

Net Income (Loss) Per Share Calculated in Accordance with GAAP

The Company follows EITF Issue No. 03-6, *Participating Securities and the Two-Class Method under FASB Statement 128*, or EITF Issue No. 03-6, which established standards regarding the computation of earnings per share, or EPS, by companies that have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of the company. EITF Issue No. 03-6 requires earnings available to common stockholders for the period, after deduction of preferred stock dividends, to be allocated between the common and preferred stockholders based on their respective rights to receive dividends, whether or not declared. Basic net income (loss) per share is then calculated by dividing income allocable to common stockholders (after the reduction for any preferred stock dividends assuming current income for the period had been distributed) by the weighted average number of shares of common stock outstanding, net of shares subject to repurchase by the Company, during the period. EITF Issue No. 03-6 does not require the presentation of basic and diluted net income (loss) per share for securities other than common stock; therefore, the following net income (loss) per share amounts only pertain to the Company's common stock. The Company calculates diluted net income (loss) per share under the as-if-converted method unless the conversion of the preferred stock is anti-dilutive to basic net income (loss) per share. To the extent preferred stock is anti-dilutive, the Company calculates diluted net income (loss) per share under the two-class method.

The net income (loss) per share amounts presented below are based on share and net income amounts that are not rounded and, as such, may result in minor differences from the amounts computed based on the equivalent information presented in thousands.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
(in thousands, except per share amounts)				
Numerator:				
Net income (loss)	\$ 3,587	\$ (771)	\$ 8,679	\$ (3,401)
Income allocable to preferred stockholders	(3,485)	-	(8,522)	-
Net income (loss) allocable to common stockholders	<u>\$ 102</u>	<u>\$ (771)</u>	<u>\$ 157</u>	<u>\$ (3,401)</u>
Denominator:				
Weighted average shares of common stock outstanding	318	181	249	160
Weighted avg unvested shares of common stock subject to repurchase	(79)	(54)	(58)	(61)
Weighted average shares of common stock outstanding - basic	239	127	191	99
Common equivalent shares from options to purchase common stock and unvested shares of common stock subject to repurchase	1,435	-	1,444	-
Weighted average shares of common stock outstanding - diluted	<u>1,674</u>	<u>127</u>	<u>1,635</u>	<u>99</u>
Net income (loss) per share:				
Basic	<u>\$ 0.43</u>	<u>\$ (6.07)</u>	<u>\$ 0.82</u>	<u>\$ (34.50)</u>
Diluted	<u>\$ 0.06</u>	<u>\$ (6.07)</u>	<u>\$ 0.10</u>	<u>\$ (34.50)</u>

Potentially dilutive securities not included in the calculation of diluted net income (loss) per share because to do so would be anti-dilutive are as follows (in common equivalent shares):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in thousands)			
Preferred stock	11,032	11,032	11,032	11,032
Preferred stock warrants	86	86	86	86
Common stock warrants	-	1	-	1
Common stock options	-	1,628	-	1,628
Common stock subject to repurchase	-	47	-	47
	<u>11,118</u>	<u>12,794</u>	<u>11,118</u>	<u>12,794</u>

Pro Forma Net Income (Loss) Per Share

Pro forma basic and diluted net income per share has been computed to give effect to the conversion of convertible preferred stock into common stock upon the closing of the Company's IPO on an as-if-converted basis at the later of the beginning of the period or the issuance date, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in thousands, except per share amounts)			
Numerator:				
Net income (loss) allocable to common stockholders	<u>\$ 3,587</u>	<u>\$ (771)</u>	<u>\$ 8,679</u>	<u>\$ (3,401)</u>
Denominator:				
Weighted average shares of common stock outstanding	318	181	249	160
Weighted avg unvested shares of common stock subject to repurchase	(79)	(54)	(58)	(61)
Adjustments to reflect the weighted average effect of the assumed conversion of convertible preferred stock from the date of issuance	<u>11,032</u>	<u>11,032</u>	<u>11,032</u>	<u>11,032</u>
Pro forma weighted average shares of common stock outstanding - basic	11,271	11,159	11,223	11,131
Pro forma common equivalent shares from common and preferred stock warrants	66	-	61	-
Pro forma common equivalent shares from options to purchase common stock and unvested shares of common stock subject to repurchase	<u>1,435</u>	<u>-</u>	<u>1,444</u>	<u>-</u>
Pro forma weighted average shares of common stock outstanding - diluted	<u>12,772</u>	<u>11,159</u>	<u>12,728</u>	<u>11,131</u>
Pro forma net income (loss) per share:				
Basic	<u>\$ 0.32</u>	<u>\$ (0.07)</u>	<u>\$ 0.77</u>	<u>\$ (0.31)</u>
Diluted	<u>\$ 0.28</u>	<u>\$ (0.07)</u>	<u>\$ 0.68</u>	<u>\$ (0.31)</u>

GENOPTIX, INC.
PRO FORMA AS ADJUSTED NET INCOME (LOSS) PER SHARE (1)
(in thousands, except per share data)

	<u>Three Months Ended September 30, 2007</u>	<u>Nine Months Ended September 30, 2007</u>
Numerator:		
Pro forma net income	3,587	8,679
Adjustment to increase assumed effective tax rate to 40%	(1,366)	(3,307)
Pro forma as adjusted net income	<u>\$ 2,221</u>	<u>\$ 5,372</u>
Denominator:		
Pro forma weighted average shares of common stock outstanding - basic	11,271	11,223
Adjustments to reflect the weighted average effect of the assumed issuance of 4,736 IPO shares at the beginning of each period	<u>4,736</u>	<u>4,736</u>
Pro forma as adjusted weighted average shares of common stock outstanding - basic	<u>16,007</u>	<u>15,959</u>
Pro forma weighted average shares of common stock outstanding - diluted	12,772	12,728
Adjustments to reflect the weighted average effect of the assumed issuance of 4,736 IPO shares at the beginning of each period	<u>4,736</u>	<u>4,736</u>
Pro forma as adjusted weighted average shares of common stock outstanding - diluted	<u>17,508</u>	<u>17,464</u>
Pro forma as adjusted net income per share:		
Basic	<u>\$ 0.14</u>	<u>\$ 0.34</u>
Diluted	<u>\$ 0.13</u>	<u>\$ 0.31</u>

- (1) Pro forma as adjusted net income assumes the conversion of all outstanding shares of preferred stock upon the completion of the IPO as if such conversion had occurred as of the beginning of the three and nine months ended September 30, 2007 and assumes an effective tax rate of 40% (versus our actual rate of 3% after realizing the benefit from our net operating loss carryforwards). Pro forma as adjusted weighted average shares of common stock outstanding, basic and diluted, assumes the conversion of all outstanding shares of preferred stock upon the completion of the IPO and assumes that the IPO was completed at the beginning of the three and nine months ended September 30, 2007, thereby increasing the weighted average shares for such periods by 4.736 million.

Non-GAAP Financial Measures.

In addition to disclosing financial results calculated in accordance with generally accepted accounting principles (GAAP), these tables contain non-GAAP financial measures. The tables assume the conversion of the preferred stock as of the beginning of the three and nine months ended September 30, 2007, assume an effective tax rate of 40% and assume that the issuance of the shares in the IPO occurred at the beginning of the three and nine months ended September 30, 2007. The Company believes that the non-GAAP financial measures included in the tables provide meaningful supplemental information to both management and investors that is indicative of the Company's core operating results. The Company believes these non-GAAP financial measures facilitate comparison of operating results across reporting periods, and uses these non-GAAP financial measures when evaluating its financial results, as well as for internal planning and forecasting purposes. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP that are also included in the tables above.

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