on enhancing the operational reproducibility and sensitivity of the *VeraTag* assays and studies designed to clinically validate the *HERmark* assay, a *VeraTag* test for applications in oncology. We intend to make *HERmark*, our first oncology test, available to patients upon completion of clinical studies designed to establish clinical utility of *HERmark* in breast cancer. *HERmark* is approved for routine testing in our CLIA certified clinical reference laboratory. We have an active program of applying for NIH funding and currently have a number of active grants that we believe will help support the development of analytical and database tools to facilitate the identification and characterization of drug resistant strains of HIV, and assays that will aid in the pre-clinical and clinical evaluation of the next generation of anti-viral therapeutics.

License revenue consists primarily of revenue from license agreements for the microfluidics patent portfolio acquired in our merger with ACLARA in 2004. Under the license agreements, we receive payments from ongoing royalties related to product and service revenues that encompass the use of our patents, and royalty sharing for any sublicense revenue. We recorded $1.7 million for the year ended December 31, 2007, primarily from a non-recurring, upfront royalty for one particular license. License revenues are likely to be lower in 2008 and beyond.

We anticipate quarterly variations in revenue due primarily to fluctuations in the timing of various planned and ongoing clinical studies conducted by pharmaceutical companies.

We have significant customer concentration and the loss of any major customer or the reduced use of our products by a major customer could have a significant negative impact on our revenue. In 2007, 2006 and 2005, approximately 29%, 21%, and 22%, respectively, of our revenues were derived from tests performed for the beneficiaries of the Medicare and Medicaid programs. Additionally, in 2007, 2006 and 2005, Quest Diagnostics Incorporated represented approximately 11% for each year, Laboratory Corporation of America represented approximately 11%, 6% and 6%, Pfizer Inc represented approximately 6%, 19% and 19%, and GlaxoSmithKline represented approximately 2%, 6% and 10% of our total revenue, respectively.

Cost of product revenue. Cost of product revenue was $22.9 million, $22.7 million and $20.0 million in 2007, 2006 and 2005, respectively. Included in these costs are materials, supplies, labor and overhead related to product revenue. Product revenue gross margins were 42% in 2007, 50% in 2006 and 54% in 2005. The decrease in gross margin percentage in 2007, as compared to 2006 and in 2006 as compared to 2005, was due to the benefit of higher volumes provided by the use of our Trofile Assay in Pfizer's phase III trial of maraviroc during 2005 and the first half of 2006. Gross margin was higher than the yearly average in the fourth quarter of 2007, due to commercial introduction of Trofile and the related increase in revenue. We anticipate that gross margin on product revenue may increase as Trofile revenue increases, and also after the potential future introduction of oncology products, which we believe may have a higher gross margin than our HIV products.

Research and development. Research and development costs were $19.4 million, $19.0 million and $19.0 million in 2007, 2006 and 2005, respectively. During 2007, research and development expenses were

approximately the same as compared to 2006 and 2005, respectively. In 2006, a net increase relating to stock-based compensation expense of $2.3 million was offset by lower materials and supplies costs in our oncology programs and reduced facilities expenses as a result of vacating the office and laboratory space in Mountain View, California, in the second quarter of 2005. The successful development of our products is highly uncertain. Completion dates and research and development expenses can vary significantly for each product and are difficult to predict.

Our products in development for HIV and other infectious diseases, target viral diseases and reflect a number of approaches to assessing resistance in individual patients to particular drugs. Our product lines overlap and most of our research and development activities in infectious disease are advancing multiple potential product lines. Due to this substantial overlap, we do not track costs on a project by project basis, except for the costs related to contract revenue. A portion of our infectious disease research and development expenses are funded by grants and development contracts. The following table sets our costs included in research and development expenses that are associated with such revenues:

Research and Development Expenses Funded by Grants and Development Contracts.

	Year Ended December 31,		
	2007	2006	2005
	(In thousands)		
NIH Grants:			
HIV assays	$1,360	$1,381	$1,796
HIV database	390	327	252
HCV assay	198	108	215
Commercial assay development and other projects	116	992	2,521
Total	$2,064	$2,808	$4,784

Below is a summary of our products in development for HIV and other infectious diseases.

Infectious disease products in development	Status
Replication Capacity HIV, a measurement of fitness	In development(1)
PhenoSense HIV Entry, entry inhibitor assay	In development(2)
GeneSeq HIV Entry, entry inhibitor assay	In development(3)
PhenoSense and GeneSeq HIV Integrase, integrase inhibitor assays	In development(4)
PhenoSense HIV Antibody Neutralization, a vaccine development and evaluation assay	In development(5)
PhenoSense and GeneSeq HIV Assembly/Maturation, virus assembly or maturation inhibitor assays	In development(6)
PhenoSense HCV, a phenotypic hepatitis C inhibitor assay	In development(7)
GeneSeq HCV, a genotypic hepatitis C inhibitor assay	In development(7)

(1) The Replication Capacity HIV assay is validated in our clinical laboratory and the data is currently reported on our PhenoSense HIV and PhenoSense GT tests to both pharmaceutical company customers and for patient testing. Clinical development work continues.

(2) The PhenoSense HIV Entry Assay has been validated in our clinical laboratory for the subclass of entry inhibitors that block host cell-virus membrane fusion, such as enfuvirtide (Fuzeon), and is available to pharmaceutical company customers and for patient testing. The assay is also available to pharmaceutical company customers to evaluate subclasses of entry inhibitors in development or recently approved, such as receptor and co-receptor antagonists (e.g. *maraviroc, vicriviroc*) but is not yet validated in the clinical laboratory for such use in patient testing.

(3) The GeneSeq HIV Entry Assay is available to pharmaceutical company customers to evaluate subclasses of entry inhibitors in development or recently approved, such as receptor and co-receptor antagonists (e.g. *maraviroc, vicriviroc*) but is not yet validated in the clinical laboratory for such use in patient testing.

(4) The PhenoSense and GeneSeq HIV Integrase assays are validated for research purposes and available to pharmaceutical company customers. Assays for the integrase class are being validated and are expected to be available for physician use as needed in the future.
(5) The PhenoSense HIV Antibody Neutralization assay is validated for research purposes and available to pharmaceutical company customers. With NIH funding, additional development work related to the use of our assays in vaccine development is being conducted.
(6) The PhenoSense and GeneSeq HIV Assembly/Maturation inhibitor assays are in development. Additional development work may be conducted on these assays in the future.
(7) The GeneSeq HCV (NS5B) assay has been validated for research use and is available to pharmaceutical company customers. The GeneSeq HCV (NS3) and PhenoSense HCV assays are in development with partial funding from a pharmaceutical company customer.

A substantial portion of our research and development expenditures are directed at continuing the research and development of the *VeraTag* technology. Our *VeraTag* technology has the potential, through detection of unique protein-based biomarkers, to differentiate likely responders from non-responders to certain targeted therapies in certain patient groups. Assays based on this technology have the potential to be used as aides for patient selection in pharmaceutical companies' clinical trials of therapeutic products targeted on specific patient populations and as diagnostic services and/or kits to guide physicians in the selection of appropriate therapies for particular patients. The first *VeraTag* Assay, the *HERmark* Breast Cancer Assay, is approved for routine testing in our CLIA certified clinical reference laboratory and clinical studies are ongoing to establish clinical utility of *HERmark* for differentiating breast cancer patients who are likely to respond to Herceptin, a targeted cancer therapy. Additional assays based on the VeraTag technology are in development.

HERmark is designed to provide quantitative measurements of the presence of HER2 protein and HER2 homodimer. Additional assays providing measurements of HER1 and HER3 proteins and heterodimers such as HER1:HER2 and HER2:HER3 are in development. These additional assays may have clinical utility both in breast cancer and in other cancer types, such as lung cancer and colorectal cancer. The development of these assays, including their validation in our CLIA certified clinical reference laboratory, and the completion of studies to determine the clinical utility of both these assays and the *HERmark* Breast Cancer Assay are expected to be time consuming and could exceed one year.

As with our infectious disease programs, many of our oncology research and development programs support multiple product areas. In particular, there is substantial overlap between our research and development activities in support of protein expression assays and protein-based clinical assays for clinical collaborations and patient testing. Because of this overlap we do not identify and track costs incurred on a project by project basis. The completion of our research and development projects is subject to a number of risks and uncertainties, including unplanned delays or expenditures during our product development, the extent of clinical testing required for regulatory approvals, the timing and results of clinical trials, failure to validate our technology and products in clinical trials and failure to receive any necessary regulatory approvals. Because of these uncertainties, the nature, timing and estimated costs of the efforts necessary to complete our research and development projects cannot be determined or estimated with any degree of certainty. Any delays or additional research and development efforts may also require us to obtain additional sources of funding to complete development of our products. Our failure to complete development of our products would have a material adverse impact on our ability to increase revenue and on our financial position and liquidity.

Sales and marketing. Sales and marketing expenses were $15.9 million, $14.7 million and $12.6 million in 2007, 2006 and 2005, respectively. The increase of $1.2 million in 2007, as compared to 2006, was primarily due to the expansion of our sales force and increased marketing programs related to our products, offset by lower stock-based compensation expenses. The increase in 2006, as compared to 2005, was primarily due to an increase in stock compensation expense of $1.8 million. In 2006, we recorded $1.7 million stock-based compensation expenses primarily related to the recognition of option and employee stock purchase plan expenses in accordance with SFAS 123R. In 2005, we recorded adjustments from stock-based compensation related to variable

accounting for the assumed ACLARA stock options with CVRs attached and CVR expenses related to vested options during the period. We expect our sales and marketing expenses for promotional programs as well as sales and marketing personnel, will increase in preparation for the introduction of future oncology products.

General and administrative. General and administrative expenses were $15.7 million, $15.0 million and $10.2 million in 2007, 2006 and 2005, respectively. The increase of $0.7 million in 2007, as compared to 2006, was primarily due to an increase in overall headcount. The increase in 2006, as compared to 2005, was primarily due to an increase of $4.0 million in stock-based compensation expense and to increases in professional services fees. In 2006, we recorded $2.5 million stock-based compensation expenses primarily related to the recognition of option and employee stock purchase plan expenses in accordance with SFAS 123R. In 2005, we recorded adjustments from stock-based compensation related to variable accounting for the assumed ACLARA stock options with CVRs attached and CVR expenses related to vested options during the period. These adjustments were a decrease to compensation expense of $1.5 million in 2005. We expect general and administrative expenses in 2008 may increase from 2007 levels to support the administrative infrastructure required to support growth of the business.

Stock-Based Compensation. Stock-based compensation expense related to employee stock options and employee stock purchases recognized under SFAS 123R and CVR charges related to options that vested in the year was $4.2 million in 2007, as compared to $6.9 million in 2006. There was no stock-based compensation expense recognized under SFAS 123R in 2005. However, in connection with our merger with ACLARA, we recorded adjustments from stock-based compensation related to variable accounting for assumed ACLARA stock options, deferred compensation amortization and CVR expenses related to vested options during those periods. These adjustments were favorable by $1.8 million in 2005. As of December 31, 2007, the total remaining unrecognized compensation cost related to the unvested stock options amounted to $7.1 million, which will be amortized over the weighted-average remaining requisite service period of 2.13 years.

The table below sets out stock-based compensation expenses recognized primarily under SFAS 123R in 2007 and 2006, stock-based compensation benefit related to variable accounting for the assumed ACLARA stock options with CVRs attached in 2005 and CVR expenses related to vested options in 2007, 2006 and 2005.

	Year ended December 31,		
	2007	2006	2005
		(In thousands)	
Cost of product revenue	$ 487	$ 597	$ —
Research & development	718	2,075	(185)
Sales & marketing	1,150	1,653	(158)
General & administrative	1,829	2,536	(1,460)
	$4,184	$6,861	$(1,803)

Stock-based compensation expense under SFAS123R is expected to continue to have an effect on results of operations in future and this impact may be material.

In addition, we accounted for stock option grants to non-employees in accordance with the Emerging Issues Task Force Consensus No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," which requires the options subject to vesting to be periodically re-valued over their service periods, which approximates the vesting period. The impact of these options has not been material.

Convertible debt valuation adjustments and interest income, net. Convertible debt valuation adjustments were $4.2 million for the year ended December 31, 2007. In January 2007, we issued $30 million principal amount of the 0% Notes for an aggregate purchase price of approximately $22.5 million. Pursuant to the guidelines set forth in SFAS 155, "Accounting for Certain Hybrid Financial Instruments," we elected to initially and subsequently measure the 0% Notes as a hybrid debt instrument in its entirety with adjustments to the fair

value reflected in the statement of operations. As a result of the issuance of the 0% Notes, we were required to value and account for certain derivative instruments embedded in the Pfizer Note with adjustments to the fair value reflected in the statement of operations. We elected to early adopt SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" to measure the Pfizer Note as a hybrid debt instrument in its entirety using the framework established by SFAS 157 for measuring fair value. For the year ended December 31, 2007, this valuation led to a $2.0 million decrease to the net carrying value of the Pfizer Note and a $2.2 million decrease to the carrying value of the 0% Notes, net of debt issuance costs, marked to fair value. Such adjustments could be substantial in future quarters in certain circumstances, such as if the Company's common stock price is higher or lower than at December 31, 2007.

Interest income, net was $0.5 million, $1.3 million and $2.2 million in 2007, 2006 and 2005, respectively. The decrease in 2007, as compared to 2006, and the decrease in 2006, as compared to 2005, were primarily due to lower interest income as a result of lower average cash and investment balances.

Contingent value rights revaluation. Our liability under the CVRs, issued to ACLARA stockholders as part of the purchase consideration in the merger with ACLARA, was recorded at the closing of our merger with ACLARA at fair value, estimated using a calculation based on a Black-Scholes valuation of the underlying CVR securities of $0.66 per CVR. Because subsequent to the closing of the merger, an active trading market had been established, this liability was revalued based on the actual closing price of the CVRs on the OTC Bulletin Board at the end of each quarter. In June 2006, the amount payable related to the outstanding CVRs was determined at $0.88 per CVR and a cash payment of approximately $57.0 million was made to CVR holders on June 14, 2006. This revaluation led to a $16.5 million increase to our liability and is reflected as a non-operating expense in the statement of operations for the year ended 2006.

Preferred stock dividend. We recorded a preferred stock dividend of $0.2 million in 2005. The Series A Preferred Stock, issued in 2001, bore dividends payable twice a year in shares of common stock. In June 2005, all outstanding shares of Series A Preferred Stock were converted to common stock.

Cumulative effect of change in accounting principle. We elected to early adopt SFAS 159, effective January 1, 2007, to measure the fair value of the Pfizer Note as a hybrid debt instrument, in its entirety, with adjustments to the fair value reflected as a non-operating expense in the statement of operations. The impact of adopting SFAS 159, resulted in a cumulative effect adjustment of a change in accounting principle of $2.2 million.

LIQUIDITY AND CAPITAL RESOURCES

We expect our available cash, cash equivalents and short-term investments of $30.6 million at December 31, 2007, funds provided by our various revenue sources, borrowing under accounts receivable and equipment financing arrangements will be adequate to fund our operations at least for the next twelve months.

We have funded our operations, since inception, primarily through public and private sales of common and preferred stock, issuance of convertible debt, equipment financing arrangements, product revenue, contract revenue, license revenue, advances by pharmaceutical company customers and a revolving line of credit. In May 2006, we entered into an agreement with Pfizer for the purchase, by Pfizer, of a 3% Senior Secured Convertible Note in the amount of $25 million. The note is due in 2010, and interest on these borrowings is payable in cash or stock, at our option. In September 2006, we entered into a credit and security agreement with GE for a $10 million revolving credit line, under which borrowings are limited by eligible accounts receivable. In January 2007, we sold a 0% Convertible Senior Unsecured Note to an investor. The principal amount of the note is $30 million, and reflecting the zero coupon nature of the note, it was sold for an aggregate price of $22.5 million. After fees and expenses, net proceeds to us were approximately $20.7 million. The note may be called by the investor at December 31, 2011, December 31, 2016 or December 31, 2021, at a price equal to 100% of the accreted value. If adequate funds are not available on commercially reasonable terms, we may be required to curtail operations significantly, or sell significant assets and may not be able to continue as a going concern. In

addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe that we have sufficient funds for current or future operating plans. These funds may not be available on favorable terms, or may not be available at all. We expect our operating and capital resources will be sufficient to meet future requirements for at least the next twelve months.

Net cash used in operating activities was $18.6 million in 2007. Cash flows from operating activities can vary significantly due to various factors including trends in operating losses, changes in accounts receivable, accrued liabilities and deferred revenue related to new arrangements with customers. The average collection period of our accounts receivable, as measured in days sales outstanding, can vary and is dependent on various factors, including the type of revenue (i.e. patient testing, pharmaceutical company testing or contract revenue), the payment terms related to that revenue, the complexities in third party payer arrangements, and whether the related revenue was recorded at the beginning or end of a period. Cash used in operations, in 2007, reflects advances from a pharmaceutical company customer of $4.4 million with respect to anticipated 2008 activity. The advance is included on the consolidated balance sheet. Net cash used in operating activities was $24.2 million, in 2006, primarily due to the payment of approximately $57 million in settlement of the CVR liability of which $14.3 million was reflected in operating activities relating to the post merger CVR revaluation and $42.8 million was recorded in financing activities relating to the initial valuation of the CVR at the closing of the merger with ACLARA at $0.66 per CVR. Net cash used in operating activities was $13.7 million in 2005.

Net cash provided by investing activities, in 2007, of $8.6 million resulted primarily from proceeds from maturities and sales (net of purchases) of short-term investments, offset by capital expenditures of $2.5 million. Net cash provided by investing activities, in 2006, of $33.0 million resulted primarily from proceeds from maturities and sales (net of purchases) of short-term investments, offset by capital expenditures of $1.8 million. Net cash provided by investing activities, in 2005, of $7.4 million resulted primarily from proceeds from maturities and sales (net of purchases) of short-term investments offset by payment of transaction costs related to our merger with ACLARA amounting to $4.7 million, capital expenditures of $3.2 million and costs associated with acquiring other assets.

Net cash provided by financing activities, in 2007, of $20.5 million resulted primarily from $20.7 million in proceeds from the issuance of a 0% convertible promissory note, offset by $2.1 million decline in net proceeds primarily from the revolving credit line with GE and a $1.9 million increase in net proceeds from the issuance of common stock and exercises of stock options under various employee benefit plans. Net cash used in financing activities in, 2006, of $8.2 million resulted primarily from $25 million in proceeds from the issuance of a convertible promissory note to Pfizer, $5.6 million in proceeds from the revolving credit line with GE and $3.3 million in proceeds from the exercise of stock options for approximately 2.4 million shares of common stock, offset by the settlement of the CVR liability of approximately $57 million of which $42.8 million was recorded in financing activities, which related to the initial valuation of the CVR at the closing of the merger with ACLARA at $0.66 per CVR. The net cash provided by financing activities, in 2005, of $7.9 million resulted primarily from $5.8 million in proceeds from the exercise of warrants for approximately 5.2 million shares of common stock and $2.3 million from proceeds from common stock issuance, offset by payments on loans and capital lease obligations.

Leases. As of December 31, 2007, we held leases of a building and subleases of office space in South San Francisco, California as follows:

- A lease of an approximately 41,000 square foot laboratory and office space through April 2018;
- A sublease of approximately 27,000 square feet of office space through May 2011;
- A sublease of approximately 9,000 square feet of office space through August 2008.

Additionally, in October 2007, we executed a lease for an approximately 40,000 square foot facility of laboratory and office space, in South San Francisco, California; which will enable us to consolidate our operations and allow for anticipated growth and expansion. We anticipate utilizing this space in May 2008. The lease expires in April 2018.

In August 2006, we entered into a loan agreement of $0.8 million to finance our insurance premiums at an interest rate of 7.84% per annum. The loan was paid in full in January 2007.

As a result of the merger with ACLARA, at December 31, 2004, we assumed the lease for a facility of approximately 44,200 square feet of office and laboratory space in Mountain View, California. On February 7, 2007, we entered into a lease termination agreement with the landlord to terminate the lease prior to its scheduled expiry. The termination of the lease was subject to a specified third party executing a new lease with the landlord on terms and conditions satisfactory to the landlord and the landlord has subsequently notified us that this occurred. We have an obligation to pay the landlord specified amounts over the remainder of the former lease term, or through June 2009. As of December 31, 2007, the remaining obligation was $0.9 million, which is included in the table below.

Contractual Obligations. At December 31, 2007, our contractual obligations for the next five years and thereafter are as follows (in thousands):

	Payments Due By Period				
	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
	(In thousands)				
Purchase obligations	$ 801	$ 437	$ 127	$ —	$ 1,365
Operating lease obligations	3,102	6,760	7,248	21,711	38,821
Equipment financing arrangements	189	102	—	—	291
0% Convertible Senior Unsecured Note	—	—	30,000	—	30,000
3% Senior Secured Convertible Note	—	25,000	—	—	25,000
3% Convertible Note interest payment (1)	750	1,223	—	—	1,973
Loans payable	4,277	—	—	—	4,277
Total	$9,119	$33,522	$37,375	$21,711	$101,727

(1) Subject to certain limitations, we are entitled to make such interest payments using shares of our common stock.

The contractual obligations discussed above are fixed costs. If we are unable to generate sufficient cash from operations to meet these contractual obligations, we may have to raise additional funds. These funds may not be available on favorable terms or at all.

In connection with the merger with ACLARA, we issued CVRs to ACLARA stockholders. In June 2006, the amount payable related to the outstanding CVRs was determined to be $0.88 per CVR and a cash payment of approximately $57.0 million was made to CVR holders on June 14, 2006. Holders of assumed ACLARA options are entitled to receive a cash payment of $0.88, upon future exercise of those options, for each CVR that would have been issuable to them had the option been exercised prior to the CVR maturity date. At December 31, 2007, assumed ACLARA options to purchase 2.3 million shares of our common stock were outstanding, of which approximately 14,500 were unvested. The aggregate potential liability related to all these options at December 31, 2007, was $2.1 million, which is reflected on the balance sheet at December 31, 2007. Upon exercise of these options, we will receive aggregate exercise proceeds of $4.7 million. See Note 6, "Contingent Value Rights," of the financial statements for further discussion.

Off-balance sheet arrangements. In June 2002, the Company assigned a lease of excess laboratory and office space and sold the related leasehold improvements and equipment to a third party. In October 2007, we extended the terms of the subleased office space relating to this lease assignment, which decreases our payment obligation in the event of default by the assignee. In the event of default by the assignee, the Company would be contractually obligated for payments under the lease of: $0.6 million in 2008; $0.6 million in 2009; $0.7 million in 2010 and $0.3 million in 2011.

Long term capital and liquidity considerations. We expect that we will have to make substantial investments in operating and capital expenditures as we develop and commercialize new clinical testing products, expand the availability of our current testing products and lease additional facilities to replace expiring subleased facilities. During 2007, we made capital expenditures of approximately $2.5 million. While we do not currently have any additional material commitments for future capital expenditures, we expect to incur capital expenditures for our existing facilities and capital expenditures related to the leased space that we expect to occupy in May 2008. In the future, we may incur additional capital expenditures as we expand our clinical laboratory to accommodate commercial availability of *VeraTag* assays for oncology, expand our commercial infrastructure in anticipation of the introduction of oncology products, potentially establish an FDA compliant manufacturing facility and make our HIV and oncology assays available globally in support of drugs for which our tests may be important diagnostics. At December 31, 2007, we held a building lease of approximately 41,000 square feet and subleased several building spaces of approximately 27,000 and 9,000 square feet, respectively, in South San Francisco, California. In 2007, we executed a lease of an approximately 40,000 square foot facility to accommodate administrative and laboratory personnel in anticipation of potential growth and expansion of our business and to replace the short term lease of the 9,000 square feet of subleased office space, which expires in August 2008.

From time to time, we may consider possible strategic transactions, including the potential acquisitions of products, technologies and companies, with the goal of growing our business and maximizing stockholder value. Such transactions, if any, could materially affect our future liquidity and capital resources. We may need to obtain additional funding by entering into new collaborations and strategic partnerships to enable us to develop and commercialize our products. Even if we receive funding from future collaborations and strategic partnerships, we may need to raise additional capital in the public equity markets, through private equity financing or through debt financing. Further, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve additional restrictive covenants. Our failure to raise capital when needed, may harm our business and operating results.

Income taxes. We have incurred net operating losses since inception. At December 31, 2007, we had federal and state net operating loss carryforwards of approximately $252.5 million and $140.6 million, respectively. The federal net operating loss and credit carryforwards will expire at various dates between the years 2010 and 2027, if not utilized. The state of California net operating losses will expire at various dates between the years 2012 and 2017, if not utilized. The federal and state operating loss carryforwards include deductions for stock options. Utilization of the federal and state net operating loss and credit carryforwards may be subject to a substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses and credits before utilization. When utilized, the portion related to stock options deductions will be accounted for as a credit to stockholders' equity rather than as a reduction of the income tax provision.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainties in Income Taxes, an interpretation of SFAS No. 109, Accounting for Income Taxes (FIN 48) on January 1, 2007. FIN 48 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under FIN 48, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Company did not have any unrecognized tax benefits and there was no effect on our financial condition or results of operations as a result of adopting FIN 48.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 1 "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements for a full description of recently issued accounting standards, including the expected dates of adoption and estimated effects on results of operations and financial condition, which is incorporated therein.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

Our exposure to interest rate risk relates primarily to our debt obligations primarily in the form of convertible notes and our investment portfolio. Our debt obligations are subject to interest rate and market risk due to the convertible features of our notes. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise.

Our investment portfolio may consist of fixed rate securities, which may have their fair market value adversely impacted due to fluctuations in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principle if forced to sell securities that have declined in market value due to changes in interest rates. The primary objective of our investment activities is to preserve principal while at the same time maximize yields without significantly increasing risk. To achieve this objective, we invest in debt instruments of the U.S. Government and its agencies and high-quality corporate issuers, and, by policy, restrict our exposure to any single corporate issuer by imposing concentration limits. To minimize the exposure due to adverse shifts in interest rates, we maintain investments at an average maturity of generally less than two years.

The following table presents the hypothetical changes in fair values in our cash, cash equivalents and short-term investments held at December 31, 2007, that are sensitive to the changes in interest rates. The modeling technique used measures the change in fair values arising from hypothetical parallel shifts in the yield curve of plus or minus 50 basis points ("BPS"), 100 BPS and 150 BPS. Fair values represent the market principal at December 31, 2007 (in thousands).

	Given an Interest Rate Decrease of X Basis Points				Given an Interest Rate Increase of X Basis Points		
Issuer	150 BPS	100 BPS	50 BPS	0 BPS	50 BPS	100 BPS	150 BPS
Money Market	$ 3,401	$ 3,401	$ 3,401	$ 3,401	$ 3,401	$ 3,401	$ 3,401
Commercial Paper	13,842	13,829	13,816	13,804	13,791	13,778	13,766
	$17,243	$17,230	$17,217	$17,205	$17,192	$17,179	$17,167

The weighted-average maturity of our marketable investments at December 31, 2007, was 67 days.

We have exposure to cash, money market and commercial paper credit risks, which may adversely impact our cash and commercial paper fair value. As of December 31, 2007, there was no credit risk impact to the valuation of our cash, money market and commercial paper investments.

We also have exposure to changes in interest rates on our revolving credit line with GE, which bears interest at a rate per annum equal to a published LIBOR rate plus 4.75%. As of December 31, 2007, approximately $4.3 million was outstanding under the revolving credit line and the LIBOR rate was 4.85%.

We do not utilize derivative commodity instruments or other market risk sensitive instruments, positions or transactions in any material fashion.

We operate primarily in the United States and all sales to date have been made in U.S. Dollars. Accordingly, we have not had any material exposure to foreign currency rate fluctuations.

Item 8. *Financial Statements and Supplementary Data*

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Monogram Biosciences, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Monogram Biosciences, Inc and its subsidiary at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 8, Note 11, and Note 13 to the consolidated financial statements, the Company changed the manner in which it accounts for stock-based compensation in fiscal year 2006 and the manner in which it accounts for convertible notes in fiscal year 2007.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
San Jose, California
March 11, 2008

MONOGRAM BIOSCIENCES, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,762	$ 8,263
Short-term investments	11,828	22,867
Accounts receivable, net of allowance for doubtful accounts of $1,121 and $965 at December 31, 2007 and 2006, respectively	9,100	6,849
Prepaid expenses	1,279	1,234
Inventory	1,250	961
Other current assets	917	378
Total current assets	43,136	40,552
Property and equipment, net	7,665	7,463
Deferred costs relating to collaboration agreement	8,043	1,783
Goodwill	9,927	9,927
Other assets	540	1,120
Total assets	$ 69,311	$ 60,845
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 2,116	$ 1,271
Accrued compensation	3,324	2,258
Accrued liabilities	3,818	4,720
Current portion of restructuring costs	610	1,128
Deferred revenue	605	404
Loans payable	4,469	6,355
Contingent value rights	2,119	2,813
Total current liabilities	17,061	18,949
Long-term portion of restructuring costs	289	868
Long-term 3% convertible promissory note	20,786	25,000
Long-term 0% convertible promissory note	18,511	—
Long-term deferred revenue	13,622	1,783
Other long-term liabilities	282	337
Total liabilities	70,551	46,937
Commitments and contingencies (Note 7)		
Stockholders' (deficit) equity:		
Common stock, $0.001 par value, 200,000,000 shares authorized; 134,038,473 and 131,307,374 shares issued and outstanding at December 31, 2007 and 2006, respectively	134	131
Additional paid-in capital	286,196	277,892
Accumulated other comprehensive loss	(31)	(124)
Accumulated deficit	(287,539)	(263,991)
Total stockholders' (deficit) equity	(1,240)	13,908
Total liabilities and stockholders' (deficit) equity	$ 69,311	$ 60,845

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

MONOGRAM BIOSCIENCES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,		
	2007	2006	2005
Revenue:			
Product revenue	$ 39,482	$ 45,150	$ 43,468
Contract revenue	2,064	2,808	4,784
License Revenue	1,683	—	—
Total revenue	43,229	47,958	48,252
Operating costs and expenses:			
Cost of product revenue	22,926	22,703	20,001
Research and development	19,385	18,981	18,996
Sales and marketing	15,927	14,735	12,588
General and administrative	15,686	15,042	10,200
Total operating costs and expenses	73,924	71,461	61,785
Operating loss	(30,695)	(23,503)	(13,533)
Convertible debt valuation adjustments and interest income, net	4,687	1,250	2,243
Contingent value rights revaluation	218	(16,450)	(26,296)
Net loss before cumulative effect of change in accounting principle	(25,790)	(38,703)	(37,586)
Cumulative effect of change in accounting principle	2,242	—	—
Net loss applicable to common stockholders after cumulative of change in accounting principle applicable to common stockholders	(23,548)	(38,703)	(37,586)
Preferred stock dividend	—	—	(162)
Net loss applicable to common stockholders	$(23,548)	$(38,703)	$(37,748)
Basic and diluted net loss per common share before cumulative effect of change in accounting principle applicable to common stockholders	$ (0.19)	$ (0.30)	$ (0.31)
Cumulative effect per share of change in accounting principle	0.01	—	—
Basic and diluted net loss per common share after cumulative effect of change in accounting principle applicable to common stockholders	$ (0.18)	$ (0.30)	$ (0.30)
Weighted-average shares used in computing basic and diluted loss per common share	132,282	130,447	123,527

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

MONOGRAM BIOSCIENCES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Deferred Compensation	Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount					
Balance as of December 31, 2004	116,035	$116	$260,591	$ (57)	$(275)	$(187,702)	$ 72,673
Comprehensive loss:							
Net loss	—	—	—	—	—	(37,586)	(37,586)
Changes in unrealized loss on securities available-for-sale	—	—	—	(457)	—	—	(457)
Comprehensive loss							(38,043)
Exercise of warrants	7,740	8	5,756	—	—	—	5,764
Conversion of Series A Preferred Stock to common stock	2,243	2	1,808	—	—	—	1,810
Amortization of deferred compensation, net of forfeitures	—	—	(5)	—	194	—	189
Issuance of common stock	1,483	2	2,309	—	—	—	2,311
Stock-based compensation	—	—	(3,051)	—	—	—	(3,051)
Preferred stock dividends	167	—	118	—	—	—	118
Balance as of December 31, 2005	127,668	128	267,526	(514)	(81)	(225,288)	41,771
Comprehensive loss:							
Net loss	—	—	—	—	—	(38,703)	(38,703)
Changes in unrealized loss on securities available-for-sale	—	—	—	390	—	—	390
Comprehensive loss							(38,313)
Exercise of warrants	460	—	—	—	—	—	—
Reclassification of deferred compensation	—	—	(81)	—	81	—	—
Issuance of common stock	2,983	3	4,068	—	—	—	4,071
Stock-based compensation	—	—	6,103	—	—	—	6,103
Convertible promissory note interest payment	196	—	276	—	—	—	276
Balance as of December 31, 2006	131,307	131	$277,892	$ (124)	$ —	$(263,991)	13,908
Comprehensive loss:							
Net loss	—	—	—	—	—	(23,548)	(23,548)
Changes in unrealized loss on securities available-for-sale	—	—	—	93	—	—	93
Comprehensive loss							(23,455)
Exercise of warrants	630	—	687	—	—	—	687
Issuance of common stock	1,607	3	2,233	—	—	—	2,236
Stock-based compensation	—	—	4,635	—	—	—	4,635
Convertible promissory note interest payment	494	—	749	—	—	—	749
Balance as of December 31, 2007	134,038	$134	$286,196	$ (31)	$ —	$(287,539)	$ (1,240)

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

MONOGRAM BIOSCIENCES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2007	2006	2005
OPERATING ACTIVITIES:			
Net loss	$(23,548)	$(38,703)	$(37,586)
Adjustments to reconcile net loss to net cash used in operating activities:			
Contingent value rights revaluation	(218)	17,248	27,407
Contingent value rights payment	—	(14,324)	—
Convertible debt valuation adjustment	(4,207)	—	—
Cumulative effect of change in accounting principle	(2,242)	—	—
Depreciation and amortization	2,906	3,905	3,320
Stock-based compensation expense	4,635	6,102	—
Stock-based compensation expense (adjustment) under APB 25	—	—	(2,862)
401(k) stock matching compensation expense	1,045	487	391
Convertible promissory note interest payment in stock	750	276	—
Provision for doubtful accounts	784	357	826
Loss on disposal of property and equipment	95	—	20
Change in assets and liabilities:			
Accounts receivable	(3,035)	1,857	(2,638)
Prepaid expenses	(45)	(127)	(269)
Inventory	(289)	209	(111)
Other assets	(402)	412	(206)
Accounts payable	845	(480)	(1,313)
Accrued compensation	1,066	(13)	574
Accrued liabilities	(957)	(104)	1,381
Accrued restructuring costs	(1,097)	(1,337)	(2,541)
Contingent value rights	(476)	—	—
Deferred revenue, net of deferred costs	5,780	21	(163)
Other long-term liabilities	(6)	36	24
Net cash used in operating activities	(18,616)	(24,178)	(13,746)
INVESTING ACTIVITIES:			
Purchases of short-term investments	(36,767)	(15,066)	(34,454)
Maturities and sales of short-term investments	47,900	49,987	49,420
Capital expenditures	(2,461)	(1,781)	(3,241)
Restricted cash	—	50	300
Transaction costs related to merger	—	—	(4,689)
Other assets	(55)	(150)	77
Net cash provided by investing activities	8,617	33,040	7,413
FINANCING ACTIVITIES:			
Principal payments on loans payable and capital lease obligations	(20,087)	(1,101)	(865)
Proceeds from loans payable	17,962	6,325	712
Proceeds from 0% convertible promissory note	20,746	—	—
Proceeds from 3% convertible promissory note	—	25,000	—
Proceeds from issuance of common stock	1,877	4,348	8,075
Contingent value right payment	—	(42,787)	—
Net cash provided by (used in) financing activities	20,498	(8,215)	7,922
Net increase in cash and cash equivalents	10,499	647	1,589
Cash and cash equivalents at the beginning of the period	8,263	7,616	6,027
Cash and cash equivalents at the end of the period	$ 18,762	$ 8,263	$ 7,616
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	$ 111	$ 129	$ 60
SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES			
Preferred stock converted into common shares	$ —	$ —	$ 1,810
Assets acquired under capital leases	$ 245	$ —	$ 310
Stock dividend to preferred stockholders	$ —	$ —	$ 118

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Monogram Biosciences, or the Company, is a life sciences company committed to advancing personalized medicine and improving patient outcomes through the development of innovative molecular diagnostics products that guide and target the most appropriate treatments. Through a comprehensive understanding of genetics, biology and pathology of particular diseases, Monogram Biosciences has pioneered and are developing molecular diagnostics and laboratory services that are designed to:

- enable physicians to better manage infectious diseases and cancers by providing the critical information that helps them prescribe personalized treatments for patients by matching the underlying molecular features of an individual patient's disease to the drug expected to have maximal therapeutic benefit; and
- enable pharmaceutical companies to develop new and improved anti-viral therapeutics and targeted cancer therapeutics more efficiently and cost effectively by providing enhanced patient selection and monitoring capabilities throughout the development process.

Over the last several years, Monogram Biosciences has built a business based on the personalized medicine approach in HIV drug resistance testing. The Company intends to leverage the experience and infrastructure it has built in the HIV market to the substantially larger market opportunity of cancer utilizing the proprietary *VeraTag* technology. In the future, we plan to seek opportunities to address an even broader range of serious diseases. Monogram Biosciences was incorporated in the state of Delaware, in November 1995, and commenced commercial operations in 1999.

Principles of Consolidation

In November 2007, the Company established its first wholly-owned subsidiary, Monogram France SAS, in connection with the non-exclusive Collaboration Agreement with Pfizer Inc. The financial statements include the accounts of Monogram Biosciences and its wholly-owned subsidiary. Intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Foreign Currencies

The Company's international entity operates in a U.S. dollar functional environment, and therefore, the foreign currency assets and liabilities are remeasured into the U.S. dollar at current exchange rates, except for non-monetary assets and liabilities, which are measured at historical exchange rates. Revenues and expenses are generally remeasured at an average exchange rate in effect during each period. Gains or losses from foreign currency remeasurement are included in other income (expense).

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable, other accrued expenses and short-term obligations approximate fair value based on the highly liquid, short-term nature of these instruments. The Company also has long-term instruments consisting of debt

obligations. The Company values debt obligations in accordance with the guidelines set forth in SFAS 155, "Accounting for Certain Hybrid Financial Instruments" and SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" using the framework established by SFAS 157, "Fair Value Measurements" for measuring fair value.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents. Management determines the appropriate classification of its cash equivalents and investment securities at the time of purchase and reevaluates such determination as of each balance sheet date.

Short-Term Investments

Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in comprehensive income (loss). The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are included in other income or expense. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

Cumulative Effect of Change in Accounting Principle.

The Company elected to early adopt SFAS 159, effective January 1, 2007, to measure the fair value of the Pfizer Note as a hybrid debt instrument in its entirety with adjustments to the fair value reflected as a non-operating expense in the statement of operations. The impact of adopting SFAS 159 resulted in an adjustment for the cumulative effect of change in accounting principle of $2.2 million for the year ended December 31, 2007.

Significant Concentrations

The Company invests its cash, cash equivalents and short-term investments in U.S. government and agency securities, debt instruments of financial institutions and corporations, and money market funds with strong credit ratings. Pursuant to the Company's investment guidelines, the investment portfolio should have an overall weighted-average maturity of less than 12 months with no one individual security having a maturity of greater than 24 months. Management believes that its investment guidelines limit credit risk and maintain liquidity.

The Company has significant customer concentration and the loss of any major customer or the reduced use of its products by a major customer could have a significant negative impact on the Company's revenue. In 2007, 2006 and 2005, approximately 29%, 21% and 22%, respectively of the Company's revenues were derived from tests performed for the beneficiaries of the Medicare and Medicaid programs. Additionally, in 2007, 2006 and 2005, Pfizer Inc represented approximately 6%, 19% and 19%, Quest Diagnostics Incorporated represented approximately 11% for each year, GlaxoSmithKline represented approximately 2%, 6% and 10%, and Laboratory Corporation of America represented approximately 11%, 6% and 6% of our total revenue, respectively. Gross accounts receivable balances from Medicare and Medicaid represented 32% and 27% of gross accounts receivable balance at December 31, 2007 and 2006, respectively.

The Company purchases various testing materials from single qualified suppliers. Any extended interruption in the supply of these materials could result in the Company's inability to secure sufficient materials to conduct business and meet customer demand.

Inventory

Inventory is stated at the lower of standard cost, which approximates actual cost on a first-in, first-out basis, or market. If inventory costs exceed expected market value due to obsolescence or lack of demand, reserves are recorded for the difference between the cost and the market value. These reserves are based on estimates.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally five years. Capitalized software includes software and external consulting costs incurred to implement new information systems. Computer hardware and capitalized software are depreciated over three to five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the assets or the lease term.

Contingent Value Rights

As part of the merger with ACLARA BioSciences, Inc. ("ACLARA"), the Company issued Contingent Value Rights ("CVR") to ACLARA stockholders and was obligated to issue CVRs to holders of assumed ACLARA stock options upon future exercise of those options. In June 2006, the amount payable related to the outstanding CVRs was determined at $0.88 per CVR and a cash payment of approximately $57.0 million was made to CVR holders on June 14, 2006. Holders of assumed ACLARA options are entitled to receive a cash payment of $0.88, upon future exercise of those options, for each CVR that would have been issuable to them had the option been exercised prior to the CVR maturity date.

The liability under the CVRs was recorded at the closing of the merger with ACLARA at fair value, estimated using a calculation based on a Black-Scholes valuation of the underlying CVR securities of $0.66 per CVR. Subsequent to the closing of the merger and through June 14, 2006, an active trading market had been established and as a result, this liability was revalued based on the actual closing price of the CVRs on the OTC Bulletin Board at the end of each quarter. In addition, the Company records an additional liability each quarter for additional CVRs related to assumed ACLARA stock options as they vest during each quarter.

Goodwill, Other Intangible Assets and Impairment of Long-Lived Assets

Goodwill represents the excess of the purchase consideration over the fair values of the identifiable assets acquired and liabilities assumed from the Company's merger with ACLARA. Goodwill is not amortized but, in accordance with Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"), the Company tests for impairment of goodwill on an annual basis and at any other time if events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable.

Other intangible assets include acquired developed product technology, costs of patents and patent applications related to products and products in development, which are capitalized and amortized on a straight-line basis over their estimated useful lives. Circumstances that could trigger an impairment test include but are not limited to: a significant adverse change in the business or legal factors; an adverse action or assessment by a regulator; unanticipated competition or loss of key personnel.

Revenue Recognition

Product revenue is recognized upon completion of tests made on samples provided by customers and the shipment of test results to those customers. Services are provided to certain patients covered by various third-party payer programs, such as Medicare and Medicaid. Billings for services under third-party payer programs are

included in product revenue, net of allowances, for differences between the amounts billed and estimated receipts under such programs. The Company estimates these allowances based on historical payment information and current sales data. If the government and other third-party payers significantly change their reimbursement policies, an adjustment to the allowance may be necessary. Revenue generated from our database of resistance test results is recognized when earned under the terms of the related agreements, generally upon shipment of the requested reports.

Contract revenue consists of revenue generated from NIH grants, commercial assay development and other non-product revenue. NIH grant revenue is recorded on a reimbursement basis as grant costs are incurred. The costs associated with contract revenue are included in research and development expenses. For commercial and research collaborations, the Company recognizes non-refundable milestone payments received related to substantive at-risk milestones when performance of the milestone under the terms of the collaboration is achieved and there are no further performance obligations. Research and development fees from commercial collaboration agreements are generally recognized as revenue on a straight-line basis over the life of the collaboration agreement or as the research work is performed. Up front payments received in advance of meeting the revenue recognition criteria described above are deferred.

License revenue consists of up-front license fees when the earnings process is complete and no further obligations exist. If further obligations exist, the up-front license fee is recognized ratably over the obligation period. Royalties received are recorded as earned in accordance with contract terms, when third-party results are reliably measured and collectibility is reasonably assured.

In accordance with Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," ("EITF 00-21") revenue arrangements entered into after June 15, 2003, that include multiple element arrangements are analyzed to determine whether the deliverables are divided into separate units of accounting or as a single unit of accounting. Revenues are allocated to a delivered product or service when all of the following criteria are met: (1) the delivered item has value to the customer on a standalone basis; (2) there is objective and reliable evidence of the fair value of the undelivered item; and (3) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in our control. If all of the three required criteria under EITF 00-21 are met, then the deliverables would be accounted for separately, completed as performed. Otherwise, the arrangement would be accounted for as a single unit of accounting and the payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed. If the Company cannot reasonably estimate when our performance obligation either ceases or becomes inconsequential, then revenue is deferred until the Company can reasonably estimate when the performance obligation ceases or becomes inconsequential.

Accounts Receivable

The process for estimating the collectibility of receivables involves significant assumptions and judgments. Billings for services under third-party payer programs are recorded as revenue net of allowances for differences between amounts billed and the estimated receipts under such programs. Adjustments to the estimated receipts, based on final settlement with the third-party payers, are recorded upon settlement as an adjustment to net revenue. In addition, the Company reviews and estimates the collectibility of receivables based on the period of time such receivables have been outstanding. Historical collection and payer reimbursement experience is an integral part of the estimation process related to the allowance for doubtful accounts. Adjustments to the allowance for doubtful accounts estimate are included in general and administrative expenses. The Company writes off accounts against the allowance for doubtful accounts when they are deemed to be uncollectible.

Research and Development

The Company expenses research and development costs as incurred. Research and development expenses consist primarily of salaries and related personnel costs, materials, supply costs for prototypes, and include costs associated with contract revenue. In addition, research and development expenses include costs related to clinical trials and validation of the Company's testing processes and procedures and related overhead expenses.

Advertising Expenses

The Company expenses the costs of advertising, which include promotional expenses, as incurred. Advertising expenses were $6.5 million, $4.7 million and $4.0 million for the years ended December 31, 2007, 2006 and 2005, respectively, and were recorded as sales and marketing expenses. Certain advertising expenses, included in total advertising expenses, are reimbursable under the Pfizer Collaboration Agreement, in place in 2006, which were $3.0 million and $1.2 million, as of December 31, 2007 and 2006, respectively.

Loss Per Common Share

Basic loss per common share is calculated based on the weighted-average number of common shares outstanding during the periods presented. Diluted loss per common share would give effect to the dilutive impact of potential common shares, which consists of convertible preferred stock (using the as-if converted method), and stock options and warrants (using the treasury stock method). Potentially dilutive securities have been excluded from the diluted loss per common share computations in all years presented as such securities have an anti-dilutive effect on loss per common share due to the Company's net loss.

The following outstanding convertible promissory notes, on an as if converted basis, and options and warrants, were excluded from the computation of diluted loss per common share as these potentially dilutive securities had an anti-dilutive effect:

	December 31,		
	2007	2006	2005
		(In thousands)	
3% Convertible promissory note (as if converted basis)	9,243	9,243	—
0% Convertible promissory note (as if converted basis)	11,905	—	—
Outstanding warrants	62	819	2,358
Outstanding stock options	20,320	19,211	18,341
Total	41,530	29,273	20,699

Stock-Based Compensation

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R "Share Based Payment" ("SFAS 123R") under provisions of Staff Accounting Bulletin No. 107 ("SAB 107"), using the modified prospective approach and, therefore, has not restated results for prior periods. Under this approach, stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award. Pursuant to the provisions of SFAS 123R, the Company records stock-based compensation as a charge to earnings, net of the estimated impact of forfeited awards. As such, the Company recognized stock-based compensation cost only for those stock-based awards that are estimated to ultimately vest over their requisite service period, based on the vesting provisions of the individual grants. The Company has no awards with market or performance conditions.

In November 2005, the Financial Accounting Standards Board, or FASB, issued FASB Staff Position No. FAS 123R-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards." The Company elected to adopt the alternative transition method provided in this FASB Staff Position for calculating the tax effects of share-based compensation pursuant to SFAS 123R. The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool related to the tax effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R. There was no tax benefit realized upon exercise of stock options in 2007 and 2006.

Prior to the adoption of SFAS 123R, the Company accounted for stock-based awards under the intrinsic method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and made pro forma footnote disclosures as required by Statement of Financial Accounting Standards No. 148, "Accounting For Stock-Based Compensation—Transition and Disclosure," which amended Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation." See Note 8, "Capital Stock" for further discussion of employee stock-based compensation.

The Company accounts for stock option grants to non-employees in accordance with the Emerging Issues Task Force Consensus No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services," which requires the options subject to vesting to be periodically re-valued over their service periods, which approximates the vesting period. The impact of these options has not been material.

Comprehensive Loss

Comprehensive loss is comprised of net loss and other comprehensive income (loss). Other comprehensive income (loss) includes certain changes in equity that are recorded within accumulated other income (loss), including unrealized gains (losses) on available-for-sale securities and foreign currency translation adjustments.

Segment Reporting

The Company currently operates in a single business segment as there is only one measurement of profit (loss) for its operations.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("FAS 141R"). FAS 141R establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the fair value of identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date. FAS 141R determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141R applies prospectively and is effective for fiscal years beginning on or after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of FAS 141R on its consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued FAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("FAS 160"), an amendment of Accounting Research Bulletin No. 51, "Consolidated Financial Statements" ("ARB 51"). FAS 160 changes the accounting and reporting for minority interests, which will be

recharacterized as noncontrolling interests and classified as a component of equity. This new consolidation method significantly changes the accounting for transactions with minority interest holders. FAS 160 is effective for fiscal years beginning after December 15, 2008. The Company plans to adopt FAS 160 beginning in the first quarter of fiscal year 2009. The Company is evaluating the impact the adoption of FAS 160 will have on its consolidated financial position and results of operations and cash flows.

2. SHORT-TERM INVESTMENTS

The amortized cost, gross unrealized gains and losses, and estimated fair value for available-for-sale securities by major security type and class of security are as follows:

	December 31,					
	2007			2006		
	Amortized Cost	Gross Unrealized Holding Loss	Estimated Fair Value	Amortized Cost	Gross Unrealized Holding Loss	Estimated Fair Value
	(In thousands)					
Short term investments:						
Commercial Paper	$11,858	$(30)	$11,828	$22,991	$(124)	$22,867

Realized gains and realized losses upon the sale of short-term investments have not been significant for any periods presented.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2007	2006
	(In thousands)	
Machinery, equipment and furniture	$ 16,004	$ 15,500
Equipment under capital lease	375	375
Leasehold improvements	7,679	7,572
Capitalized software	5,186	4,349
	29,244	27,796
Less accumulated depreciation and amortization	(21,579)	(20,333)
Property and equipment, net	$ 7,665	$ 7,463

Amortization of assets under capital leases as of December 31, 2007 was $74,000, $88,000 and $88,000 in 2007, 2006 and 2005, respectively. Accumulated amortization of those leased assets was $174,000 and $146,000 at December 31, 2007 and 2006, respectively.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the purchase consideration over the fair values of the identifiable assets acquired and liabilities assumed from the Company's merger with ACLARA, which closed in December 2004. Goodwill was $9.9 million at December 31, 2007. The Company tests for impairment of goodwill on an annual basis and at any other time if events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable.

Measurement of fair value is determined using the income approach. The income approach focuses on the income-producing capability of an asset, measuring the current value of the asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation and risks associated with the particular investment. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss will be recorded in operating income (loss).

Patents represent costs of patents and patent applications related to products and products in development, which are capitalized and amortized on a straight-line basis over their estimated useful lives. In 2007, patents are considered short-term in nature and included in other current assets. In 2006, patents were considered long-term and are included in other assets.

Other intangible assets are summarized as follows:

	December 31,					
	2007			2006		
	Cost	Accumulated Amortization	Net of Accumulated Amortization	Cost	Accumulated Amortization	Net of Accumulated Amortization
	(In thousands)					
Patents	$2,252	$(1,880)	$372	$2,264	$(1,383)	$881

Amortization expense of other intangible assets was $0.5 million, $1.0 million and $0.2 million in 2007, 2006 and 2005, respectively.

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 31,	
	2007	2006
	(In thousands)	
Accrued royalty	$ 607	$1,411
Accrued professional fees	736	988
Accrued marketing expenses	530	577
Accrued materials and supplies	39	384
Accrued facilities expenses	257	238
Other	1,649	1,122
Total accrued liabilities	$3,818	$4,720

6. CONTINGENT VALUE RIGHTS

As part of the merger with ACLARA BioSciences, Inc. ("ACLARA"), the Company issued Contingent Value Rights ("CVR") to ACLARA stockholders and was obligated to issue CVRs to holders of assumed ACLARA stock options upon future exercise of those options. In June 2006, the amount payable related to the outstanding CVRs was determined at $0.88 per CVR and a cash payment of approximately $57.0 million was made to CVR holders on June 14, 2006. Holders of assumed ACLARA options are entitled to receive a cash payment of $0.88, upon future exercise of those options, for each CVR that would have been issuable to them had the option been exercised prior to the CVR maturity date. At December 31, 2007 and 2006, assumed ACLARA options to purchase 2.3 million and 3.3 million shares, respectively, of the Company's common stock were outstanding, of which approximately 14,500 shares remain unvested at December 31, 2007. As of December 31, 2006, approximately 3.1 million shares were vested.

The aggregate potential liability related to all these options at December 31, 2007 and 2006, was $2.1 million and $3.0 million, respectively. Of this, $2.1 million and $2.8 million is reflected on the balance sheet in current liabilities at December 31, 2007 and 2006, respectively, with respect to options vested. The remainder will be recognized as the remaining options vest in the future. Upon exercise of these vested options subsequent to December 31, 2007, the Company will receive aggregate exercise proceeds of $4.7 million.

The liability under the CVRs was recorded at the closing of the merger with ACLARA at fair value, estimated using a calculation based on a Black-Scholes valuation of the underlying CVR securities of $0.66 per CVR. Subsequent to the closing of the merger, an active trading market had been established and as a result, this liability was revalued based on the actual closing price of the CVRs on the OTC Bulletin Board at the end of each quarter. In addition, the Company records an additional CVR liability each quarter related to assumed ACLARA stock options as they vest during each quarter. The Company recorded $0.4 million, $0.8 million and $1.1 million for additional CVRs related to the stock options assumed that vested during the year ended December 31, 2007, 2006 and 2005, respectively.

7. COMMITMENTS AND CONTINGENCIES

As of December 31, 2007, the Company held a lease of building and subleases of office space in South San Francisco, California as follows:

- A lease of an approximately 41,000 square foot laboratory and office space through April 2018;
- A sublease of approximately 27,000 square feet of office space through May 2011;
- A sublease of approximately 9,000 square feet of office space through August 2008.

The Company also entered into a lease of an approximately 40,000 square foot facility of laboratory and office space, in South San Francisco, California; which will enable us to consolidate our operations and allow for anticipated growth and expansion. The Company anticipates utilizing this space in May 2008. The lease expires in April 2018.

In August 2006, the Company entered into a loan agreement of $0.8 million to finance its insurance premiums at an interest rate of 7.84% per annum. The loan was paid in full in January 2007, and the amount outstanding at December 31, 2006, was $0.4 million, included in current liabilities.

In June 2002, the Company assigned a lease of excess laboratory and office space and sold the related leasehold improvements and equipment to a third party. In October 2007, we extended the terms of the subleased

office space relating to this lease assignment, which decreases our payment obligation in the event of default by the assignee. In the event of default by the assignee, the Company would be contractually obligated for payments under the lease of: $0.6 million in 2008; $0.6 million in 2009; $0.7 million in 2010 and $0.3 million in 2011.

As of December 31, 2007 and 2006, the Company had amounts outstanding under equipment financing arrangements, which bear interest at a weighted-average fixed rate of approximately 8.3% and 7.9%, respectively. Payments are due, in monthly installments, through March 2010. The carrying amount of the equipment approximates the corresponding loan balance.

As a result of the merger with ACLARA, at December 31, 2004, the Company assumed the lease for a facility of approximately 44,200 square feet of office and laboratory space in Mountain View, California. On February 7, 2007, the Company entered into a lease termination agreement with the landlord to terminate the lease prior to its scheduled expiry. The termination of the lease was subject to a specified third party executing a new lease with the landlord on terms and conditions satisfactory to the landlord and the landlord subsequently notified the Company that this occurred. The Company has an obligation to pay the landlord specified amounts over the remainder of the former lease term, or through June 2009. As of December 31, 2007, the remaining obligation was $0.9 million, which is included in the table below. See Note 10 "Restructuring" for further analysis of restructuring charges.

As of December 31, 2007, future minimum payments, excluding the lease assignment guarantee described above, are as follows:

	Purchase Obligations	Operating Leases	Loans Payable	0% Convertible Promissory Note	3% Convertible Promissory Note	3% Convertible Promissory Note Interest Payment	Equipment Financing Arrangements
				(In thousands)			
Year ending December 31:							
2008	$ 801	$ 3,102	$ 4,277	$ —	$ —	$ 750	$ 189
2009	219	3,296	—	—	—	750	93
2010	219	3,464	—	—	25,000	473	9
2011	127	3,567	—	30,000	—	—	—
Thereafter	—	25,392	—	—	—	—	—
Total minimum lease and principal payments	$1,365	$38,821	4,277	30,000	25,000	1,973	291
Amount representing interest			(23)	—	—	—	(29)
Present value of future payments			4,254	30,000	25,000	1,973	262
Current portion of loans and leases			(4,254)	—	—	—	(189)
Long-term portion			$ —	$30,000	$25,000	$1,973	$ 73

Rental expense was approximately $2.5 million, $2.3 million and $2.7 million in 2007, 2006 and 2005, respectively.

In connection with the merger with ACLARA, the Company issued CVRs to ACLARA stockholders. See Note 6 "Contingent Value Rights," above for further discussion.

Contingencies

In 2002, the Company was informed by Bayer Diagnostics, or Bayer, that it believes the Company requires one or more licenses to patents controlled by Bayer in order to conduct certain of the Company's current and planned operations and activities. The Company, in turn, believes that Bayer may require one or more licenses to patents controlled by the Company. Although the Company believes it does not need a license from Bayer for its HIV products, the Company has had discussions with Bayer concerning the possibility of entering into a cross-licensing or other arrangement, and believes that if necessary, licenses from Bayer would be available to the Company on commercial terms.

ACLARA, with which we merged in December 2004, and certain of its former officers and directors, referred to together as the ACLARA defendants, are named as defendants in a securities class action lawsuit filed in the United States District Court for the Southern District of New York. This action, which was filed on November 13, 2001, and is now captioned ACLARA BioSciences, Inc. Initial Public Offering Securities Litigation, also names several of the underwriters involved in ACLARA's initial public offering, or IPO, as defendants. This class action is brought on behalf of a purported class of purchasers of ACLARA common stock from the time of ACLARA's March 20, 2000 IPO through December 6, 2000. The central allegation in this action is that the underwriters in the ACLARA IPO solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased ACLARA stock in the IPO and the after-market. The complaint also alleges that the ACLARA defendants violated the federal securities laws by failing to disclose in the IPO prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 300 issuers who went public between 1998 and 2000 have been named in similar lawsuits. In July 2002, an omnibus motion to dismiss all complaints against issuers and individual defendants affiliated with issuers (including ACLARA defendants) was filed by the entire group of issuer defendants in these similar actions. On February 19, 2003, the Court in this action issued its decision on the defendants' omnibus motion to dismiss. This decision dismissed the Section 10(b) claim as to ACLARA but denied the motion to dismiss Section 11 claim as to ACLARA and virtually all of the other defendants. On June 26, 2003, the plaintiffs in the consolidated class action lawsuits announced a proposed settlement with ACLARA and the other issuer defendants. The proposed settlement, which was approved by ACLARA's board of directors, provides that the insurers of all settling issuers will guarantee that the plaintiffs recover $1 billion from non-settling defendants, including the investment banks who acted as underwriters in those offerings. In the event that the plaintiffs do not recover $1 billion, the insurers for the settling issuers will make up the difference. Under the proposed settlement, the maximum amount that could be charged to ACLARA's insurance policy in the event that the plaintiffs recovered nothing from the investment banks would be approximately $3.9 million. We believe that ACLARA had sufficient insurance coverage to cover the maximum amount that we may be responsible for under the proposed settlement. On August 31, 2005, the Court granted unconditional preliminary approval of the proposed settlement. On April 24, 2006, the District Court held a fairness hearing to determine whether the proposed settlement should be approved. The District Court did not reach an opinion on this issue, because on December 5, 2006, the United States Court of Appeals for the 2nd Circuit issued a decision in re: *Initial Public Offering Securities Litigation* (Docket No. 05-3349-cv), reversing the District Court's finding that six focus cases involved in this litigation could be certified as class actions. Plaintiffs filed a petition for rehearing and/or for en banc review of the Second Circuit's decision, and the District Court indicated that it would not make any decision regarding the proposed settlement until the Second Circuit had decided whether to consider a rehearing.

On April 6, 2007, the Second Circuit denied plaintiffs' petition for rehearing, but allowed the plaintiffs to request that the district court certify a more limited class. On April 23, 2007, plaintiffs requested 30 days to report to the District Court on how they wish to proceed regarding class certification. The District Court indicated that a new class definition was a priority for the issuers' proposed settlement agreement and scheduled a conference for May 30, 2007, to discuss this, as well as other issues. At this hearing the Court also indicated

that the settlement, in its present form, likely could not stand, in light of the Second Circuit's ruling. The Court continued the discovery stay for thirty days. During the May 30, 2007, conference the plaintiffs orally moved for revised class certification. The plaintiffs stated that they will file their opening brief on the motion to certify the classes in 120 days, and they will file any amended complaints in connection with their motion for revised class certification before June 25, 2007 (this deadline was subsequently extended by the parties until July 31, 2007, with the Court's approval, on June 27, 2007). At the May 30 conference, the plaintiffs stated that they will seek mixed class and merits discovery in advance of their opening brief on class certification. The plaintiffs have also indicated that they may seek discovery from issuers in cases other than the six focus cases.

On June 25, 2007, the parties submitted a stipulation to terminate the settlement, which was granted by Court Order. On June 26, 2007, plaintiffs served a document request on all issuer defendants. On June 27, 2007, the Court held a conference with counsel for all three groups in the case. The parties agreed that the plaintiffs had until July 31, 2007, to file any Amended Complaints. On July 31, 2007, the plaintiffs requested, and the Court granted, an extension to August 14, 2007, for filing any Amended Complaints. On August 14, 2007, Plaintiffs filed Amended Master Allegation. On September 27, 2007, the Plaintiffs filed a Motion for Class Certification. Per the briefing schedule responses were due December 21, 2007, and reply briefs were filed on February 15, 2008. Defendants filed a Motion to Dismiss on November 9, 2007.

Due to the inherent uncertainties of litigation and assignment of claims against the underwriters, and because the settlement has not yet been finally approved by the District Court, the ultimate outcome of the matter cannot be predicted.

License Agreements

Historically, the Company has licensed technology from Roche Diagnostics Corporation ("Roche") that the Company uses in its PhenoSense and GeneSeq tests. The Company held a non-exclusive license for the life of the patent term of the last licensed Roche patent. The Company was notified by Roche that the license had terminated in March 2005 because the last licensed patent had expired. However, Roche advised the Company that additional licenses may be necessary for certain other patents and has offered a license to these patents. The Company believes that, if necessary, such licenses will be available on commercially acceptable terms.

In September 2007, the Company also licensed technology from The NSABP Foundation, Inc. ("NSABP"), which provides the Company access to tissue samples from up to 1,600 breast cancer patients treated with Herceptin in the adjuvant setting as participants in the NSABP B 31 study. The Company will pay annual license fees to NSABP and additional royalties if the Company successfully develops and commercializes certain products resulting from the licensed rights.

8. CAPITAL STOCK

Authorized Common Stock

The Company has 200,000,000 authorized shares of common stock as of December 31, 2007.

Warrants

In connection with a loan agreement signed in January 1998, the Company issued the lender warrants to purchase an aggregate of 34,833 shares of common stock at a price of $8.00 per share. The value of the warrants was deemed to be insignificant and, therefore, no value was recorded. The warrants are outstanding as of December 31, 2007, and expired in January 2008.

In connection with loan agreements signed in 2000, the Company issued the lender warrants to purchase an aggregate of 26,792 shares of the Company's common stock for $4.24 per share. The warrants expire in February 2010 and were valued at $318,000 using the Black-Scholes option valuation model. There were 26,792 warrants outstanding as of December 31, 2007.

During 2007, the Company issued 0.6 million shares of common stock upon net warrant exercises. As of December 31, 2007, outstanding warrants were exercisable for approximately 0.1 million shares of common stock.

401(k) Plan

The Company's 401(k) Plan covers substantially all employees. Employees may contribute up to 15% of their eligible compensation, subject to certain Internal Revenue Service restrictions. The Company matches employee contributions in the form of Company common shares. In 2000, the 401(k) Plan was amended to increase the matching percentage to 25% of the employee contribution. The match is effective December 31 of each year and is fully vested when made. The Company recorded 401(k) matching expense of $0.6 million, $0.5 million and $0.4 million in 2007, 2006 and 2005, respectively. As of December 31, 2007 and 2006, the Company had issued approximately 0.4 million and 0.3 million shares, respectively, under the matching provisions of the 401(k) Plan.

Stock Options

In December 2004, the Company's stockholders approved the 2004 Equity Incentive Plan ("EIP") with 12.5 million shares reserved for future issuance. In September 2007, stockholders approved an additional $5 million shares under the 2004 EIP, and an additional $8 million shares if a reverse stock split is implemented. In addition, the Company has the 2000 Equity Incentive Plan, which had been previously adopted in 1996 and was amended and renamed in February 2000. In December 2004, the Company assumed the following ACLARA plans upon the merger with ACLARA: (i) the 1995 Stock Plan, (ii) the Amended and Restated 1997 Stock Plan, and (iii) a non-qualified option agreement. The Company will not make any future grants under the assumed ACLARA plans. Together these plans are referred to as ("the "Plans"). The Plans provide for the granting of options to purchase common stock and other stock awards to employees, officers, directors and consultants of the Company. The Company generally grants shares of common stock for issuance under the Plans at no less than the fair value of the stock on the grant date; however, management is permitted to grant non-statutory stock options at a price not lower than 85% of the fair value of common stock on the date of grant. Options granted under the Plans generally vest over four years at a rate of 25% one year from the grant date and ratably monthly thereafter.

A summary of activity under the Plans is as follows:

	Outstanding Stock Options		
	Shares Available	Number of Shares	Weighted Average Price Per Share
Balances at December 31, 2004	12,602,850	12,940,785	$2.44
Options granted	(7,031,750)	7,031,750	2.31
Options exercised	—	(823,807)	1.43
Options forfeited	807,760	(807,760)	2.82
Balances at December 31, 2005	6,378,860	18,340,968	2.42
Options granted	(4,095,990)	4,095,990	1.68
Options exercised	—	(2,444,776)	1.33
Options forfeited	781,122	(781,122)	2.79
Balances at December 31, 2006	3,063,992	19,211,060	2.39
Additional shares authorized	5,000,000	—	—
Options granted	(3,391,050)	3,391,050	1.83
Options exercised	—	(240,162)	1.32
Options forfeited	2,041,804	(2,041,804)	2.53
Balances at December 31, 2007	6,714,746	20,320,144	$2.29

Stock options outstanding at December 31, 2007 and 2006 is summarized as follows:

	Number of Shares
As of December 31, 2007	
Options outstanding	20,320,144
Options vested and expected to vest	19,913,741
Options exercisable	13,097,616
As of December 31, 2006	
Options outstanding	19,211,060
Options vested and expected to vest	18,826,839
Options exercisable	11,014,506

The following table summarizes information about the stock options outstanding under the Plans at December 31, 2007:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.24—$ 1.18	71,389	4.11	$ 0.91	69,689	$ 0.90
$1.22—$ 1.28	1,410,837	5.25	1.25	1,400,837	1.25
$1.30—$ 1.51	934,736	6.01	1.46	779,719	1.47
$1.52—$ 2.26	7,400,898	6.65	1.77	2,365,183	1.76
$2.28	5,296,266	5.16	2.28	3,648,610	2.28
$2.30—$ 2.40	437,929	5.38	2.37	398,401	2.38
$2.41—$ 2.57	1,111,607	4.87	2.52	945,887	2.53
$2.25—$ 2.98	690,943	4.88	2.72	586,284	2.72
$3.00—$ 3.10	1,064,132	6.19	3.00	1,003,096	3.00
$3.14	731,500	1.86	3.14	731,500	3.14
$3.18—$ 5.40	530,242	3.07	3.84	528,745	3.84
$5.74—$ 8.00	483,565	3.01	6.35	483,565	6.35
$8.56—$22.13	156,100	2.81	12.18	156,100	12.18
	20,320,144			13,097,616	

The weighted-average remaining contractual term of the exercisable stock options at December 31, 2007 and 2006, is and 5.5 and 5.4 years, respectively. As of December 31, 2007 and 2006, the aggregate intrinsic value of outstanding stock options was $0.3 million and $1.7 million, and the aggregate intrinsic value of exercisable stock options was $0.3 million and $1.1 million, respectively.

The intrinsic value of options exercised was $0.3 million and $1.3 million in 2007 and 2006, respectively. The Company received $0.4 million and $3.3 million from the exercise of stock options in 2007 and 2006, respectively. The Company issues new shares upon the exercise of stock options. There was no tax benefit realized upon exercise of stock options in 2007 and 2006. The total fair value of stock options vested in 2007 and 2006 was $5.5 million and $6.7 million, respectively.

Employee Stock Purchase Plan

In February 2000, the board of directors adopted the 2000 Employee Stock Purchase Plan (the "Stock Plan"). The Stock Plan permits eligible employees to acquire shares of the Company's common stock through payroll deductions of up to 15% of their eligible earnings. All full-time employees of the Company, except 5% stockholders, are eligible to participate in the Stock Plan. The purchase price of the shares is the lesser of 85% of the fair value of the shares at the offering date or purchase date, as defined by the Stock Plan. The Stock Plan has an annual automatic share increase provision. The amount of the automatic increase may be reduced to a lesser amount, as determined by the board of directors. During 2007, the Company added 950,000 shares to the Stock Plan under this provision. Of the 3.9 million shares of common stock authorized for issuance under the Stock Plan, 2.7 million shares were issued as of December 31, 2007.

The fair value of employee stock purchases in 2007 and 2006, is based on an offering period starting December 1, 2007 and December 1, 2005, respectively, which was estimated using the Black-Scholes

option-pricing model with the following assumptions: risk-free interest rate from 4.5% to 4.7% and 4.3% to 4.4%, respectively; expected term from 0.5 year to 2.0 years for both years; volatility factor from 43% to 54% and 40% to 52%, respectively; and a dividend yield of zero for both years. The expected term of employee stock purchase plans is equal to the offering period.

As of December 31, 2007 and 2006, the unrecognized compensation cost related to employee stock purchases was $0.7 million and $0.2 million, respectively, which is expected to be recognized over the remainder of the two-year offering period that started on December 1, 2007.

Reserved Shares

At December 31, 2007, the Company had authorized and reserved shares of common stock for future issuance as follows:

	Shares Authorized	Shares Reserved
	(In thousands)	
3% Convertible promissory note (as if converted basis)	9,243	9,243
0% Convertible promissory note (as if converted basis)	11,905	11,905
Stock options	27,035	22,035
Warrants	62	62
Employee Stock Purchase Plan	1,201	251
	49,446	43,496

Stock-Based Compensation

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R "Share Based Payment" ("SFAS 123R") under provisions of Staff Accounting Bulletin No. 107 ("SAB 107") using the modified prospective approach and, therefore, has not restated results for prior periods. Under this approach, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award. As such, the Company recognized stock-based compensation cost only for those stock-based awards that are estimated to ultimately vest over their requisite service period, based on the vesting provisions of the individual grants. The Company has no awards with market or performance conditions.

The Company uses the Black-Scholes option-pricing valuation model to estimate the grant date fair value of its stock-based awards in accordance with SFAS 123R. The determination of fair value for stock-based awards on the date of grant using an option-pricing model requires management to make certain assumptions regarding: (i) the expected volatility in the market price of the Company's common stock over the expected term of the awards; (ii) dividend yield; (iii) risk-free interest rates; and (iv) actual and projected employee exercise behaviors (referred to as the expected term). The expected volatility is based on the historical volatilities of our stock for the expected term in effect on the date of grant with considerations to similar public entities in similar markets. The risk-free interest rate is based on the U.S. Zero Coupon Treasury yield for the expected term in effect on the date of grant. The expected term of options represents the period of time that options granted are expected to be outstanding and is derived from actual historical exercise data with considerations to the contractual and vesting terms. In addition, SFAS 123R requires the Company to estimate the expected impact of forfeited awards and recognize stock-based compensation cost only for those awards expected to vest. The cumulative effect on current and prior periods of a change in the estimated forfeiture rate is recognized in the period of the revision.

The weighted-average estimated fair value of options granted during 2007 and 2006, was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Employee Stock Options	
	2007	2006
Weighted-average fair value	$1.84	$ 1.20
Risk-free interest rate	4.55%	4.6% - 4.9%
Expected term (in years)	6.3	5.8 - 6.1
Volatility	76.7%	76% - 88%

In both 2007 and 2006, respectively, forfeitures were estimated to be approximately 2% over the expected term, based on historical experience. If actual forfeiture rates are materially different from estimates or factors change and we employ different assumptions, future stock-based compensation expense could be significantly different from what the Company has recorded in the current period. Management periodically reviews actual forfeiture experience and revises estimates, as necessary.

Stock-based compensation expenses related to stock options and employee stock purchases recognized under SFAS 123R, excluding CVR expenses related to vested options, were as follows:

	Year ended December 31,	
	2007	2006
	(In thousands)	
Cost of product revenue	$ 487	$ 597
Research & development	1,168	1,640
Sales & marketing	1,110	1,421
General & administrative	1,815	2,380
	$4,580	$6,038

As of December 31, 2007 and 2006, the unrecognized compensation cost related to the unvested stock options amounted to $7.1 million and $7.6 million, respectively, which are expected to be recognized over the weighted-average remaining requisite service period of 2.13 years and 1.22 years, respectively.

Pro Forma Information under SFAS 123 for Periods Prior to fiscal 2006

Prior to the adoption of SFAS 123R, the Company accounted for stock-based awards under the intrinsic method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and made pro forma footnote disclosures as required by Statement of Financial Accounting Standards No. 148, "Accounting For Stock-Based Compensation—Transition and Disclosure," which amended Statement of Financial Accounting Standards No. 123, "Accounting For Stock-Based Compensation." Under the intrinsic method, no stock-based compensation expense had been recognized in the consolidated statements of operations because the exercise price of the stock options granted equaled the fair market value of the underlying stock on the date of grant. Pro forma net loss and pro forma net loss per share disclosed in the footnotes to the financial statements were estimated using the Black-Scholes option-pricing model.

The fair value of options granted prior to 2006 had been estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions: risk-free interest rate from 3.7% to 4.4%; weighted-average expected term of stock options from grant date of 6.1 years; volatility factor of 88%; and a dividend yield of zero. The weighted-average grant date fair value of stock options granted to employees in 2005 was $1.73. The total fair value of stock options vested in 2005 was $5.6 million.

The fair value of employee stock purchases, in 2005, was based on an offering period starting December 1, 2004, which had been estimated using the Black-Scholes option-pricing model with the following assumptions: risk-free interest rate from 2.4% to 3.0%; expected term from 0.5 year to 2.0 years; volatility factor from 50% to 78%; and a dividend yield of zero.

The following table provides the Company's pro forma information as if the fair value method had been applied to the stock-based compensation calculation:

	Year Ended December 31, 2005 (In thousands, except per share data)
Net loss:	
As reported	$(37,586)
Adjustments:	
Stock-based compensation expense (adjustment) included in reported net loss	(2,914)
Stock-based compensation expense for employee awards determined under SFAS 123	(3,661)
Pro forma net loss	(44,161)
Preferred stock dividend	(162)
Pro forma loss applicable to common stockholders	$(44,323)
Loss per common share:	
As reported	$ (0.31)
Pro forma	$ (0.36)

9. INCOME TAXES

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainties in Income Taxes, an interpretation of SFAS No. 109, Accounting for Income Taxes ("FIN 48") on January 1, 2007. FIN 48 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under FIN 48, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Company did not have any unrecognized tax benefits and there was no effect on our financial condition or results of operations as a result of adopting FIN 48. The Company is subject to taxation in the United States and various state jurisdictions. The tax years from 1995 through 2007, are subject to examination by the Internal Revenue Service due to the net operating losses generated in those years. The Company is currently not under any federal or state audits.

Interest and penalties are zero and the Company's policy is to expense interest and penalties, if any, to income tax expense as incurred. Since the Company has a full valuation on all the deferred tax assets and does not expect to be profitable at least through December 2009, FIN 48 is not expected to have a material impact on

the Company's effective tax rate in the next twelve months. Additionally, the Company does not expect any material changes in unrecognized tax benefits in the next twelve months. The Company has zero unrecognized tax benefits as of December 1, 2007, and as of December 31, 2007.

At December 31, 2007, the Company had federal and state net operating loss carryforwards of approximately $252.5 million and $140.6 million, respectively. Additionally, the Company had federal and state research and development credits of approximately $2.6 million and $2.5 million, respectively. The federal net operating loss carryforwards and research and development credit will expire at various dates between the years 2010 and 2027, if not utilized. The state of California net operating loss carryforwards will expire at various dates between the years 2012 and 2017, if not utilized. The California research and development credits can be carried forward indefinitely.

Utilization of the federal and state net operating loss and credit carryforwards may be subject to a substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses and credits before utilization. The Company completed a section 382 study in 2007, and concluded that an ownership change occurred in 2004, resulting in a reduction of its net operation loss and credits carryforwards which is reflected in the table below.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets for financial reporting purposes and the amount used for income tax purposes. Significant components of the Company's deferred tax assets for federal and state income taxes are as follows:

	December 31,	
	2007	2006
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 57,700	$ 47,500
Research and other credits	4,300	4,200
Capitalized research and development	2,300	2,500
Other	3,300	3,800
Deferred tax assets as a result of merger with ACLARA:		
Acquired net operating loss carryforwards	36,300	54,500
Acquired research and other credits	—	5,800
Capitalized research and development	1,600	1,900
Other	1,400	1,800
Total deferred tax assets	106,900	122,000
Valuation allowance	(106,900)	(122,000)
Net deferred taxes	$ —	$ —

Due to the Company's lack of earnings history, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance decreased by $15.1 million in 2007, and increased by $5.0 million and $3.9 million in 2006 and 2005, respectively.

A reconciliation of the statutory tax rates and the effective tax rates for the periods ended:

	December 31,		
	2007	2006	2005
Tax at federal statutory rate	(34.00)%	(34.00)%	(34.00)%
State, net of federal benefit	(5.83)	(5.83)	(5.83)
Research & development credits	(3.65)	(2.47)	(2.76)
Valuation allowance	39.57	13.09	10.37
Stock-based compensation	5.15	6.09	(3.36)
CVR revaluation	(1.04)	17.75	29.05
Others	(0.20)	5.22	6.53
Provision for taxes	— %	— %	— %

10. RESTRUCTURING

In connection with the Company's merger with ACLARA, the Company has taken actions to integrate and restructure the former ACLARA operations. The Company relocated the ACLARA personnel and operations from the facility in Mountain View, California to its South San Francisco, California facilities in the second quarter of 2005. A restructuring accrual was established for the costs of vacating and subleasing the Mountain View facility including an estimate of the excess of our lease costs over our anticipated sublease income and for the anticipated severance costs for ACLARA employees whose employment was terminated as a result of the merger. The accrual established at the closing of the merger related to the Mountain View facility was $3.0 million. In addition, a restructuring accrual of $1.1 million was established for the anticipated severance costs for ACLARA employees whose employment was terminated as a result of the merger. The accrual was fully paid as of December 31, 2005. Additional restructuring accruals, due to delays in vacating and subleasing the Mountain View facility, were recorded in the amounts of $1.6 million and $0.3 million, as of December 2006 and 2005, respectively. In February 2007, the Company executed a termination agreement with respect to the lease in exchange for a reduced but fixed payment commitment over the remainder of the previous lease term, or through June 30, 2009.

The following table sets forth an analysis of the components of the restructuring charges:

	Abandonment of Facilities
	(In thousands)
Balance at December 31, 2005	$ 3,333
Amounts paid in cash	(1,656)
Change in estimate for restructuring costs related to Mountain View facility	319
Balance at December 31, 2006	1,996
Amounts paid in cash	(1,097)
Balance at December 31, 2007	$ 899
Current portion	$ 610
Non-current portion	$ 289

Other Severance Costs

On September 28, 2005, the Company entered into a separation and release agreement with a former executive and recorded a severance charge of $0.4 million in the consolidated statement of operations for the year ended December 31, 2005, all of which had been paid as of December 31, 2006.

11. COLLABORATION AND NOTE PURCHASE AGREEMENT

On May 5, 2006, the Company entered into a Collaboration Agreement with Pfizer regarding the Company's Trofile Co-Receptor Tropism Assay (the "Collaboration Agreement"). The Collaboration Agreement has an initial term that expires on December 31, 2009, and is renewable by Pfizer for five successive one-year terms.

Under the agreement, the Company and Pfizer collaborate to make the Company's Trofile Co-Receptor Tropism Assay available globally. The Company is responsible for making the assay available in the U.S. and performing the assay in accordance with agreed upon performance standards. The Company is also obligated to undertake certain efforts to plan for, establish and maintain an infrastructure to support the commercial availability of the assay outside the U.S., in countries designated by Pfizer, and it will be obligated to perform the assay with respect to patient blood samples originating outside of the U.S. in accordance with agreed upon performance standards. Pfizer is responsible for sales, marketing and regulatory matters related to the assay outside of the U.S. Pfizer will reimburse the Company for costs incurred in establishing and maintaining the necessary logistics infrastructure to make the assay available outside of the U.S., and Pfizer will pay the Company for each assay that the Company performs with respect to patient blood samples originating outside of the U.S.

Subject to certain limitations, Pfizer will be entitled to establish its own facility to perform the assay in support of its human clinical trials, and to perform the assay in respect of patient blood samples following certain uncured material breaches of the Collaboration Agreement (including the performance standards) by the Company. For such purposes, the Company has granted Pfizer a license to use certain intellectual property rights and proprietary materials related to the Company's Trofile Co-Receptor Tropism Assay. The Company will be obligated in such a case to assist Pfizer in establishing and operating such facility, for which Pfizer will reimburse for costs the Company incurs in providing such assistance. To secure the Company's obligations under the license described above, the Company has granted Pfizer a security interest in certain of its intellectual property rights and proprietary materials related to the Company's Trofile Co-Receptor Tropism Assay. Pfizer and the Company have also extended the co-receptor portion of their existing services agreement for support of potential additional Pfizer clinical trials through December 31, 2009.

In accordance with Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," ("EITF 00-21") revenue arrangements entered into after June 15, 2003 that include multiple element arrangements are analyzed to determine whether the deliverables are divided into separate units of accounting or as a single unit of accounting. Revenues are allocated to a delivered product or service when all of the following criteria are met: (1) the delivered item has value to the customer on a standalone basis; (2) there is objective and reliable evidence of the fair value of the undelivered item; and, (3) if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in our control. If all of the three required criteria under EITF 00-21 are met, then the deliverables would be accounted for separately, completed as performed. Otherwise, the arrangement would be accounted for as a single unit of accounting and the payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed. If the

Company cannot reasonably estimate when its performance obligation either ceases or becomes inconsequential, then revenue is deferred until the Company can reasonably estimate when the performance obligation ceases or becomes inconsequential.

The Collaboration Agreement is a multiple element arrangement, including supply of the Trofile Assay in additional clinical studies (including expanded access programs in both the U.S. and outside the U.S.), supply of the Trofile Assay for clinical use outside of the U.S., reimbursement of costs for the establishment and operation of supply infrastructure outside of the U.S. and potential assistance to Pfizer in the establishment and operation of a second facility for processing of tropism assays. Under the guidelines of EITF 00-21, the Company has determined that the collaboration with Pfizer should be accounted for as a single unit of accounting due to the absence of established fair values of certain undelivered elements. Accordingly, the Company has deferred revenue under this collaboration until the earlier of establishment of fair values or completion of the deliverables. Additionally, related direct costs for the establishment and operation of supply infrastructure outside of the U.S. that are contractually reimbursable on a non-refundable basis under this collaboration have been deferred.

On May 5, 2006, the Company also entered into a Note Purchase Agreement with Pfizer, which was amended in January 2007, as described in "0% Convertible Senior Unsecured Notes" Note below, pursuant to which it sold to Pfizer a 3% Senior Secured Convertible Note in the principal amount of $25 million (the "Pfizer Note"). The closing of the sale and issuance of the Pfizer Note occurred on May 19, 2006. The Pfizer Note will mature four years from its date of issuance. The Company will pay interest quarterly, in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 2006. Subject to certain limitations, the Company will be entitled to make such interest payments using shares of its common stock instead of cash.

The Pfizer Note is convertible into shares of the Company's common stock at the election of its holder at a per share conversion price of $2.7048. Following the effectiveness of the registration statement covering the estimated number of common shares underlying the Pfizer Note, which occurred June 23, 2006, the Pfizer Note will automatically convert into shares of the Company's common stock should the closing price of the Company's common stock be greater than 150% of the conversion price, or $4.06 per share, for twenty out of thirty consecutive trading days. The conversion price will adjust automatically upon certain changes to the Company's capitalization. The Company will be required, under the terms of the Pfizer Note, to repurchase the outstanding amount of the Pfizer Note at the election of the holder upon certain change of control events described in the Pfizer Note, or if its common stock is no longer listed or quoted on the NASDAQ Global Market or an established automated over-the-counter trading market (including, if applicable, the OTC Bulletin Board). The Pfizer Note is secured by a first priority security interest in favor of Pfizer in certain of the Company's assets related to its HIV testing business.

Under the terms of the Pfizer Note, the Company is prohibited from incurring certain types of indebtedness, from permitting certain liens on its assets, from entering into transactions with affiliates and from entering into certain capital transactions such as dividend payments, stock repurchases, capital distributions or other similar transactions. It is also subject to certain other covenants as set forth in the Pfizer Note, including limitations on its ability to enter into new lines of business after issuance of the Pfizer Note. An event of default under the Pfizer Note will occur if the Company: is delinquent in making payments of principal or interest; fails, following notice, to cure a breach of a covenant under the Pfizer Note, the related security agreement or the Note Purchase Agreement; a representation or warranty under the Pfizer Note, the related security agreement or the Note Purchase Agreement is materially inaccurate; an acceleration event occurs under certain types of its other secured indebtedness outstanding from time to time; certain bankruptcy proceedings are commenced or orders granted or

an event of default occurs or is continuing under the 0% Notes issued in January 2007. If an event of default occurs, the indebtedness under the Pfizer Note could be accelerated, such that it becomes immediately due and payable. The Company is in compliance with all covenants under the Pfizer Note as of December 31, 2007.

As a result of the issuance of the 0% Notes, the Company is required to value and account for certain derivative instruments that are embedded in the Pfizer Note with adjustments to the fair value reflected in the statement of operations in accordance with SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159") and SFAS 157, "Fair Value Measurements" ("SFAS 157"). The Company elected to early adopt SFAS 159 to measure the Pfizer Note as a hybrid debt instrument in its entirety using the framework established by SFAS 157, for measuring fair value. At the initial adoption of SFAS 159, the Company recorded a favorable cumulative effect of a change in accounting principle adjustment to beginning accumulated deficit for the Pfizer Note of $2.2 million, resulting in a fair value of $22.8 million at January 1, 2007. The Company used a binomial lattice model as the valuation technique to determine fair value using management assessments and inputs, which utilize inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. For the year ended December 31, 2007, this valuation led to a $2.0 million decrease to the net carrying value of the Pfizer Note and the adjustment is reflected as a non-operating credit in the statement of operations. As of December 31, 2007 and 2006, the carrying value of the Pfizer Note was $20.8 million and $25.0 million, respectively. The unpaid principal balance of the Note was $25.0 million for both years ended December 31, 2007 and 2006, respectively.

12. CREDIT AND SECURITY AGREEMENT

In December 2007, the Company amended its Credit and Security Agreement with Merrill Lynch Capital (subsequently acquired by General Electric), or "GE" entered into on September 29, 2006. The Credit and Security Agreement (the "Credit Agreement") provides the Company with a revolving credit line, with borrowings against eligible accounts receivable up to a maximum of $10 million. GE has been granted a security interest over certain of the Company's assets, including its accounts receivable, intellectual property used or held for use in connection with its oncology testing business and inventory. The Credit Agreement expires in March 2010. As of December 31, 2007, approximately $4.3 million was outstanding under the revolving credit line, recorded as a loan payable in the financial statements

Amounts borrowed under the Credit Agreement bear interest at a rate per annum equal to a published LIBOR rate plus 4.75%. As of December 31, 2007, the 1-month LIBOR rate was 4.85%. Amounts borrowed under the revolving credit line are repaid as the Company receives payment on its outstanding accounts receivable. The Credit Agreement also provides for the payment by the Company of an unused line fee, a collateral fee, a commitment fee and, in certain circumstances, a deferred commitment fee.

Under the terms of the Credit Agreement, the Company is prohibited from incurring certain types of indebtedness and certain liens on its assets. It is also subject to certain other affirmative and negative covenants as set forth in the Credit Agreement. An event of default under the indebtedness to GE will occur if, among other things, the Company: is delinquent in making payments of principal, interest or fees on the revolving credit line; fails, following notice, to cure a breach of a covenant under the Credit Agreement; a representation or warranty under the Credit Agreement is materially inaccurate; certain liquidation or bankruptcy proceedings are commenced or certain orders are granted against the Company; the security interests granted by the Company in favor or GE fail, in certain circumstances, to constitute valid security interests; or an acceleration event occurs under certain types of the Company's other secured indebtedness outstanding from time to time. If an event of default occurs, the indebtedness to GE under the Credit Agreement could be accelerated, such that it becomes

immediately due and payable. The Company is in compliance with all covenants under the Credit Agreement as of December 31, 2007.

13. 0% CONVERTIBLE SENIOR UNSECURED NOTES

In January 2007, the Company entered into a Securities Purchase Agreement to sell $30 million principal amount of a 0% Convertible Senior Unsecured Note (the "0% Notes") to a single qualified institutional buyer. The aggregate purchase price for the 0% Notes was approximately $22.5 million. Although due in 2026, the 0% Notes may be called by the holder of the 0% Notes at December 31, 2011, December 31, 2016 or December 31, 2021, at a price equal to 100% of the accreted value. Prior to the fifth year anniversary of the issuance of the Notes, the accreted value is the sum of (a) the issue price of each Note and (b) the portion of the excess of the principal amount of each note over the issue price which has been amortized, in accordance with the indenture under which the 0% Notes are governed, at the rate of 5.84% per annum from the issue date through the date of determination. After the fifth anniversary of the issue date of the Notes, the accreted value will be equal to the principal amount of the Notes.

The 0% Notes do not bear interest and will be convertible, at the option of the holder of such 0% Notes, into shares of the Company's common stock at an initial conversion price of $2.52 per share, which is equivalent to an initial conversion rate of approximately 396.8254 shares per $1,000 principal amount of 0% Notes. The conversion price will adjust automatically upon certain changes to the Company's capitalization.

Pursuant to a Registration Rights Agreement, dated as of January 11, 2007, by and between the Company and the qualified institutional buyer ("Registration Rights Agreement"), the Company filed a shelf registration statement with respect to the resale of the 0% Notes and the common stock issuable upon conversion thereof. This registration statement was declared effective on July 9, 2007. In the event the Company fails to comply with its ongoing obligations under the Registration Rights Agreement, it will be obligated to make additional payments to the holders of the 0% Notes.

The Company has the option to cause all or any portion of the 0% Notes to automatically convert at such time as the closing price of the Company's common stock is greater than $3.15 for twenty out of thirty consecutive trading days and provided that certain other conditions are satisfied. Upon any such automatic conversion, the Company initially will pay the holders a premium make-whole amount equal to $84.7526 per $1,000 principal amount of 0% Notes so converted, such premium make-whole being reduced over the initial three-year period following the closing. The premium make-whole amount may be paid in shares of common stock upon any such automatic conversion, provided that certain additional conditions are satisfied.

The 0% Notes are subordinated to all of the Company's present senior debt, including the $25 million 3% Senior Secured Convertible Note, due May 19, 2010, issued to Pfizer Inc ("Pfizer") in May 2006 ("the Pfizer Note"), as amended as described below, and the Company's line of credit with GE.

Beginning on December 31, 2009, the Company may redeem the 0% Notes in whole or in part at any time at a redemption price equal to the accreted value of the principal amount of the 0% Notes to be redeemed, plus liquidated damages, if any, and certain other amounts, provided that certain conditions are required to be satisfied and the market price of the Company's common stock exceeds the conversion price of the 0% Notes leading up to and at the time of redemption.

The Company will be required, under the terms of the 0% Notes, to repurchase the outstanding accreted value of the 0% Notes at the election of the holder upon certain change of control events described in the 0% Notes, or if the Company's common stock is no longer listed on a United States national securities exchange,

quoted on The NASDAQ Global Market, or approved for trading and/or eligible for quotation on an established automated over-the-counter trading market in the United States, including the OTC Bulletin Board but excluding the "pink sheets", or any similar quotation system. In addition, under such circumstances the Company also would be obligated to pay the premium make-whole amount described above and certain other amounts.

An event of default under the 0% Notes will occur if the Company: is delinquent in making certain payments due under the 0% Notes; fails to deliver shares upon conversion of the 0% Notes; fails to deliver certain required notices under the 0% Notes; fails, following notice, to cure a breach of a covenant under the 0% Notes, the securities purchase agreement, the registration rights agreement, the subordination agreement with Pfizer described below, or the indenture described below (together, the "Transaction Documents"); certain events of default occur with respect to other indebtedness; certain bankruptcy proceedings are commenced or orders granted; a representation or warranty made under the Transaction Documents is materially inaccurate and continues uncured following notice; the Company fails to file certain periodic reports with the Securities and Exchange Commission (subject to certain grace periods); or the Company incurs certain types of indebtedness prohibited under the terms of the 0% Notes. If an event of default occurs, the indebtedness under the 0% Notes could be accelerated, such that it becomes immediately due and payable. The Company is in compliance with all covenants under the 0% Notes.

In connection with the sale of the 0% Notes, the Company, Pfizer and U.S. Bank, National Association, as trustee, entered into a subordination agreement. The subordination agreement sets forth the terms under which the 0% Notes are subordinated to the Pfizer Note. As a condition to the entry into the subordination agreement, the Company and Pfizer amended the Note Purchase Agreement, dated May 5, 2006, between Pfizer and the Company, and amended and restated the Pfizer Note, to conform to certain terms of the subordination agreement. As amended, the Pfizer Note provides that the Company will be in default, thereof, if (i) an event of default occurs and is continuing under the 0% Notes and (ii) the trustee or any holders of the 0% Notes give notice to the Company of its or their intent to either accelerate the 0% Notes or exercise any other remedies, thereunder (subject to certain limited exceptions).

In accordance with SFAS 155, "Accounting for Certain Hybrid Financial Instruments", the Company elected to initially and subsequently measure the 0% Notes as a hybrid debt instrument in its entirety with adjustments to the fair value reflected in the consolidated statement of operations. Accordingly, the change in the net carrying amount to the fair value recognized includes unamortized debt issuance costs. The Company used a binomial lattice model as the valuation technique to determine fair value using management assessment and inputs which utilize inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Inputs derived from quoted prices include the Company's stock price, the average yield of B-bonds and the prices of Treasury instruments. Input from management assessment includes the probability of certain events occurring during the term of the debt. For the year ended December 31, 2007, this valuation led to a $2.2 million favorable adjustment, respectively, to the convertible debt to adjust the carrying value of the 0% Notes, net of debt issuance costs to fair value. This adjustment is reflected as a non-operating credit in the consolidated statement of operations. As of December 31, 2007, the fair value and unpaid principal balance of the 0% Notes was $18.5 million and $23.8 million, respectively.

14. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(In thousands, except per share amounts)			
2007				
Product Revenue	$ 9,099	$ 8,907	$ 8,745	$12,731
Contract Revenue	318	485	463	798
License Revenue	—	300	1,186	197
Total Revenue	9,417	9,692	10,394	13,726
Gross profit	3,712	4,365	4,620	7,606
Contingent value rights revaluation	—	—	218	—
Convertible debt valuation adjustments	(4,055)	4,463	4,244	(447)
Cumulative effect of change in accounting principle	2,242	—	—	—
Net loss	(11,558)	(3,872)	(3,080)	(5,037)
Basic and diluted income (loss) per common share	$ (0.09)	$ (0.03)	$ (0.02)	$ (0.04)
2006				
Product Revenue	$ 12,246	$ 12,757	$10,415	$ 9,732
Contract Revenue	1,003	620	687	498
Total Revenue	13,249	13,377	11,102	10,230
Gross profit	7,568	7,713	5,140	4,834
Contingent value rights revaluation	14	(16,464)	—	—
Net loss	(3,353)	(21,764)	(6,604)	(6,982)
Basic and diluted income (loss) per common share	$ (0.03)	$ (0.17)	$ (0.05)	$ (0.05)

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that are filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer, with the assistance of other members of our management, have evaluated our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report, and have concluded based on that evaluation that those disclosure controls and procedures are effective.

Our management, including our Chief Executive Officer and Principal Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Monogram Biosciences have been detected.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2007 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2007.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of our internal control over financial reporting as of December 31, 2007, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included under Item 8.

Item 9B. ***Other Information***

On March 6, 2008, Thomas R. Baruch resigned as a member of our board of directors, effective March 11, 2008. Mr. Baruch's resignation is not the result of any disagreement with us on any matter relating to our operations, policies or practices. Mr. Baruch is a general partner at CMEA Ventures, a venture capital partnership, and is resigning to allocate time to companies in his firm's investment portfolio.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

We have adopted a Code of Business Conduct and Ethics Policy that applies to our directors and employees (including our principal executive officer, principal financial officer, principal accounting officer and controller), and have posted the text of the policy on our website (www.monograbio.com) in connection with "Investor" materials. In addition, we intend to promptly disclose (i) the nature of any amendment to the policy that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and (ii) the nature of any waiver, including an implicit waiver, from a provision of the policy that is granted to one of these specified individuals, the name of such person who is granted the waiver and the date of the waiver on our website in the future.

The other information required by this item is incorporated by reference to the proxy statement to be filed with the SEC pursuant to Regulation 14A in connection with our 2008 annual meeting.

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference to the information under the caption "Executive Compensation" to be contained in our 2008 proxy statement.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item is incorporated by reference to the information under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" to be contained in our 2008 proxy statement.

Item 13. ***Certain Relationships and Related Transactions***

The information required by this item is incorporated by reference to the information under the caption "Certain Transactions" to be contained in our 2008 proxy statement.

Item 14. ***Principal Accounting Fees and Services***

The information required by this item is incorporated by reference to the information under the captions "Independent Auditors' Fees" and "Pre-Approval Policies and Procedures" to be contained in our 2008 proxy statement.

Consistent with Section 10A(i)(2) of the Securities Exchange Act of 1934, as added by Section 202 of the Sarbanes-Oxley Act of 2002, we are responsible for listing the non-audit services approved by our Audit Committee to be performed by PricewaterhouseCoopers LLP, our independent registered public accounting firm. Non-audit services are defined as services other than those provided in connection with an audit or a review of our financial statements. The Audit Committee has approved our recurring engagements of PricewaterhouseCoopers LLP for the following non-audit services: (1) preparation of tax returns, and tax advice in preparing for and in connection with such filings; (2) all work required to be performed by PricewaterhouseCoopers LLP in connection with preparing and providing consents required to be given in connection with our filings with the Securities and Exchange Commission, and (3) advice in preparing for the internal control documentation requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a)(1) *Index to Financial Statements*

Reference is made to the Index to Financial Statements under Item 8 in Part II hereof, where these documents are listed.

(a)(2) *Financial Statement Schedule*—The following schedule is filed as part of this Form 10-K:

Schedule II — Valuation and Qualifying Accounts for the years ended December 31, 2007, 2006 and 2005.

All other schedules have been omitted because they are not applicable or required, or the information required to be set forth therein is included in the Financial Statements or notes thereto included in Item 8 ("Financial Statements and Supplementary Data").

(a)(3) *Index to Exhibits*—See (c) below.

(c) *Exhibits*

Exhibit Footnote	Exhibit Number	
(12)	2.1	Agreement and Plan of Merger and Reorganization, dated as of May 28, 2004, by and among ViroLogic, Inc., Apollo Acquisition Sub, Inc., Apollo Merger Subsidiary, LLC and ACLARA BioSciences, Inc.
(13)	2.2	Amendment No. 1 to Agreement and Plan of Merger and Reorganization, dated as of October 18, 2004, by and among ViroLogic, Inc., Apollo Acquisition Sub, Inc., Apollo Merger Subsidiary, LLC and ACLARA BioSciences, Inc.
(9)	3.1	Amended and Restated Certificate of Incorporation, filed July 17, 2000.
(9)	3.1.1	Certificate of Amendment to Amended and Restated Certificate of Incorporation, filed February 4, 2003.
(16)	3.1.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation, filed December 10, 2004.
(26)	3.1.3	Certificate of Ownership and Merger, filed September 6, 2005.
(9)	3.2	Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, filed June 29, 2001.
(9)	3.2.1	Certificate of Correction to Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, filed July 23, 2001.
(9)	3.3	Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock, filed March 22, 2002.
(9)	3.4	Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock, filed November 15, 2002.
(9)	3.4.1	Certificate of Amendment to Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock, filed February 4, 2003.
(38)	3.5	Amended and Restated Bylaws.
	4.1	Reference is made to Exhibits 3.1 through 3.5.

Exhibit Footnote	Exhibit Number	
(26)	4.2	Specimen Stock Certificate.
(16)	4.3	Contingent Value Rights Agreement, dated December 10, 2004, by and between ViroLogic, Inc., and U.S. Bank National Association as trustee.
(34)	4.4	Form of Indenture by and between Monogram Biosciences, Inc. and U.S. Bank National Association, as trustee.
(1)	10.1	Office Lease by and between ViroLogic and Oyster Point Tech Center LLC dated as of May 25, 1999.
(1)	10.2	Office Lease by and between ViroLogic and Trammell Crow Northern California Development, Inc. dated as of November 23, 1999.
(1)	10.3	Loan and Security Agreement by and between ViroLogic and MMC/ GATX Partnership No. 1 dated as of January 30, 1998.
(37)†	10.4	Amended and Restated Employment Agreement by and between Monogram Biosciences, Inc. and William D. Young dated September 20, 2007.
†	10.5	2000 Employee Stock Purchase Plan and related offering documents.
(1)	10.6	Equipment Financing Agreement dated March 28, 2000 with Pentech Financial Services, Inc.
(2)†	10.7	ViroLogic, Inc. 2000 Equity Incentive Plan, as amended.
(37)†	10.8	Form of Executive Severance Benefits Agreement.
(3)	10.9	Master Lease Agreement dated September 14, 2000 by and between ViroLogic, Inc. and General Electric Capital Corporation.
(4)	10.10	Equipment Financing Agreement by and between ViroLogic and De Lage Landen Financial Services, Inc. dated as of January 29, 2001.
(5)	10.11	Equipment Schedule No. 4 to Master Lease Agreement dated as of August 14, 2000 by and between ViroLogic and General Electric Capital Corporation.
(5)	10.12	Sublease by and between ViroLogic, Inc. and Raven Biotechnologies, Inc.
(1)†	10.13	Form of Indemnity Agreement between the Company and its directors and officers.
(1)†	10.14	Form of Stock Option Agreement under the 2000 Equity Incentive Plan for options granted prior to May 1, 2000.
(1)†	10.15	Form of Stock Option Agreement Pursuant to the 2000 Equity Incentive Plan for options granted after May 1, 2000.
(10)	10.16	Equipment Schedule No. 5 to Master Lease Agreement dated as of August 14, 2000 by and between ViroLogic and General Electric Capital Corporation.
(6)	10.17	Form of (Common) Stock Purchase Warrant issued to holders of Series A Redeemable Convertible Preferred Stock.
(7)	10.18	Sublease, dated as of June 1, 2002, by and between ViroLogic, Inc. and diaDexus, Inc.
(11)	10.19	First Amendment to Sublease, dated as of August 21, 2003, by and between diaDexus, Inc and ViroLogic, Inc.
(14)	10.20	Lease Termination Agreement, dated as of March 22, 2004, by and between Britannia Pointe Grand Limited Partnership and ViroLogic, Inc.

Exhibit Footnote	Exhibit Number	
(15)	10.21	Second Amendment to Sublease, dated as of October 1, 2004, between diaDexus, Inc and ViroLogic, Inc.
(37)†	10.22	Monogram Biosciences, Inc. 2004 Equity Incentive Plan.
(13)	10.23	Registration Rights Agreement, dated as of October 18, 2004, by and among ViroLogic, Inc. and certain entities affiliated with Tang Capital Partners, L.P. and Perry Corp.
(17)†	10.24	Form of Option Agreement under the ViroLogic, Inc. 2004 Equity Incentive Plan.
(20)	10.25	Lease Agreement, dated March 1, 1999, between ACLARA BioSciences, Inc. and The Pear Avenue Group.
(21)†	10.26	Form of Change of Control Agreement between ACLARA BioSciences, Inc. and Alfred Merriweather.
(22)†	10.27	Employment Letter Agreement, dated April 11, 2003, between ACLARA BioSciences, Inc and Michael J. Dunn.
(22)†	10.28	Severance Agreement, dated April 11, 2003, between ACLARA BioSciences, Inc. and Michael J. Dunn.
(20)†	10.29	ACLARA BioSciences, Inc. Amended and Restated 1997 Stock Plan.
(23)†	10.30	ACLARA BioSciences, Inc. NQ03 Stock Plan Non-Statutory Stock Option Agreement.
(24)†	10.31	Form of Amendment to Stock Option Agreement between ACLARA BioSciences, Inc. and each of Alfred Merriweather and Michael Dunn.
(27)†	10.32	ViroLogic, Inc. 2005 Bonus Plan Description.
(27)†	10.33	ViroLogic, Inc. Non-Employee Director Cash Compensation Arrangements.
(28)*	10.34	Referral Testing Agreement, between Monogram Biosciences, Inc. and Quest Diagnostics Incorporated, dated October 1, 2005.
(34)	10.35	Form of First Amendment to Note Purchase Agreement and Senior Note by and between Pfizer Inc., and Monogram Biosciences, Inc.
(30)	10.36	Note Purchase Agreement, dated May 5, 2006, by and between Pfizer Inc. and Monogram Biosciences, Inc.
(34)	10.37	Form of Amended and Restated Monogram Biosciences, Inc. 3.0% Senior Secured Convertible Note Due May 19, 2010, issued to Pfizer, Inc.
(30)	10.38	Note Security Agreement, dated May 5, 2006, by and between Monogram Biosciences, Inc. and Pfizer, Inc.
(31)	10.39	Collaboration Agreement, dated May 5, 2006, by and between Pfizer Inc. and Monogram Biosciences, Inc.
(31)*	10.40	Collaboration Agreement, dated May 5, 2006, by and between Pfizer Inc. and Monogram Biosciences, Inc.
(32)	10.41	Credit and Security Agreement, dated September 29, 2006, by and between Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc. and Monogram Biosciences, Inc.
(33)†	10.42	Monogram Non-Qualified Deferred Compensation Plan, effective January 1, 2007.
(34)	10.43	Securities Purchase Agreement, dated January 11, 2007, by and between Monogram Biosciences, Inc., and a qualified institutional buyer party thereto.

Exhibit Footnote	Exhibit Number	
(34)	10.44	Registration Rights Agreement, dated January 11, 2007, by and between Monogram Biosciences, Inc. and a qualified institutional buyer party thereto.
(34)	10.45	Form of Subordination Agreement among Monogram Biosciences, Inc. and U.S. Bank National Association, as trustee.
(36)†	10.46	Summary of 2007 Bonus Plan
(36)	10.47	Summary of 2007 Non-Employee Director Compensation
	10.48	Master Lease Agreement dated October 5, 2007 by and between Monogram Biosciences, Inc. and Oyster Point Tech Center LLC.
	10.49	First Amendment to Lease, dated as of October 5, 2007, by and between Oyster Point Tech Center, LLC and Monogram Biosciences, Inc.
	10.50	First Amendment to Lease, dated as of December 21, 2007, by and between Oyster Point Tech Center, LLC and Monogram Biosciences, Inc.
	10.51	Second Amendment to Lease, dated as of December 21, 2007, by and between Oyster Point Tech Center, LLC and Monogram Biosciences, Inc.
	10.52	Fourth Amendment to Sublease, dated as of October 12, 2007, by and between DiaDexus, Inc. and Monogram Biosciences, Inc.
	10.53	Consent to Fourth Sublease Amendment, dated as of October 12, 2007, by and between Are-Technology Center SSF, LLC, DiaDexus, Inc. and Monogram Biosciences, Inc.
*	10.54	Second Amendment to Credit and Security Agreement, dated as of December 19, 2007, by and between Monogram Biosciences, Inc. and Merrill Lynch Capital.
	21.1	List of Subsidiaries
	23.1	Consent of Independent Registered Public Accounting Firm.
	24.1	Power of Attorney is contained on the signature page.
	31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(A) or Rule 15d-14(A) promulgated under the Securities Exchange Act of 1934.
	31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(A) or Rule 15d-14(A) promulgated under the Securities Exchange Act of 1934.
	32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(B) or Rule 15d-14(B) promulgated under the Securities Exchange Act of 1934.

† Indicates management or compensatory plan or arrangement.

(*) Confidential treatment has been requested for portions of this document, which are omitted and filed separately with the SEC.

(1) Filed as an exhibit to our Registration Statement on Form S-1 (No. 333-30896) or amendments thereto and incorporated herein by reference.

(2) Filed as an exhibit to our Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference.

(3) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.

(4) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference.

(5) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.
(6) Filed as an exhibit to our Current Report on Form 8-K filed on March 26, 2002 and incorporated herein by reference.
(7) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference.
(8) Filed as an exhibit to our Current Report on Form 8-K filed on November 25, 2002 and incorporated herein by reference.
(9) Filed as an exhibit to our Registration Statement on Form S-3 (No. 333-102995) and incorporated herein by reference.
(10) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference.
(11) Filed as an exhibit to our Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003 and incorporated herein by reference.
(12) Filed as an exhibit to our Current Report on Form 8-K filed on June 1, 2004 and incorporated herein by reference.
(13) Filed as an exhibit to our Current Report on Form 8-K filed on October 19, 2004 and incorporated herein by reference.
(14) Filed as an exhibit to our Quarterly Report of Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference.
(15) Filed as an exhibit to our Current Report on Form 8-K filed on November 4, 2004 and incorporated herein by reference.
(16) Filed as an exhibit to our Current Report on Form 8-K filed on December 10, 2004 and incorporated herein by reference.
(17) Filed as an exhibit to our Current Report on Form 8-K filed on December 22, 2004 and incorporated herein by reference.
(18) Filed as an exhibit to our Registration Statement on Form S-8 (No. 333-121437) filed on December 20, 2004 and incorporated herein by reference.
(19) Filed as an exhibit to our Registration Statement on Form S-4 (No. 333-120211) and incorporated herein by reference.
(20) Filed as an exhibit to ACLARA BioSciences, Inc. Registration Statement on Form S-1 (No. 333-95107) or amendments thereto and incorporated herein by reference.
(21) Filed as an exhibit to ACLARA BioSciences, Inc. Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference.
(22) Filed as an exhibit to ACLARA BioSciences, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference.
(23) Filed as an exhibit to ACLARA BioSciences, Inc. Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference.
(24) Filed as an exhibit to ACLARA BioSciences, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference.
(25) Filed as an exhibit to our Quarterly Report on Form 10-Q for the Quarter ended June 30, 2004 and incorporated herein by reference.
(26) Filed as an exhibit to our Current Report on Form 8-K filed on September 8, 2005 and incorporated herein by reference.
(27) Filed as an exhibit to our Quarterly Report on Form 10-Q for the Quarter ended March 31, 2005 and incorporated herein by reference.
(28) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference.
(29) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and incorporated herein by reference.
(30) Filed as an exhibit to our Registration Statement on Form S-3 (No. 333-135096) filed on June 16, 2006 and incorporated herein by reference.

(31) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 and incorporated herein by reference.
(32) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference.
(33) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2006 and incorporated herein by reference.
(34) Filed as an exhibit to our Current Report on Form 8-K filed on January 12, 2007 and incorporated herein by reference.
(35) Filed as an exhibit to our Current Report on Form 8-K filed on February 8, 2007 and incorporated herein by reference.
(36) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 and incorporated herein by reference.
(37) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and incorporated herein by reference.
(38) Filed as an exhibit to our Current Report on Form 8-K on December 10, 2007 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Monogram Biosciences, Inc.

By: /s/ WILLIAM D. YOUNG
William D. Young
Chief Executive Officer

Date: March 11, 2008

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints William D. Young, Kathy L. Hibbs and Alfred G. Merriweather, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his substitute or substituted, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ WILLIAM D. YOUNG **William D. Young**	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	March 11, 2008
/s/ ALFRED G. MERRIWEATHER **Alfred G. Merriweather**	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 11, 2008
/s/ THOMAS R. BARUCH **Thomas R. Baruch**	Director	March 11, 2008
/s/ EDMON JENNINGS **Edmon Jennings**	Director	March 11, 2008
/s/ WILLIAM JENKINS, M.D. **William Jenkins, M.D.**	Director	March 11, 2008
/s/ CRISTINA H. KEPNER **Cristina H. Kepner**	Director	March 11, 2008
/s/ DAVID H. PERSING M.D., PH.D. **David H. Persing, M.D., Ph.D.**	Director	March 11, 2008
/s/ JOHN D. MENDLEIN, PH.D., J.D. **John D. Mendlein, Ph.D., J.D.**	Director	March 11, 2008

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

Classification	Balance at Beginning of Period	Additions Charged to Operating Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts:				
Year ended December 31, 2007	$ 965	$784	$(628)	$1,121
Year ended December 31, 2006	$1,044	$357	$(436)	$ 965
Year ended December 31, 2005	$ 595	$826	$(377)	$1,044

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

FORM 10-K/A
AMENDMENT No. 1

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

For the fiscal year ended December 31, 2007

OR

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

For the Transition Period From to

Commission file No. 000-30369

MONOGRAM BIOSCIENCES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	**94-3234479**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer identification no.)**
345 Oyster Point Blvd South San Francisco, California	**94080**
(Address of principal executive offices)	**(Zip code)**

Registrant's Telephone Number, Including Area Code: (650) 635-1100

Securities Registered Pursuant to Section 12(b) of the Act:
Common Stock, $0.001 Par Value
(Title of class)

The NASDAQ Stock Market LLC
(Name of Each Exchange on Which Registered)

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐.

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2007 was $149,360,123.*

The number of shares outstanding of the Registrant's Common Stock was 134,193,374 as of March 7, 2008.

* Excludes 43,864,331 shares of Common Stock held by directors, officers and stockholders whose beneficial ownership exceeds 5% of the Registrant's Common Stock outstanding. The number of shares owned by such persons was determined based upon information supplied by such persons and upon Schedules 13D and 13G, if any, filed with the SEC. Exclusion of shares held by any person should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the Registrant, that such person is controlled by or under common control with the Registrant, or that such persons are affiliates for any other purpose.

EXPLANATORY NOTE: This Amendment No. 1 on Form 10-K/A ("Amendment No. 1") amends the Registrant's Annual Report on Form 10-K, as filed by the Registrant on March 12, 2008 (the "Report"), and is being filed solely to replace Part III, Item 10 through Item 14. The reference on the cover of the Report to the incorporation by reference of the Registrant's Definitive Proxy Statement into Part III of the Report is hereby amended to delete that reference. Except as otherwise stated herein, no other information contained in the Report has been updated by this Amendment No. 1.

MONOGRAM BIOSCIENCES, INC.
ANNUAL REPORT ON FORM 10-K/A
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007
Amendment No. 1

TABLE OF CONTENTS

This Amendment No. 1 contains certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding development and commercialization of our proposed products and services, and the possible growth of our business into new markets. These statements, which sometimes include words such as "expect," "goal," "may," "anticipate," "should," "continue," or "will," reflect our expectations and assumptions as of the date of this Annual Report based on currently available operating, financial and competitive information. Actual results could differ materially from those in the forward-looking statements as a result of a number of factors, including our ability to successfully complete the development and clinical validation of HERmark and other assays based on the VeraTag technology platform and commercialize these assays for guiding treatment of cancer patients, the potential role of our assays in the development and use of new classes of human immunodeficiency virus, or HIV, drugs such as CCR5 inhibitors including Pfizer's Selzentry™, the market acceptance of our products, the effectiveness of competitive products, new products and technological approaches, the risks associated with our dependence on patents and proprietary rights, the possible infringement of the intellectual property rights of others, and our ability to raise additional capital if needed. These factors and others are more fully described in "Risk Factors" and elsewhere in this Form 10-K. We assume no obligation to update any forward-looking statements.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The following table sets forth information about our directors and executive officers as of March 31, 2008:

Name	Age	Position
William D. Young	63	Chairman of the Board, Chief Executive Officer and Director
William Jenkins, M.D.	60	Director
Edmon R. Jennings	60	Director
Cristina H. Kepner	61	Director
John D. Mendlein, J.D., Ph.D.	48	Director
David H. Persing, M.D., Ph.D.	52	Director
Michael P. Bates, M.D.	50	Vice President, Clinical Research
Michael J. Dunn	52	Chief Business Officer
Kathy L. Hibbs	44	Senior Vice President, General Counsel
Alfred G. Merriweather	54	Senior Vice President, Finance and Chief Financial Officer
Gordon Parry, Ph.D.	57	Vice President, Research and Development, Oncology
Christos J. Petropoulos, Ph.D.	54	Vice President, Research and Development, Virology and Chief Scientific Officer
William J. Welch	46	Senior Vice President and Chief Commercial Officer
Jeannette Whitcomb, Ph.D.	47	Vice President, Operations
Patricia Wray	51	Vice President, Human Resources

William D. Young has served as our Chief Executive Officer since November 1999 and has served as the Chairman of the Board since May 1999. From March 1997 to October 1999, Mr. Young was Chief Operating Officer at Genentech, Inc., a biotechnology company. As COO at Genentech, Mr. Young was responsible for all of the company's development, operations and commercial functions. Mr. Young joined Genentech in 1980 as Director of Manufacturing and Process Sciences and held various executive positions prior to becoming COO. Prior to joining Genentech, Mr. Young was employed by Eli Lilly and Company for 14 years. Mr. Young is a member of the board of directors of Biogen IDEC, Inc. and Theravance, Inc. He received his bachelor's degree in chemical engineering from Purdue University, his M.B.A. from Indiana University and an honorary Doctorate in Engineering from Purdue University. He was elected to the National Academy of Engineering, USA, in 1993.

William Jenkins, M.D. has served as a director since September 2000. Dr. Jenkins is the principal in his consulting firm William Jenkins Pharma Consulting and has been a consultant and advisor to pharmaceutical companies and investment and venture capital firms in the health sector since 1999. From 1992 to 1999, he served as Head of Clinical Development and Regulatory Affairs for Ciba-Geigy, and later for post-merger Novartis Pharma AG. Prior to that, Dr. Jenkins was head of worldwide clinical research at Glaxo and a Deputy Head in the U.K. Drug Regulatory Agency. Dr. Jenkins is a member of the Board of Directors of BTG plc and Eurand Pharmaceutical Holdings B.V. Dr. Jenkins received his M.D. from Cambridge University and has a specialist accreditation in internal medicine and gastroenterology.

Edmon R. Jennings has served as a director since May 2001. From July 2003 to December 2006, Mr. Jennings served as President and CEO of Angiogenix, Inc., a biopharmaceutical company. From February 2000 to June 2003, Mr. Jennings was Chief Commercialization Officer at Pain Therapeutics, Inc., a medical research and development company. From 1985 to 2000, Mr. Jennings held senior management positions at Genentech, Inc., including Vice President of Corporate Development, Vice President of Sales and Marketing and Vice President of Sales. Prior to Genentech, for twelve years Mr. Jennings held positions with Bristol-Myers Oncology and Bristol Laboratories, both of which were divisions of Bristol-Myers (now Bristol-Myers Squibb), a pharmaceutical company. Mr. Jennings serves as a director of TRF Pharma, Inc. Mr. Jennings received his B.A. in liberal arts from the University of Michigan at Ann Arbor.

Cristina H. Kepner has served as a director since May 1996. She is an Advisor at Invemed Associates LLC, an investment banking firm from which she retired in December 2000. From 1978 to December 2000, Ms. Kepner was a director, Executive Vice President and Corporate Finance Director at Invemed. Ms. Kepner serves on the board of directors of Quipp, Inc. and Cepheid. She is Chairman of the Board of Quipp, Inc. She received her B.A. from Pace University.

John D. Mendlein, J.D., Ph.D. has served as a director since December 2004. Dr. Mendlein was a member of ACLARA's board of directors from April 2003 to December 2004. Dr. Mendlein was Chairman and Chief Executive Officer of Adnexus Therapeutics Inc., a biotechnology company, from 2005 until its acquisition by Bristol-Myers Squibb in January 2008. Dr. Mendlein was Chairman and Chief Executive Officer of Adnexus Therapeutics Inc., a biotechnology company, from 2005 to January 2008. Prior to joining Compound Therapeutics, Dr. Mendlein served as Chairman and Chief Executive Officer of Affinium Pharmaceuticals, Inc., from 2000 until 2005. Prior to joining Affinium, Dr. Mendlein served as Chief Knowledge Officer, General Counsel and Senior Vice President, Intellectual Property of Aurora Biosciences Corporation, from 1996 until 2000. Dr. Mendlein holds a Ph.D. in physiology and biophysics from the University of California, Los Angeles and a J.D. degree from the University of California, Hastings College of Law.

David H. Persing, M.D., Ph.D. has served as a director since December 2000. Dr. Persing received his B.A. degree in Biochemistry from San Jose State University, and his M.D. and Ph.D. (Biochemistry and Biophysics) concurrently from the University of California, San Francisco. After completion of his residency in Clinical Pathology and fellowship training at Yale University in 1989, Dr. Persing was appointed to the medical and research staff of the Mayo Clinic, where he became Director of the Molecular Microbiology Laboratory and an Associate Professor at the Mayo Medical School. Dr. Persing has been Executive Vice President, Chief Medical and Technology Officer of Cepheid since August 2005 and has served on the board of directors of Cepheid since April 2004. Prior to his experience with Cepheid, Dr. Persing was the Senior Vice President and Chief Scientific Officer at Corixa Corporation, a research and development-based biotechnology company, from 1999 to 2005. Additionally, he served as a Principal Investigator in the Infectious Disease Research Institute, a non-profit research organization.

Michael P. Bates, M.D. joined our Clinical Research group as Medical Director in January 2001, was promoted to Senior Director in 2003 and was named Vice President of Clinical Research in June 2004. Prior to joining Monogram, Dr. Bates completed his internship and residency in Internal Medicine at the University of California, San Francisco, before pursuing fellowship training in Cardiology at Duke University in Durham,

North Carolina, and in Infectious Diseases at the University of Washington in Seattle, Washington. Following two years on the junior faculty at the University of Washington and the Fred Hutchinson Cancer Research Center in Seattle, Dr. Bates moved to industry. Dr. Bates was Regional Medical Director/Medical Liaison for Roche, focusing on virology from February 1999 to December 2000.

Michael J. Dunn has served as our Chief Business Officer since our merger with ACLARA in December 2004. From April 2003 to December 2004, Mr. Dunn was Chief Business Officer for ACLARA BioSciences, Inc. From March 2002 to April 2003, Mr. Dunn served as Executive Vice President of Business Development for ActivX Bioscience, Inc., a biotechnology company. From July 1998 to March 2002, Mr. Dunn was Vice President of Business Development for Aurora Biosciences Corporation, a biotechnology tools company. From 1995 to 1998, Mr. Dunn was Vice President of Business Development for SIBIA Neurosciences, Inc. Mr. Dunn has an M.B.A. from the University of San Diego and a B.A. in biology from the University of Chicago.

Kathy L. Hibbs joined Monogram as Vice President, General Counsel in April 2001, and was promoted to Senior Vice President in February 2007. Prior to joining Monogram, Ms. Hibbs was Vice President and General Counsel for Multitude, Inc., an Internet telecommunications company, which filed a petition for bankruptcy in 2001. Prior to that, from 1996 to 2000, she served as Senior Corporate Counsel at Varian Medical Systems, Inc., a leading manufacturer of integrated cancer therapy systems. At Varian, she was responsible for numerous legal matters including regulatory compliance, employment law, litigation and SEC reporting. Before her employment with Varian, Ms. Hibbs worked as a litigator for two California law firms and dealt with various legal issues, including civil rights and securities law. She received her J.D. degree from the University of California, Hastings College of Law, and her bachelor's degree in political science from the University of California, Riverside.

Alfred G. Merriweather has served as our Chief Financial Officer since our merger with ACLARA in December 2004, and was promoted to Senior Vice President in February 2007. From December 2001 to December 2004, Mr. Merriweather served as Vice President, Finance, Chief Financial Officer and Secretary of ACLARA BioSciences, Inc. From 1999 to 2001, he was Vice President and Chief Financial Officer for Citadon, Inc., a software company. From 1996 to 1999, Mr. Merriweather was Vice President of Finance and Chief Financial Officer of Symphonix Devices, Inc., a manufacturer of implantable medical devices. From 1993 to 1996, Mr. Merriweather was Senior Vice President of Finance and Chief Financial Officer of LipoMatrix, Inc., a medical device company based in Neuchatel, Switzerland. Prior to that, Mr. Merriweather was Vice President of Finance and Chief Financial Officer of Laserscope, a manufacturer of surgical laser systems. Mr. Merriweather holds a B.A. from The University of Cambridge, England.

Gordon Parry, PhD, joined Monogram in 2007 as Senior Director of Research and Development, Oncology and in February 2008 became Vice President of Research and Development, Oncology. Prior to joining Monogram, Dr. Parry worked for twelve years at Berlex Biosciences where he was the Department Head of their Cancer Research Department. Previously, he held a variety of research positions in academia, including ten years at the University of California's Lawrence Berkeley Laboratory. He is currently an Advisory Council Member for the California Breast Cancer Research Program. Dr. Parry received his PhD in biochemistry at the University of London.

Christos J. Petropoulos, Ph.D. joined Monogram as our Director of Research and Development in August 1996, became Senior Director of Research and Development in September 1997, was named our Vice President, Research and Development in November 1999, was named our Vice President, Research and Development, Virology in December 2004, was named Vice President of Research and Development in October 2005 and in August 2007, was named Vice President of Research and Development, Virology. Since December 2004, Dr. Petropoulos has served as our Chief Scientific Officer. From 1992 to 1996, Dr. Petropoulos was a scientist at Genentech where he headed the Molecular Virology Laboratory and the Research Virology and Molecular Detection Laboratories from 1994 to 1996. Dr. Petropoulos received his Ph.D. in molecular and cell biology from Brown University.

William J. Welch has served as our Senior Vice President and Chief Commercial Officer since September 2005. From 1998 to 1999 and from 2001 to August 2005, Mr. Welch was with LaJolla Pharmaceutical, Inc., most recently as Vice President, Sales & Marketing. From 1999 to 2001, Mr. Welch was Vice President of Global Marketing for Dade Behring MicroScan where he managed marketing and strategic development for a $150 million business. From 1993 to 1998, Mr. Welch held a number of management positions with Abbott Laboratories, including General Manager of the Ambulatory Infusion Systems Division. Mr. Welch holds a B.S. from the University of California at Berkeley and an MBA from Harvard University.

Jeannette M. Whitcomb, Ph.D. joined Monogram as one of the first scientists in the Research and Development department in 1996, transitioned to the Operations group in 2002 and was named Vice President of Operations in June 2003. Prior to joining Monogram, Dr. Whitcomb was a Postdoctoral Fellow in Dr. Stephen H. Hughes' lab at the National Cancer Institute — Frederick Cancer Research and Development Center. Prior to that, she was a Fogerty Fellow in Dr. Peter A. Cerutti's lab at the Swiss Institute for Experimental Cancer Research in Lausanne, Switzerland. Dr. Whitcomb received her bachelor's degree in Biology from Widener University in Chester, Pennsylvania and her Ph.D. in microbiology and immunology from Temple University School of Medicine in Philadelphia.

Patricia Wray is the Vice President, Human Resources. She has overseen Monogram's Human Resources function in a number of capacities since 1998, beginning as our Senior Director of Human Resources prior to being named our Vice President of Human Resources in November 1999. In February of 2003 Ms. Wray's role was converted to a consultant to the Company. In September of 2004 she returned as the Senior Director until again being named our Vice President of Human Resources in September 2006. Prior to joining Monogram, Ms. Wray held a number of positions at Genentech including Director of Employee Relations and Training from 1989 to 1997. From 1981 to 1989, Ms. Wray worked as Employee Relations Manager at Hewlett Packard in both the Networking and Analytical Instrument Divisions. She received her Masters degree from Michigan State University, and a B.S. in horticulture from University of Delaware.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "1934 Act") requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2007, all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were complied with; except that one report, covering one transaction, was filed late by each of Ms. Kepner, Mr. Baruch, Mr. Jenkins, Mr. Jennings, Dr. Mendlein and Dr. Persing.

CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics that applies to our directors and employees (including our principal executive officer, principal financial officer, principal accounting officer and controller), and have posted the text of the policy on our website (www.monogrambio.com) in connection with "Investor" materials; however, information found on our website is not incorporated by reference into this report. In addition, we intend to promptly disclose (i) the nature of any amendment to the policy that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions and (ii) the nature of any waiver, including an implicit waiver, from a provision of the policy that is granted to one of these specified individuals, the name of such person who is granted the waiver and the date of the waiver on our website in the future.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors oversees our corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. Three directors comprise the Audit Committee: Cristina H. Kepner (Chair), William Jenkins and Edmon R. Jennings. The Board of Directors annually reviews the Nasdaq listing standards definition of independence for Audit Committee members and has determined that all members of the Company's Audit Committee are independent (as independence is currently defined in Rule 4350(d)(2)(A)(i) and (ii) of the Nasdaq listing standards). The Board of Directors has determined that Cristina H. Kepner qualifies as an "audit committee financial expert," as defined in applicable SEC rules.

Item 11. *Executive Compensation*

COMPENSATION DISCUSSION AND ANALYSIS

Overview

The goal of our executive compensation program is to provide a structure of incentives and rewards that will drive behavior and performance in a way that builds long term value for our stockholders. In support of this goal we have implemented compensation and benefit programs that are designed to:

- drive and reward performance
- align the interests of management and stockholders
- enable the recruitment and retention of high quality executives
- provide fair and reasonable levels of compensation

We have implemented specific compensation elements to address these objectives. These have included base salary, equity participation, benefits and a cash bonus plan. Some of these are short term in nature and others are more relevant as longer term incentives and rewards. Our goal is to have a blend of compensation elements that in the aggregate meets the objectives described above.

The compensation committee of our board of directors oversees our executive compensation arrangements, in accordance with a committee charter approved by the board of directors.

The programs described here relate to all of our executive officers, including the vice presidents and senior vice presidents who report directly to our chief executive officer, and to the chief executive officer himself. This includes those individuals who are identified as named executive officers.

Compensation Objectives

The following are the principal objectives of our compensation programs.

Performance—We strive to maintain a performance-oriented culture. Each of our compensation elements are designed to recognize the actual performance and the potential future performance of our executive officers. We expect all of our executive officers to perform to high standards of competence. We also expect them to set and achieve appropriate goals for their area of responsibility and for the company as a whole.

Alignment with stockholders—We seek to align ourselves with the interests of our stockholders. We do this by setting our goals based on the business milestones that we believe are most likely to drive long term stockholder value and by tying significant elements of executive compensation to our business success. Cash bonuses are designed to acknowledge short term goal accomplishment while over the long term, executive officers expect to benefit directly from increases in the value of our common stock through equity participation, primarily stock options.

Recruiting and Retention—Building an outstanding organization and delivering excellence in all aspects of our performance requires that we hire, and retain, high quality executives. We believe that an environment in

which employees are able to have an enjoyable, challenging and rewarding work experience is critical to our ability to recruit and retain the right people. A critical aspect of that environment is the structure of incentives and rewards that are embedded in the compensation structure. We strive to keep this structure competitive so that qualified people are motivated to join our team and to stay at Monogram for long and successful careers.

Fair and Reasonable—We strive to make our compensation programs fair in two ways. First, we aim for fairness internally in relation to other executives and to other employees throughout the organization. Second, we seek fairness externally in relation to comparable positions in other companies. We also set compensation levels that are reasonable in terms of our overall financial and competitive condition as a company and that reflect the experience, skills and level of responsibility of the executive. We utilize data from the Radford Global Life Sciences Survey for companies nationwide with 150-499 employees to aid in benchmarking our cash compensation levels to outside market conditions. We did not, for 2007, benchmark against a list of specifically identified peer companies, nor do we know which specific companies' data comprises the Radford Global Life Sciences Survey results.

Implementing our Objectives

Roles of the Compensation Committee and Management—The compensation committee of the board of directors operates under a board-approved charter. This charter specifies the principal responsibilities of the committee as follows: (i) to review and approve the overall compensation strategy (including performance goals, compensation plans, programs and policies, employment and similar agreements with executive officers); (ii) to determine the compensation and terms of employment of the chief executive officer and the other executive officers; (iii) to administer and to recommend adoption, change or termination of plans, including option plans, bonus plans, deferred compensation plans, pension plans and (iv) to establish appropriate insurance for the directors and officers. The committee consists of four directors, each of whom satisfies the independence requirements of the Nasdaq Global Market as well as applicable SEC and IRS regulations.

The chief executive officer and the vice president of human resources attend compensation committee meetings, except those meetings or portions of those meetings where their respective compensation is being discussed by the committee. The chief executive officer, with the assistance of the vice president of human resources, presents performance assessments of other executive officers to the compensation committee and proposes ranges of compensation benefits for each officer based upon each respective assessment. Neither the company nor the compensation committee engaged any third party consultants regarding 2007 executive compensation.

The performance of each of our executive officers is evaluated annually at the end of the calendar year. The chief executive officer's performance is evaluated by the compensation committee and the performance of the other executive officers is evaluated by the chief executive officer and reviewed with the compensation committee. The factors taken into account in the evaluation of performance include: the extent to which pre-established goals were accomplished and the extent to which the executive demonstrated leadership, creativity, teamwork and commitment, and embodied our company values. Other factors that are considered in making compensation determinations are the experience, skill level and level of responsibility of the executive and competitive market conditions.

Equity Grant Practices—All options granted to executive officers must be approved by either the compensation committee or the board of directors. At the time of hire, options are granted effective on the employment start date for the executive. Generally, we assess all of our executive officers on an annual basis for potential additional stock option grants. These annual awards are approved by the compensation committee or by the board of directors. In 2006, 2007 and 2008, these awards were granted at the first regularly scheduled board meeting of the calendar year, on April 7, 2006, March 29, 2007, and March 13, 2008, respectively. These options vest in accordance with our normal vesting schedule which is 25% after twelve months and then in equal monthly increments over the remaining three years of a four year vesting term.

Elements Used to Achieve Compensation Objectives

Base Salary—In determining base salaries for our executive officers, we benchmarked each of our executive positions using the data from the Radford Global Life Sciences Survey for companies nationwide with 150-499 employees. We used the 50th percentile as a general benchmark for salary levels. However, many factors affected the determination of the salary level for individual executives, including performance, experience, skill, responsibilities and competitive market factors. In general, we seek to provide a fair, reasonable and competitive level of base salary.

Cash Bonus—While we believe that the provision of short-term cash incentives is important to aligning the interests of executive officers and stockholders, and to the rewarding of performance, we also take into account the overall financial situation of the company. For 2007, we implemented a cash bonus plan that provided for the payment of cash bonuses based on the compensation committee's assessment of our performance against specified pre-determined corporate goals for the year including revenue, operational and product development goals, as well as an assessment of individual performance for each executive. Payment of bonuses based on these assessments was contingent on a minimum level of revenue being attained. The chief executive officer was eligible for a total target bonus of up to 40% of base salary. The other executive officers were each eligible for a total target bonus of up to 30% of base salary. In determining these target bonus percentages we benchmarked our executives using the Radford Global Life Sciences Survey for companies nationwide with 150-499 employees, with the 50th[h] percentile as a general target for potential bonus levels. Because the specified minimum level of revenue was not attained, no cash bonuses were paid to our Named Executive Officers for 2007.

Equity Incentive—We utilized stock options as the primary method of equity participation for our executive officers. In the future we may consider using other forms of equity participation such as restricted stock grants. Equity incentive awards are determined separately and independently from cash-based awards. We determined option grants by reference to our own capitalization structure and to internally generated benchmarks that we have established to determine appropriate levels of stock option grants for our employees. These options vest in accordance with our normal vesting schedule which is 25% after twelve months and then in equal monthly increments over the remaining three years of a four year vesting term.

Benefits—We provide a competitive range of health and other benefit programs to our executive officers. These are provided on the same basis to executive officers and all employees. These include health and dental insurance, life and disability insurance, and a 401(k) plan under which certain matching contributions are made in company stock.

In addition to these benefit programs, we have implemented a non qualified deferred compensation plan. Those eligible for this plan include members of the board of directors, the executive officers and certain other senior employees. Under this plan, individuals enrolled in the plan can, by election in advance, defer a portion of their total compensation on a pretax basis. None of our named executive officers have participated in this plan. There are no special perquisites or benefit programs made available exclusively to any of the executive officers, either individually or as a group.

Relocation—When necessary and appropriate, upon the hire of new executives, we may pay additional amounts in reimbursement of relocation costs and/or as additional compensation to assist with the high cost of housing in the San Francisco Bay Area.

Severance—Under provisions of our chief executive officer's employment agreement, in the event of a termination of employment for reasons other than cause, he is entitled to receive severance benefits, as described below under "*Employment, Severance and Change of Control Agreements.*" We entered into this agreement with Mr. Young to attract and retain his services. None of our other executive officers have agreements providing for any severance payments, except in the context of a change in control, as described below.

Change in Control—In the event of an actual or constructive termination of employment, other than for cause, within three months before or twenty-four months after a change of control of the company, our named executive officers will receive severance benefits, as described below under "*Employment, Severance and Change of Control Agreements.*" We enter into these agreements to help attract and retain key executive talent for the company.

Compensation of the Named Executive Officers in 2007

William D. Young, Chairman and Chief Executive Officer—Mr. Young's base salary was set at $475,000 for 2007, an increase of 4% over his salary for 2006. This increase reflected the compensation committee's assessment of his performance in leading the company and based on his experience, skills and leadership abilities. No cash bonus was paid to Mr. Young for 2007. At the time of our annual review of stock option grants, on March 29, 2007, Mr. Young was granted an option to purchase 300,000 shares of common stock at an exercise price of $1.88 per share. This option grant was considered appropriate by the compensation committee, taking into account Mr. Young's performance, role, responsibilities and anticipated contributions to the company. This option vests in accordance with our normal vesting schedule which is 25% after twelve months and then in equal monthly increments over the remaining three years of a four year vesting term.

Alfred G. Merriweather, Senior Vice President and Chief Financial Officer; William Welch, Senior Vice President and Chief Commercial Officer; Christos Petropoulos, Vice President R&D Virology and Chief Scientific Officer; Michael Bates, Vice President Clinical Research—Base salary for the other named executive officers were set for 2007 at the following levels, and represented the stated percentage increase over their salaries for 2006: Mr. Merriweather—$275,600 (6%); Mr. Welch—$297,150 (5%); and Dr. Petropoulos—$281,200 (3%). Dr. Bates' base salary for 2007 was initially set at $286,200, representing an 8% increase over his salary for 2006, and then in September 2007 Dr. Bates' base salary was further increased to $307,000. These salaries are set at market levels and also reflect the compensation committee's concurrence with Mr. Young's assessment of their performance in leading their functions, in execution of pre-established goals for their functions and in contributing to the company's overall progress. Mr. Merriweather's increase in salary was reflected in his promotion to senior vice president. Dr. Bate's salary increases in 2007 were higher than other executives in order to bring Dr. Bates' salary to a competitive market level for professionals with his qualifications.

No cash bonuses were paid to any of our Named Executive Officers for 2007. At the time of our annual review of stock option grants, on March 29, 2007, the named executives were granted options to purchase the following number of shares of common stock at an exercise price of $1.88 per share: Mr. Merriweather—100,000; Mr. Welch—100,000; Dr. Petropoulos—100,000; and Dr. Bates—100,000. These option grants were considered appropriate by the compensation committee, taking into account the executives' performance, roles, responsibilities and anticipated contributions to the company. These options vest in accordance with our normal vesting schedule which is 25% after twelve months and then in equal monthly increments over the remaining three years of a four year vesting term.

In addition, in accordance with our agreement with Mr. Welch at the time of his recruitment to be our Chief Commercial Officer in 2005 and his relocation to the San Francisco Bay Area, we paid him mortgage assistance payments in 2007 of $40,000.

Summary Compensation Table

The following table shows for the fiscal years ended December 31, 2006 and December 31, 2007, compensation awarded to or paid to, or earned by, the Company's Chief Executive Officer, Chief Financial Officer and its three other most highly compensated executive officers at December 31, 2006 and December 31, 2007, respectively (the "Named Executive Officers").

Summary Compensation Table for Fiscal 2007

Name and Principal Position	Year	Salary ($)	Option Awards (a) ($)	All Other Compensation ($)	Total ($)
William D. Young	2006	$ 454,519	$1,123,228	$ 4,914 (b)	$1,582,661
Chairman of the Board and Chief Executive Officer	2007	$ 475,000	$ 731,487	$ 5,125 (c)	$1,211,612
Alfred G. Merriweather	2006	$ 259,615	$ 210,719	$ 4,901 (d)	$ 475,235
Senior VP , Finance and Chief Financial Officer	2007	$ 275,600	$ 161,946	$ 5,397 (e)	$ 442,943
Christos J. Petropoulos, PhD	2006	$ 272,846	$ 383,458	$ 250 (f)	$ 656,554
VP, Research and Development	2007	$ 280,885	$ 258,836	$ 254 (f)	$ 539,975
William J. Welch	2006	$ 282,846	$ 271,134	$70,214 (g)	$ 624,194
Sr. VP and Chief Commercial Officer	2007	$ 297,150	$ 215,495	$43,875 (h)	$ 556,520
Michael P. Bates, MD	2007	$ 291,800	$ 181,497	$ 4,129 (i)	$ 477,426
VP, Clinical Research					

Note:

(a) Represents the compensation expense related to all outstanding options that we recognized for the year ended December 31, 2006 and the year ended December 31, 2007 under Statement of Financial Accounting Standards No. 123R (SFAS123R), adjusted to exclude estimates of forfeitures. This expense is determined by computing the fair value of each option on the grant date in accordance with SFAS 123R and recognizing that amount as expense ratably over the option vesting term and accordingly includes the portion of options granted in previous years, that vested in 2006 or 2007, as applicable. The assumptions used to calculate the value of option awards are set forth under Note 8 of the Notes to the Financial Statements included in the Company's Annual Report on Form 10-K for fiscal 2007 filed with the SEC on March 12, 2008.

(b) Consists of $4,914 of matching payments under our 401(k) plan in the form of shares of our common stock.

(c) Consists of $5,125 of matching payments under our 401(k) plan in the form of shares of our common stock.

(d) Consists of $4,648 of matching payments under our 401(k) plan in the form of shares of our common stock and $253 of reimbursement of health club fees in accordance with a benefit program available to all employees.

(e) Consists of $5,125 of matching payments under our 401(k) plan in the form of shares of our common stock and $272 of reimbursement of health club fees in accordance with a benefit program available to all employees.

(f) Consists of reimbursement of health club fees in accordance with a benefit program available to all employees.

(g) Consists of $3,664 of matching payments under our 401(k) plan in the form of shares of our common stock, $6,550 in moving costs and $60,000 in mortgage assistance payments, both related to Mr. Welch's relocation in the San Francisco Bay Area.

(h) Consists of $3,875 of matching payments under our 401(k) plan in the form of shares of our common stock and $40,000 in mortgage assistance payments, both related to Mr. Welch's relocation in the San Francisco Bay Area.

(i) Consists of $3,875 of matching payments under our 401(k) plan in the form of shares of our common stock and $254 of reimbursement of health club fees in accordance with a benefit program available to all employees.

GRANTS OF PLAN-BASED AWARDS

The following table shows for the fiscal year ended December 31, 2007, certain information regarding grants of plan-based awards to the Named Executive Officers:

GRANT OF PLAN-BASED AWARDS IN FISCAL 2007

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#) (1)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
William D. Young	3/29/2007	300,000	$1.88	$400,230
Alfred G. Merriweather	3/29/2007	100,000	$1.88	$133,410
Christos J. Petropoulos, PhD	3/29/2007	100,000	$1.88	$133,410
William J. Welch	3/29/2007	100,000	$1.88	$133,410
Michael Bates	3/29/2007	100,000	$1.88	$133,410

(1) These options vest in accordance with our normal vesting schedule which is 25% after twelve months and then in equal monthly increments over the remaining three years of a four year vesting term.

We determined option grants by reference to our own capitalization structure and to internally generated benchmarks that we have established to determine appropriate levels of stock option grants for our employees.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR—END.

The following table shows for the fiscal year ended December 31, 2007, certain information regarding outstanding equity awards at fiscal year end for the Named Executive Officers.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2007

	Option Awards			
Name	Number of Securities Underlying	Number of Securities Underlying Unexercised	Option Exercise Price ($)	Option Expiration Date
William D. Young	300,000	—	$ 1.51	6/19/2013
	125,000	175,000	$ 1.62	4/6/2014
	—	300,000	$ 1.88	3/28/2015
	1,134,375	515,625	$ 2.28	3/1/2013
	222,500	—	$ 2.57	2/20/2012
	281,250	18,750	$ 3.00	3/16/2014
	150,000	—	$ 3.14	11/1/2009
	250,000	—	$ 3.14	11/11/2009
	250,000	—	$ 3.14	11/10/2009
	65,000	—	$ 3.22	7/15/2011
	12,500	—	$ 5.40	11/9/2008
	150,000	—	$ 6.00	1/31/2011
Alfred G. Merriweather	41,666	58,334	$ 1.62	4/6/2014
	—	100,000	$ 1.88	3/28/2015
	171,875	78,125	$ 2.28	3/1/2013
	122,188	5,313	$1.88 (1)	2/6/2014
	212,500	—	$1.38 (1)	5/5/2013
	127,500	—	$1.24 (1)	1/6/2013
	170,000	—	$2.71 (1)	12/19/2011
Christos J. Petropoulos	50,000	—	$ 1.51	6/19/2013
	41,666	58,334	$ 1.62	4/6/2014
	—	100,000	$ 1.88	3/28/2015
	412,500	187,500	$ 2.28	3/1/2013
	56,250	—	$ 2.57	2/20/2012
	70,312	4,688	$ 3.00	3/16/2014
	15,000	—	$ 3.22	7/15/2011
	20,000	—	$ 3.70	2/7/2010
	4,331	—	$ 3.70	2/8/2010
	5,775	—	$ 5.40	3/30/2009
	35,000	—	$ 6.00	1/31/2011
William J. Welch	72,916	102,084	$ 1.62	4/6/2014
	—	100,000	$ 1.88	3/28/2015
	175,000	125,000	$ 2.44	8/30/2013
Michael Bates	15,000	—	$ 1.27	3/18/2013
	20,000	—	$ 1.51	6/19/2013
	52,083	72,917	$ 1.62	4/6/2014
	—	100,000	$ 1.88	3/28/2015
	206,250	93,750	$ 2.28	3/1/2013
	10,000	—	$ 2.57	2/20/2012
	46,875	3,125	$ 3.00	3/16/2014
	7,000	—	$ 3.22	7/15/2011
	35,000	—	$ 8.00	1/16/2011

(1) Upon exercise of these assumed ACLARA BioSciences, Inc. ("ACLARA") stock options, Mr. Merriweather will be entitled to receive a payment of $0.88 per share as payment in lieu of receiving contingent value rights, or CVRs, issued to holders of ACLARA common stock in connection with the Company's merger with ACLARA in December 2004.

OPTION EXERCISES AND STOCK VESTED

The following table presents information concerning the aggregate number of shares for which options were exercised during fiscal 2007 for each of the named executive officers.

	Option Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise (1)
Christos J. Petropoulos	7,500	$9,000
William D. Young	—	—
Alfred G. Merriweather	—	—
William Welch	—	—
Michael Bates	—	—

(1) Represents the difference between the aggregate market price of the common stock acquired on the date of exercise and the aggregate exercise price.

EMPLOYMENT, SEVERANCE AND CHANGE OF CONTROL AGREEMENTS

William D. Young

We have an amended and restated agreement with William D. Young governing his employment as our Chief Executive Officer. This agreement provides for a base salary initially of $475,000 per year, plus a yearly incentive bonus as part of our bonus program based on objectives established by the Board of Directors after consultation with Mr. Young.

Our agreement with Mr. Young specifies that Mr. Young's employment is at-will. If we terminate his employment for any reason other than for cause, including in the context of a change of control, however, or if his employment is terminated as a result of death or permanent disability, we have also agreed to continue to pay him his base salary, at the level in effect at the time of termination, for an additional 12 months. If Mr. Young elects to continue his health insurance under the Consolidated Omnibus Budget Reconciliation Act, or COBRA, following the termination of his employment, then we will pay Mr. Young's monthly premium under COBRA until the earliest of (i) twelve months or (ii) the expiration of Mr. Young's continuation coverage under COBRA. If Mr. Young is constructively terminated within three months prior to or twenty-four months after a change in control then he will receive a one time cash severance payment equal to twelve months of his base salary plus an amount equal to the bonus that he received for the prior year.

Executive Severance Agreements and Stock Option Acceleration Provisions

We have entered into executive severance benefits agreements with each of our executive officers other than William Young which were amended as of September 20, 2007. These executive severance benefits agreements provide that if the executive is terminated without cause or constructively terminated within three months prior to or twenty-four months after a change in control then the executive will receive a one time cash severance payment equal to twelve months of the executive's base salary plus an amount equal to the bonus that the executive received for the prior year. If the executive elects to continue his health insurance under COBRA following the termination of his employment, then the Company shall pay the executive's monthly premium under COBRA until the earliest of (i) twelve months or (ii) the expiration of the executive's continuation coverage under COBRA.

The stock option agreements we have entered into with our executive officers in connection with stock option grants made to them under the 2004 Plan provide for acceleration of vesting of the stock option if the

executive is terminated without cause or for good reason as of, or within 13 months after, a change in control. Options granted to executives under our 2000 Equity Incentive Plan, pursuant to the terms of that plan, are also subject to accelerated vesting if the executive is terminated without cause or for good reason as of, or within 13 months after, a change in control.

Potential Payouts Upon Termination or Change in Control

The table below shows the potential payments and benefits to which each Named Executive Officer would be entitled under the executive severance benefits agreements and stock option acceleration provisions described above and, in the case of Mr. Young, his employment agreement. The amounts shown in the table assume that termination was effective as of December 31, 2007 and that all eligibility requirements under the executive severance benefits agreements or applicable employment agreement were met.

		Termination without Cause or Constructively Terminated	
Name	Benefits	Within the Context of Change in Control	Outside the Context of Change in Control
William D. Young	Cash severance	$475,000	$475,000
	Cash bonus	—	—
	Medical benefits	13,650	13,650
	Stock option vesting acceleration (1)	4,931	4,931
	Total	$493,581	$493,581
Alfred G. Merriweather	Cash severance	$275,600	—
	Cash bonus	—	—
	Medical benefits	19,732	—
	Stock option vesting acceleration (1)	1,588	—
	Total	$296,920	—
Christos J. Petropoulos, PhD	Cash severance	$281,200	—
	Cash bonus	—	—
	Medical benefits	6,630	—
	Stock option vesting acceleration (1)	1,653	—
	Total	$289,483	—
William J. Welch	Cash severance	$297,150	—
	Cash bonus	—	—
	Medical benefits	19,732	—
	Stock option vesting acceleration (1)	2,236	—
	Total	$319,118	—
Michael P. Bates, MD	Cash severance	$307,000	—
	Cash bonus	—	—
	Medical benefits	19,732	—
	Stock option vesting acceleration	1,810	—
	Total	$328,542	—

(1) Represents the value of the portion of the stock option that is assumed to be accelerated, calculated using a Black-Scholes option valuation method.

DIRECTOR COMPENSATION

The following table shows for the fiscal year ended December 31, 2007 certain information with respect to the compensation of all non-employee directors of the Company:

DIRECTOR COMPENSATION FOR FISCAL 2007

Name	Fees Earned or Paid in Cash (a) ($)	Option Awards (b) ($)	Total ($)
Thomas Baruch (c)	$24,500	$26,459	$50,959
William Jenkins	$44,500	$26,459	$70,959
Edmon Jennings	$33,000	$26,459	$59,459
Cristina Kepner	$45,500	$26,459	$71,959
John Mendlein	$28,500	$26,459	$54,959
David H. Persing	$31,000	$26,459	$57,459

Note:

(a) Represents retainer, committee and meeting fees.

(b) Amounts shown do not reflect compensation actually received by the directors. Instead, the amounts shown are the compensation costs recognized by Monogram in fiscal 2007 for option awards as determined pursuant to Statement of Financial Accounting Standards No. 123 (R), or FAS 123(R), adjusted to exclude estimates of forfeitures. The assumptions used to calculate the value of option awards are set forth under Note 8 of the Notes to the Financial Statements included in Monogram's Annual Report on Form 10-K for fiscal 2007 filed with the SEC on March 12, 2008.

(c) On March 6, 2008, Mr. Baruch resigned as a member of our board of directors, effective March 11, 2008.

Each of our non-employee directors received an annual retainer of $20,000 in 2007, paid in equal quarterly installments. In addition, in 2007 each non-employee director received a fee of $2,000 for each Board of Directors meeting attended in person ($3,000 for directors resident outside of the U.S.), a fee of $500 for each Board of Directors meeting attended by phone and a fee of $500 for each committee meeting attended by committee members. In addition, the chair of the Audit Committee will receive an annual retainer of $10,000 and the chair of the Compensation Committee will receive an annual retainer of $5,000. In the fiscal year ended December 31, 2007, the total cash compensation paid to non-employee directors was $207,000. The members of the Board of Directors are also eligible for reimbursement for their expenses incurred in attending Board meetings in accordance with our policy.

All of our directors are eligible to participate in our 2004 Equity Incentive Plan, or the 2004 Plan. Option grants to non-employee directors are discretionary. However, the Board of Directors has adopted a policy pursuant to which it makes initial grants of stock options to new non-employee directors at their time of election to the Board of Directors, and, on an annual basis, grants stock options to its continuing non-employee directors. During the fiscal year ended December 31, 2007, we granted each of our six continuing non-employee directors options to purchase 20,000 shares of common stock. These options vest monthly over a one-year period; provided that the vesting may accelerate and all shares subject to the options may become immediately exercisable in the event of a change in control of us.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the fiscal year ended December 31, 2007, the following non-employee directors served as members of the Compensation Committee: William Jenkins (Chair), Cristina H. Kepner, John D. Mendlein, and David H. Persing. During that fiscal year, none of our executive officers served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis ("CD&A") contained in this Amendment No. 1 to Annual Report on Form 10-K/A. Based on this review and discussion, the Compensation Committee has recommended to the Board of directors that the CD&A be included in this Amendment No. 1 to Annual Report on Form 10-K/A for the fiscal year ended December 31, 2007.

William Jenkins (Chair)
Cristina H. Kepner,
John D. Mendlein
David H. Persing

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the ownership of our common stock as of April 1, 2008 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all of our executive officers and directors as a group; and (iv) all those known by us to be beneficial owners of more than five percent of our common stock.

Beneficial ownership is determined according to the rules of the Securities and Exchange Commission, and generally means that a person has beneficial ownership of a security if he or she possesses sole or shared voting or investment power of that security, and includes options, warrants and convertible securities that are currently exercisable or convertible within 60 days of April 1, 2008. Some of the information with respect to beneficial ownership has been furnished to us by each director, officer or 5% or more stockholder, as the case may be. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below, based on the information each of them has given us, have sole investment and voting power with respect to their shares, except where community property laws may apply.

This table lists applicable percentage ownership based on 134,193,374 shares of common stock outstanding as of April 1, 2008. Options and warrants to purchase shares of the common stock and securities convertible into shares of common stock that are exercisable or convertible within 60 days of April 1, 2008 are deemed to be beneficially owned by the persons holding these securities for the purpose of computing percentage ownership of that person, but are not treated as outstanding for the purpose of computing any other person's ownership percentage. Shares underlying options, warrants and convertible securities that are deemed beneficially owned are listed in this table separately in the column labeled "Shares Subject to Options, Warrants and Convertible Securities." These shares are included in the number of shares listed in the column labeled "Total Number."

	Shares Beneficially Owned (1)		
Name of Beneficial Owner	Total Number	Shares Subject to Options, Warrants and Convertible Securities	Percent of Class Beneficially Owned
5% Stockholders			
Federated Investors, Inc. (2)	23,488,900	—	17.50%
Kenneth F. Siebel (3)	11,714,000	—	8.73%
Pfizer, Inc. (4)	12,274,296	9,242,828	8.56%
Highbridge International LLC (5)	11,904,761	11,904,761	8.15%
Gilder, Gagnon, Howe & Co. LLC	7,068,718	—	5.27%
Directors and Executive Officers			
William D. Young (6)	3,524,785	3,250,000	2.56%
Alfred G. Merriweather (7)	943,195	916,665	*
Christos J. Petropoulos, Ph.D. (8)	887,972	817,603	*
Michael Bates (9)	504,674	468,768	*
William J. Welch (10)	330,468	320,311	*
Cristina H. Kepner	209,183	148,333	*
David H. Persing, M.D., Ph.D.	158,333	148,333	*
William Jenkins, M.D.	148,333	148,333	*
Edmon R. Jennings	139,433	138,333	*
John D. Mendlein, J.D., Ph.D.	195,933	195,933	*
All directors and executive officers as a group (15 persons)	9,529,059	8,801,886	6.67%

* Less than one percent.

(1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the SEC. Unless otherwise indicated, the address of each person in this table is c/o Monogram, Inc., 345 Oyster Point Boulevard, South San Francisco, California 94080.

(2) The business address for Federated Investors, Inc. is Federated Investor Tower, Pittsburgh, PA 15222-3779. This information is based solely on a Schedule 13G/A filed with the SEC on December 31, 2007.

(3) The shares include shares beneficially owned directly and indirectly by Mr. Siebel, including shares of the Company's common stock beneficially owned by Private Wealth Partners LLC, a California limited liability company and a registered investment adviser ("IA"). Mr. Siebel controls IA by virtue of Mr. Siebel's position as a majority managing member of IA. IA acts as an investment advisor to PWP Partnership Fund, LLC and manages discretionary client accounts that include shares of the Company's common stock. The business address for Kenneth F. Siebel is 80 E. Sir Francis Drake Blvd., 4th Fl., Larkspur, CA 94939. This information is based solely on a Schedule 13G filed with the SEC on December 7, 2007.

(4) The total number of shares beneficially owned represents 9,242,828 shares of common stock that are initially issuable upon conversion of the Amended and Restated 3.0% Senior Secured Convertible Note due May 19, 2010, issued by the Company to Pfizer, Inc. on May 5, 2006 and amended and restated in January of 2007, at $2.7048 per share, 845,017 shares of common stock issued in connection with quarterly interest payments on the Note, and 2,608,695 shares of common stock owned by Pfizer Overseas Pharmaceuticals, a wholly-owned subsidiary of Pfizer, Inc. The information regarding the Pfizer Overseas Pharmaceuticals shares is based solely on a Schedule 13D/A filed with the SEC on February 11, 2005. The business address for Pfizer Inc. and Pfizer Overseas Pharmaceuticals is 235 East 42nd Street, New York, New York 10017.

(5) These shares are issuable upon conversion of a 0% Senior Unsecured Note issued by the Company to Highbridge International, LLC on January 12, 2007. Pursuant to the terms of an Indenture, dated January 12, 2007, up to 1,347,000 additional shares may be issued upon conversion of the 0% Senior Unsecured Note upon certain change of control events.

(6) Total number of shares beneficially owned includes 12,975 shares that are held in trust by the Company's 401(k) plan as part of matching contributions in the form of common stock.

(7) Total number of shares beneficially owned includes 7,602 shares that are held in trust by the Company's 401(k) plan as part of matching contributions in the form of common stock.

(8) Total number of shares beneficially owned includes 6,464 shares that are held in trust by the Company's 401(k) plan as part of matching contributions in the form of common stock.

(9) Total number of shares beneficially owned includes 11,105 shares that are held in trust by the Company's 401(k) plan as part of matching contributions in the form of common stock.

(10) Total number of shares beneficially owned includes 4,788 shares that are held in trust by the Company's 401(k) plan as part of matching contributions in the form of common stock.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information as of December 31, 2007 regarding our equity compensation plans:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	19,820,144(1)	$2.27	6,714,746
Equity compensation plans not approved by security holders	500,000(2)	$3.14	—
Total	20,320,144	$2.29	6,714,746

(1) Includes securities to be issued under the Company's 2000 Employee Stock Purchase Plan, which contains an automatic annual increase ("evergreen") provision equal to the least of the following amounts: (i) 0.75%

of the outstanding shares on the day preceding the first day of the applicable Company fiscal year, (ii) 1,000,000 shares or (iii) an amount as may be determined by the Board, to be added on the first day of the Company fiscal year.

(2) Consists of non-statutory stock options granted to William D. Young outside of the Company's 2000 Equity Incentive Plan pursuant to the terms of an employment agreement between Mr. Young and the Company described in Item 11 above under "Employment, Severance and Change of Control Agreements." The non-statutory stock option grants to Mr. Young were approved by our Board but not by the stockholders. The employee agreement between Mr. Young and Monogram allowed for a grant of 1,000,000 shares, but only 500,000 shares were granted. The exercise price of the nonstatutory stock options was at 100% of fair market value on the date of grant. All options are currently fully vested, half of which vested over a four year period and the other half vested over a five year period. The term of the options is ten years or earlier in the event of a termination of continuous service. The options are set to expire in 2009.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Independence of the Board of Directors

As required under the Nasdaq Stock Market ("Nasdaq") listing standards, a majority of the members of a listed company's Board of Directors must qualify as "independent," as affirmatively determined by the Board of Directors. The Board consults with the Company's counsel to ensure that the Board's determinations are consistent with relevant securities and other laws and regulations regarding the definition of "independent," including those set forth in pertinent listing standards of the Nasdaq, as in effect time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent auditors, the Board has affirmatively determined that the following five directors are independent directors within the meaning of the applicable Nasdaq listing standards: William Jenkins, Edmon Jennings, Cristina Kepner, John Mendlein, and David H. Persing. In making this determination, the Board found that none of these directors or nominees for director had a material or other disqualifying relationship with the Company. William Young, the Chief Executive Officer of the Company, is not an independent director by virtue of his employment with the Company.

Transactions With Related Persons

Indemnity Agreements

We have entered into indemnity agreements with each of our officers and directors which provide, among other things, that we will indemnify those officers or directors, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as a director, officer or other agent of Monogram, and otherwise to the fullest extent permitted under Delaware law and the Company's Bylaws. We also intend to enter into these agreements with our future directors and officers.

Related-Person Transactions Policy and Procedures

It is our practice and policy to comply with all applicable laws, rules and regulations regarding related-person transactions, including the Sarbanes-Oxley Act of 2002 and the Nasdaq listing standards. A related-person is any executive officer, director, or more than 5% stockholder of the Company, including any of their immediate family members, and any entity owned or controlled by such persons. Under its charter, our Audit Committee is charged with reviewing and approving all related-person transactions, as required by the Nasdaq rules. In considering related-person transactions, the Audit Committee takes into account the relevant available facts and circumstances. In the event a director has an interest in the proposed transaction, the director must recuse himself

or herself form the deliberations and approval. The Company has not yet adopted a written related-person transactions policy.

Item 14. *Principal Accounting Fees and Services*

Audit Fees

Fees for audit services provided by PricewaterhouseCoopers LLP during 2006 totaled $0.85 million. Fees for audit services provided in 2007 were $0.84 million. The fees for audit services included fees associated with the annual audit of the financial statements included in our Annual Report on Form 10-K, procedures related to attestation of the effectiveness of internal control over financial reporting under the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, and the reviews of Monogram's quarterly reports on Form 10-Q and other SEC filings.

Audit-Related Fees

There were no fees for audit-related services in 2006. Fees for audit-related services provided in 2007 were $0.16 million.

Tax Fees

There were no fees for tax related services in 2006 or 2007 paid to PricewaterhouseCoopers LLP

All Other Fees

There were no fees for other services not included above in 2006 or 2007.

All fees described above were pre-approved by the Audit Committee.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy for the pre-approval of audit, review and attest services, as well as permitted non-audit services to be performed by our independent registered public accounting firm. The engagement to perform services may be approved on an explicit case-by-case basis before the independent registered public accounting firm is engaged to provide each service or the engagement may be pre-approved on a collective basis. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has delegated specific pre-approval authority for up to $50,000 to Ms. Kepner, the Chair of the Audit Committee. These pre-approvals are reported to the Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of the services other than audit services by PricewaterhouseCoopers LLP is compatible with maintaining the independent registered public accounting firms' independence.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Monogram Biosciences, Inc.

By: /s/ WILLIAM D. YOUNG
William D. Young
Chief Executive Officer

Date: April 29, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ WILLIAM D. YOUNG **William D. Young**	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	April 29, 2008
/s/ ALFRED G. MERRIWEATHER **Alfred G. Merriweather**	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 29, 2008
* **Edmon Jennings**	Director	April 29, 2008
* **William Jenkins, M.D.**	Director	April 29, 2008
* **Cristina H. Kepner**	Director	April 29, 2008
* **David H. Persing, M.D., Ph.D.**	Director	April 29, 2008
* **John D. Mendlein, Ph.D., J.D.**	Director	April 29, 2008

* By: /s/ WILLIAM D. YOUNG
William D. Young
Attorney-in-fact

EXHIBIT INDEX

Exhibit Footnote	Exhibit Number	
(12)	2.1	Agreement and Plan of Merger and Reorganization, dated as of May 28, 2004, by and among ViroLogic, Inc., Apollo Acquisition Sub, Inc., Apollo Merger Subsidiary, LLC and ACLARA BioSciences, Inc.
(13)	2.2	Amendment No. 1 to Agreement and Plan of Merger and Reorganization, dated as of October 18, 2004, by and among ViroLogic, Inc., Apollo Acquisition Sub, Inc., Apollo Merger Subsidiary, LLC and ACLARA BioSciences, Inc.
(9)	3.1	Amended and Restated Certificate of Incorporation, filed July 17, 2000.
(9)	3.1.1	Certificate of Amendment to Amended and Restated Certificate of Incorporation, filed February 4, 2003.
(16)	3.1.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation, filed December 10, 2004.
(26)	3.1.3	Certificate of Ownership and Merger, filed September 6, 2005.
(9)	3.2	Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, filed June 29, 2001.
(9)	3.2.1	Certificate of Correction to Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock, filed July 23, 2001.
(9)	3.3	Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock, filed March 22, 2002.
(9)	3.4	Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock, filed November 15, 2002.
(9)	3.4.1	Certificate of Amendment to Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock, filed February 4, 2003.
(38)	3.5	Amended and Restated Bylaws.
	4.1	Reference is made to Exhibits 3.1 through 3.5.
(26)	4.2	Specimen Stock Certificate.
(16)	4.3	Contingent Value Rights Agreement, dated December 10, 2004, by and between ViroLogic, Inc., and U.S. Bank National Association as trustee.
(34)	4.4	Form of Indenture by and between Monogram Biosciences, Inc. and U.S. Bank National Association, as trustee.
(1)	10.1	Office Lease by and between ViroLogic and Oyster Point Tech Center LLC dated as of May 25, 1999.
(1)	10.2	Office Lease by and between ViroLogic and Trammell Crow Northern California Development, Inc. dated as of November 23, 1999.
(1)	10.3	Loan and Security Agreement by and between ViroLogic and MMC/ GATX Partnership No. 1 dated as of January 30, 1998.
(37)†	10.4	Amended and Restated Employment Agreement by and between Monogram Biosciences, Inc. and William D. Young dated September 20, 2007.
†**	10.5	2000 Employee Stock Purchase Plan and related offering documents.
(1)	10.6	Equipment Financing Agreement dated March 28, 2000 with Pentech Financial Services, Inc.

Exhibit Footnote	Exhibit Number	
(2)†	10.7	ViroLogic, Inc. 2000 Equity Incentive Plan, as amended.
(37)†	10.8	Form of Executive Severance Benefits Agreement.
(3)	10.9	Master Lease Agreement dated September 14, 2000 by and between ViroLogic, Inc. and General Electric Capital Corporation.
(4)	10.10	Equipment Financing Agreement by and between ViroLogic and De Lage Landen Financial Services, Inc. dated as of January 29, 2001.
(5)	10.11	Equipment Schedule No. 4 to Master Lease Agreement dated as of August 14, 2000 by and between ViroLogic and General Electric Capital Corporation.
(5)	10.12	Sublease by and between ViroLogic, Inc. and Raven Biotechnologies, Inc.
(1)†	10.13	Form of Indemnity Agreement between the Company and its directors and officers.
(1)†	10.14	Form of Stock Option Agreement under the 2000 Equity Incentive Plan for options granted prior to May 1, 2000.
(1)†	10.15	Form of Stock Option Agreement Pursuant to the 2000 Equity Incentive Plan for options granted after May 1, 2000.
(10)	10.16	Equipment Schedule No. 5 to Master Lease Agreement dated as of August 14, 2000 by and between ViroLogic and General Electric Capital Corporation.
(6)	10.17	Form of (Common) Stock Purchase Warrant issued to holders of Series A Redeemable Convertible Preferred Stock.
(7)	10.18	Sublease, dated as of June 1, 2002, by and between ViroLogic, Inc. and diaDexus, Inc.
(11)	10.19	First Amendment to Sublease, dated as of August 21, 2003, by and between diaDexus, Inc and ViroLogic, Inc.
(14)	10.20	Lease Termination Agreement, dated as of March 22, 2004, by and between Britannia Pointe Grand Limited Partnership and ViroLogic, Inc.
(15)	10.21	Second Amendment to Sublease, dated as of October 1, 2004, between diaDexus, Inc and ViroLogic, Inc.
(37)†	10.22	Monogram Biosciences, Inc. 2004 Equity Incentive Plan.
(13)	10.23	Registration Rights Agreement, dated as of October 18, 2004, by and among ViroLogic, Inc. and certain entities affiliated with Tang Capital Partners, L.P. and Perry Corp.
(17)†	10.24	Form of Option Agreement under the ViroLogic, Inc. 2004 Equity Incentive Plan.
(20)	10.25	Lease Agreement, dated March 1, 1999, between ACLARA BioSciences, Inc. and The Pear Avenue Group.
(21)†	10.26	Form of Change of Control Agreement between ACLARA BioSciences, Inc. and Alfred Merriweather.
(22)†	10.27	Employment Letter Agreement, dated April 11, 2003, between ACLARA BioSciences, Inc and Michael J. Dunn.
(22)†	10.28	Severance Agreement, dated April 11, 2003, between ACLARA BioSciences, Inc. and Michael J. Dunn.
(20)†	10.29	ACLARA BioSciences, Inc. Amended and Restated 1997 Stock Plan.
(23)†	10.30	ACLARA BioSciences, Inc. NQ03 Stock Plan Non-Statutory Stock Option Agreement.

Exhibit Footnote	Exhibit Number	
(24)†	10.31	Form of Amendment to Stock Option Agreement between ACLARA BioSciences, Inc. and each of Alfred Merriweather and Michael Dunn.
(27)†	10.32	ViroLogic, Inc. 2005 Bonus Plan Description.
(27)†	10.33	ViroLogic, Inc. Non-Employee Director Cash Compensation Arrangements.
(28)*	10.34	Referral Testing Agreement, between Monogram Biosciences, Inc. and Quest Diagnostics Incorporated, dated October 1, 2005.
(34)	10.35	Form of First Amendment to Note Purchase Agreement and Senior Note by and between Pfizer Inc., and Monogram Biosciences, Inc.
(30)	10.36	Note Purchase Agreement, dated May 5, 2006, by and between Pfizer Inc. and Monogram Biosciences, Inc.
(34)	10.37	Form of Amended and Restated Monogram Biosciences, Inc. 3.0% Senior Secured Convertible Note Due May 19, 2010, issued to Pfizer, Inc.
(30)	10.38	Note Security Agreement, dated May 5, 2006, by and between Monogram Biosciences, Inc. and Pfizer, Inc.
(31)	10.39	Collaboration Agreement, dated May 5, 2006, by and between Pfizer Inc. and Monogram Biosciences, Inc.
(31)*	10.40	Collaboration Agreement, dated May 5, 2006, by and between Pfizer Inc. and Monogram Biosciences, Inc.
(32)	10.41	Credit and Security Agreement, dated September 29, 2006, by and between Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services Inc. and Monogram Biosciences, Inc.
(33)†	10.42	Monogram Non-Qualified Deferred Compensation Plan, effective January 1, 2007.
(34)	10.43	Securities Purchase Agreement, dated January 11, 2007, by and between Monogram Biosciences, Inc., and a qualified institutional buyer party thereto.
(34)	10.44	Registration Rights Agreement, dated January 11, 2007, by and between Monogram Biosciences, Inc. and a qualified institutional buyer party thereto.
(34)	10.45	Form of Subordination Agreement among Monogram Biosciences, Inc. and U.S. Bank National Association, as trustee.
(36)†	10.46	Summary of 2007 Bonus Plan
(36)	10.47	Summary of 2007 Non-Employee Director Compensation
**	10.48	Master Lease Agreement dated October 5, 2007 by and between Monogram Biosciences, Inc. and Oyster Point Tech Center LLC.
**	10.49	First Amendment to Lease, dated as of October 5, 2007, by and between Oyster Point Tech Center, LLC and Monogram Biosciences, Inc.
**	10.50	First Amendment to Lease, dated as of December 21, 2007, by and between Oyster Point Tech Center, LLC and Monogram Biosciences, Inc.
**	10.51	Second Amendment to Lease, dated as of December 21, 2007, by and between Oyster Point Tech Center, LLC and Monogram Biosciences, Inc.
**	10.52	Fourth Amendment to Sublease, dated as of October 12, 2007, by and between DiaDexus, Inc. and Monogram Biosciences, Inc.

Exhibit Footnote	Exhibit Number	
**	10.53	Consent to Fourth Sublease Amendment, dated as of October 12, 2007, by and between Are-Technology Center SSF, LLC, DiaDexus, Inc. and Monogram Biosciences, Inc.
**	10.54	Second Amendment to Credit and Security Agreement, dated as of December 19, 2007, by
**		and between Monogram Biosciences, Inc. and Merrill Lynch Capital.
**	21.1	List of Subsidiaries
**	23.1	Consent of Independent Registered Public Accounting Firm.
	24.1	Power of Attorney is contained on the signature page.
**	31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(A) or Rule 15d-14(A) promulgated under the Securities Exchange Act of 1934.
**	31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(A) or Rule 15d-14(A) promulgated under the Securities Exchange Act of 1934.
	31.3	Certification of Chief Executive Officer pursuant to Rule 13a-14(A) or Rule 15d-14(A) promulgated under the Securities Exchange Act of 1934.
	31.4	Certification of Chief Financial Officer pursuant to Rule 13a-14(A) or Rule 15d-14(A) promulgated under the Securities Exchange Act of 1934.
**	32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(B) or Rule 15d-14(B) promulgated under the Securities Exchange Act of 1934.

† Indicates management or compensatory plan or arrangement.

* Confidential treatment has been requested for portions of this document, which are omitted and filed separately with the SEC.

** Previously filed.

(1) Filed as an exhibit to our Registration Statement on Form S-1 (No. 333-30896) or amendments thereto and incorporated herein by reference.

(2) Filed as an exhibit to our Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference.

(3) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.

(4) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 and incorporated herein by reference.

(5) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by reference.

(6) Filed as an exhibit to our Current Report on Form 8-K filed on March 26, 2002 and incorporated herein by reference.

(7) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference.

(8) Filed as an exhibit to our Current Report on Form 8-K filed on November 25, 2002 and incorporated herein by reference.

(9) Filed as an exhibit to our Registration Statement on Form S-3 (No. 333-102995) and incorporated herein by reference.

(10) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference.

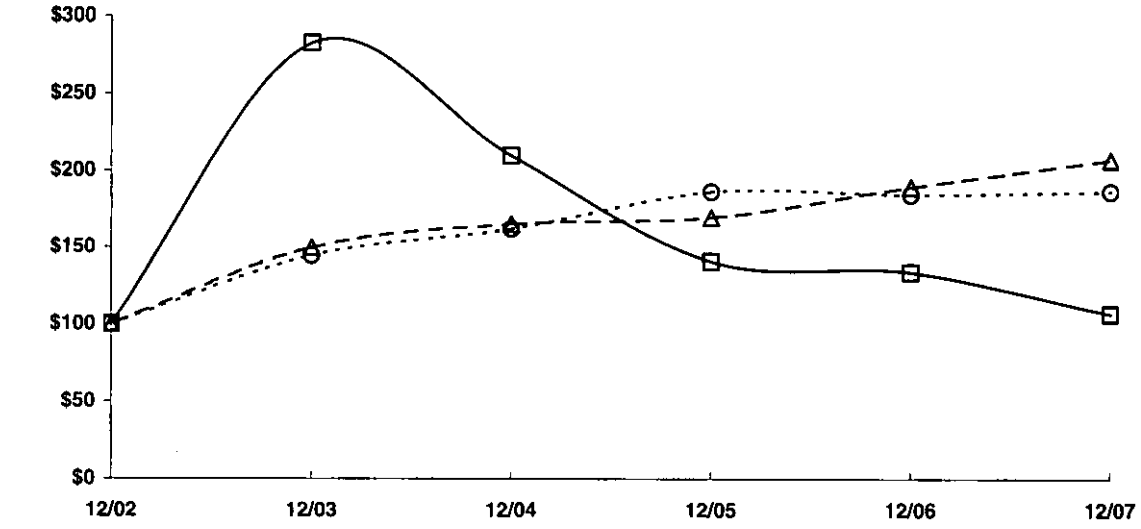
(11) Filed as an exhibit to our Quarterly Report on Form 10-Q for the Quarter ended September 30, 2003 and incorporated herein by reference.

(12) Filed as an exhibit to our Current Report on Form 8-K filed on June 1, 2004 and incorporated herein by reference.

(13) Filed as an exhibit to our Current Report on Form 8-K filed on October 19, 2004 and incorporated herein by reference.
(14) Filed as an exhibit to our Quarterly Report of Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference.
(15) Filed as an exhibit to our Current Report on Form 8-K filed on November 4, 2004 and incorporated herein by reference.
(16) Filed as an exhibit to our Current Report on Form 8-K filed on December 10, 2004 and incorporated herein by reference.
(17) Filed as an exhibit to our Current Report on Form 8-K filed on December 22, 2004 and incorporated herein by reference.
(18) Filed as an exhibit to our Registration Statement on Form S-8 (No. 333-121437) filed on December 20, 2004 and incorporated herein by reference.
(19) Filed as an exhibit to our Registration Statement on Form S-4 (No. 333-120211) and incorporated herein by reference.
(20) Filed as an exhibit to ACLARA BioSciences, Inc. Registration Statement on Form S-1 (No. 333-95107) or amendments thereto and incorporated herein by reference.
(21) Filed as an exhibit to ACLARA BioSciences, Inc. Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference.
(22) Filed as an exhibit to ACLARA BioSciences, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference.
(23) Filed as an exhibit to ACLARA BioSciences, Inc. Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference.
(24) Filed as an exhibit to ACLARA BioSciences, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference.
(25) Filed as an exhibit to our Quarterly Report on Form 10-Q for the Quarter ended June 30, 2004 and incorporated herein by reference.
(26) Filed as an exhibit to our Current Report on Form 8-K filed on September 8, 2005 and incorporated herein by reference.
(27) Filed as an exhibit to our Quarterly Report on Form 10-Q for the Quarter ended March 31, 2005 and incorporated herein by reference.
(28) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference.
(29) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and incorporated herein by reference.
(30) Filed as an exhibit to our Registration Statement on Form S-3 (No. 333-135096) filed on June 16, 2006 and incorporated herein by reference.
(31) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 and incorporated herein by reference.
(32) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and incorporated herein by reference.
(33) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2006 and incorporated herein by reference.
(34) Filed as an exhibit to our Current Report on Form 8-K filed on January 12, 2007 and incorporated herein by reference.
(35) Filed as an exhibit to our Current Report on Form 8-K filed on February 8, 2007 and incorporated herein by reference.
(36) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 and incorporated herein by reference.
(37) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 and incorporated herein by reference.
(38) Filed as an exhibit to our Current Report on Form 8-K on December 10, 2007 and incorporated herein by reference.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Monogram Biosciences, Inc., The NASDAQ Composite Index
And The NASDAQ Biotechnology Index



*$100 invested on 12/31/02 in stock & index-including reinvestment of dividends.
Fiscal year ending December 31.

CORPORATE DIRECTORY

EXECUTIVE OFFICERS

William D. Young
Chairman of the Board and
Chief Executive Officer

Alfred G. Merriweather
Senior Vice President Finance and
Chief Financial Officer

Michael P. Bates, M.D.
Vice President
Clinical Research

Michael J. Dunn
Chief Business Officer

Kathy L. Hibbs
Senior Vice President and
General Counsel

Gordon Parry, Ph.D.
Vice President
Research and Development,
Oncology

Christos J. Petropoulos, Ph.D.
Vice President
Research and Development, Virology
and Chief Scientific Officer

William J. Welch
Senior Vice President and
Chief Commercial Officer

Jeannette Whitcomb, Ph.D.
Vice President
Operations

Patricia Wray
Vice President
Human Resources

BOARD OF DIRECTORS

William Jenkins, M.D.

Edmon R. Jennings

Cristina H. Kepner

John D. Mendlein, J.D., Ph.D.

David H. Persing, M.D., Ph.D.

Christine A. White, M.D.

William D. Young

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP
Ten Almaden Blvd., Suite 1600
San Jose, CA 95113

LEGAL COUNSEL

Cooley Godward Kronish LLP
4401 Eastgate Mall
San Diego, CA 92121-1909

REGISTRAR AND TRANSFER AGENT

American Stock Transfer & Trust
Company
59 Maiden Lane
New York, NY 10038
718-921-8200

STOCK INFORMATION

Monogram Biosciences, Inc. common stock is traded on the NASDAQ Global Market under the symbol MGRM.

ANNUAL MEETING

The annual meeting of stockholders will be held at 8:00 am PT on December 17, 2008 at Monogram Biosciences, Inc. headquarters located at 345 Oyster Point Blvd, South San Francisco, CA 94080

INVESTOR RELATIONS

Further information on the company may be obtained by sending an email to info@monogrambio.com or by calling 650-635-1100

QUARTERLY REPORTING AND OTHER INFORMATION

Quarterly Reports, Annual Reports on Form 10-K, press releases and other information regarding the Company and its technology are available on the Internet: www.monogrambio.com

FORM 10-K

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which is filed with the Securities and Exchange Commission and includes the Company's financial statements for the fiscal year ended December 31, 2007, is available upon request, free of charge. Write to:
Investor Relations
Monogram Biosciences, Inc.
345 Oyster Point Blvd
South San Francisco, CA 94080-1913

biosciences
monogram

345 OYSTER POINT BLVD
SOUTH SAN FRANCISCO, CA
94080-1913
650-635-1100

END