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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

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Individually and on Behalf of All
Others Similarly Situated,

Plaintiff,

vs.

GENOPTIX, INC., TINA S. NOVA,
DOUGLAS A. SCHULING and SAMUEL D.
RICCITELLI,

Defendants.

No. '10CV2502 JAH JMA

CLASS ACTION

COMPLAINT FOR VIOLATION OF THE
FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

1 INTRODUCTION

2 1. This is a securities class action on behalf of all persons who purchased or otherwise
3 acquired the common stock of Genoptix, Inc. (“Genoptix” or the “Company”) between July 31, 2009
4 and June 15, 2010, inclusive (the “Class Period”), against Genoptix and certain of its officers and/or
5 directors for violations of the Securities Exchange Act of 1934 (the “1934 Act”).

6 2. Genoptix is a specialized laboratory service provider that focuses on delivering
7 diagnostic services in the United States. The Company’s service offerings include COMPASS and
8 CHART, designed to meet the specific needs of community-based hematologists and oncologists.
9 Its COMPASS service offering includes the determination by its hematopathologists of the
10 appropriate diagnostic tests to be conducted and the performance of these tests. The Company’s
11 CHART service offering combines multiple COMPASS assessments and analyses of disease
12 progression after intervening clinical action, providing the hematologists and oncologists with a
13 valuable diagnostic tool to track both a patient’s disease and response to the hematologist’s and
14 oncologist’s prescribed treatment regimens over time.

15 3. During the Class Period, defendants issued materially false and misleading statements
16 regarding the Company’s business and financial results. Specifically, defendants continuously
17 hyped the Company’s approach to hematology and oncology testing and diagnostics as being
18 distinctive and superior to its competitors’, projecting they would easily be able to double or triple
19 the size of the Company’s market share in the next three to five years, while failing to disclose that
20 Genoptix’s business model was not working and was causing the Company to actually lose market
21 share. As a result of defendants’ false statements, Genoptix’s stock traded at artificially inflated
22 prices during the Class Period, reaching a high of \$38.79 per share on April 30, 2010.

23 4. On May 6, 2010, Genoptix issued a press release announcing its first quarter 2010
24 financial results. Genoptix reported net income of \$5.3 million or \$0.29 diluted earnings per share
25 (“EPS”) and revenue of \$47.4 million for the quarter ending March 31, 2010. This was far below
26 consensus, which had expected the Company to report diluted EPS of \$0.41 and revenue of \$53.3
27 million. Genoptix blamed much of the shortfall on severe weather in parts of the country and the
28 Company’s reconfiguration of its sales department, leading to its inability to have a sufficient

1 number of salespeople in the field. Nonetheless, the Company maintained its guidance for the
2 remainder of the year.

3 5. On this news, Genoptix's stock collapsed \$8.37 per share to close at \$27.89 per share
4 on May 7, 2010, a one-day decline of over 23% on high volume.

5 6. Then, on June 16, 2010, Genoptix issued a press release providing a first look at its
6 second quarter 2010 performance and updating its guidance for the full-year 2010. The Company
7 reduced its revenue guidance to \$210 million, down from previous guidance of \$235 to \$240 million,
8 and its EPS guidance to \$1.20 per share, down from previous guidance of \$1.80 to \$1.85 per share.

9 7. On this news, Genoptix's stock dropped \$5.69 per share to close at \$17.19 per share
10 on June 16, 2010, a one-day decline of 25% on high volume.

11 8. The true facts, which were known by the defendants but concealed from the investing
12 public during the Class Period, were as follows:

13 (a) The Company failed to disclose that its business model was unsustainable.

14 (b) The Company failed to disclose known trends and uncertainties as required by
15 SEC regulations concerning industry trends. Due to continuing challenges it was facing in the
16 industry, including increased competition, increased managed care pressures, decreased sales force
17 effectiveness and changing trends at the physician level, the Company's past results could not and
18 would not continue, as Genoptix would not only be unable to grow its operations but would have
19 difficulty maintaining its current client base.

20 (c) The Company failed to disclose that the reason for the Company's slowdown
21 in its revenue growth was not temporary, nor was it primarily due to the Company's reconfiguration
22 of its sales department.

23 (d) Given the increased competitive pressures and the changing landscape in the
24 industry, the Company had no reasonable basis to make projections about its revenue growth or its
25 ability to gain or even maintain its market share.

26 9. As a result of defendants' false statements, Genoptix's stock traded at inflated levels
27 during the Class Period. However, after the above revelations seeped into the market, the
28

1 Company's shares were hammered by massive sales, sending them down over 55% from their Class
2 Period high.

3 **JURISDICTION AND VENUE**

4 10. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise
5 under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

6 11. Venue is proper in this district pursuant to §27 of the 1934 Act. Many of the false
7 and misleading statements were made in or issued from this district.

8 12. Genoptix maintains its principal executive office at 1811 Aston Avenue, Carlsbad,
9 California 92008. Certain of the acts and conduct complained of herein, including the dissemination
10 of materially false and misleading information to the investing public, occurred in this district.

11 13. In connection with the acts and conduct alleged in this complaint, defendants, directly
12 or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited
13 to, the mails and interstate wire and telephone communications.

14 **PARTIES**

15 14. Plaintiff [REDACTED]
16 purchased the common stock of Genoptix during the Class Period as set forth in the certification
17 attached hereto and was damaged as the result of defendants' wrongdoing as alleged in this
18 complaint.

19 15. Defendant Genoptix is a specialized laboratory service provider focused on delivering
20 personalized and diagnostic services to community-based hematologists and oncologists.

21 16. Defendant Tina S. Nova ("Nova") co-founded Genoptix and at all relevant times has
22 been the Company's President and Chief Executive Officer ("CEO"). During the Class Period,
23 Nova sold 102,978 shares of her Genoptix stock for proceeds of nearly \$3.4 million.

24 17. Defendant Douglas A. Schuling ("Schuling") is, and at all relevant times has been,
25 the Company's Chief Financial Officer ("CFO") and Executive Vice President. During the Class
26 Period, Schuling sold 34,640 shares of his Genoptix stock for proceeds of nearly \$1.2 million.

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1 18. Defendant Samuel D. Riccitelli (“Riccitelli”) is, and at all relevant times has been, the
2 Company’s Executive Vice President and Chief Operating Officer (“COO”). During the Class
3 Period, Riccitelli sold 35,038 shares of his Genoptix stock for proceeds of nearly \$1.2 million.

4 19. The defendants referenced above in ¶¶16-18 are referred to herein as the “Individual
5 Defendants.”

6 20. The Individual Defendants, because of their positions with the Company, possessed
7 the power and authority to control the contents of Genoptix’s quarterly reports, press releases and
8 presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*,
9 the market. They were provided with copies of the Company’s reports and press releases alleged
10 herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to
11 prevent their issuance or cause them to be corrected. Because of their positions with the Company,
12 and their access to material non-public information available to them but not to the public, the
13 Individual Defendants knew that the adverse facts specified herein had not been disclosed to and
14 were being concealed from the public and that the positive representations being made were then
15 materially false and misleading. The Individual Defendants are liable for the false statements
16 pleaded herein.

17 **FRAUDULENT SCHEME AND COURSE OF BUSINESS**

18 21. Defendants are liable for: (i) making false statements; or (ii) failing to disclose
19 adverse facts known to them about Genoptix. Defendants’ fraudulent scheme and course of business
20 that operated as a fraud or deceit on purchasers of Genoptix common stock was a success, as it: (i)
21 deceived the investing public regarding Genoptix’s prospects and business; (ii) artificially inflated
22 the price of Genoptix common stock; (iii) allowed the Individual Defendants to sell nearly \$5.8
23 million worth of their own Genoptix stock at artificially inflated prices; and (iv) caused plaintiff and
24 other members of the Class to purchase Genoptix common stock at inflated prices.

25 22. The top officers and directors of Genoptix also benefited, as the Company’s
26 purportedly favorable operating results contributed to the compensation paid to the top officers
27 during the Class Period, some of whom received as much as \$2.8 million per year. At Genoptix’s
28

1 conference call on July 29, 2010, defendants were questioned about the Company's compensation
2 structure. Defendants stated in part:

3 [ANALYST:] It's not clear from the proxy statement what weightings are
4 being put on the drivers of incentive compensation for senior management. There's a
5 whole host of things. *But I do see you receive some compensation for adding
6 capacity. And I guess a critic might say that this might have driven some of the
7 sales force and laboratory additions ahead of a slowdown that was maybe more
8 visible to some of your competitors. So I guess I'm trying to figure out what weight
9 was actually tied to hiring personnel and how much was really tied to facility
10 expansions this past year?*

11 [SCHULING:] Bob, this is Doug. We don't share the details of the specific
12 compensation plans. But suffice it to say, we all are fully engaged and accountable
13 for growing the business and returning shareholder value. And growing that top line
14 is important to us. We're, as we've talked in the last couple of months here, the last
15 month in particular, the amount of economic and competitive pressures are certainly
16 growing out there. It doesn't cause us to slow down our growth initiatives. And that's
17 what we're doing right now, the addition of the facilities as well as the physicians.
18 We continue to continue to – we expect to continue to grow.

19 [NOVA:] I'm not sure what you're implying Bob, but be assured that we're
20 not doing anything different this year than we've done any year. We're trying to
21 grow this Company the best we can grow. We've always added sales reps. We've
22 always added to entire team to support the samples coming into the Company. Our
23 number one objective is to keep service number one, make sure we serve our
24 customer and make sure the patients get back the final results as we always have.
25 There has been no change in strategy in that since we started the Company.

26 [ANALYST:] Well, I'm just a firm believer that management will hit their
27 targets and it would just be helpful if there was incremental granularity in that proxy
28 statement that could help us figure out what the metrics are that are important to you.
It might facilitate modeling and forecasting on our end. Do you anticipate any
changes in the compensation program itself for the coming year?

[NOVA:] I don't know how we can comment on compensation. We're in the
middle of 2010. We don't talk about compensation for this year in the middle of the
year. We still have a lot of this year to go. Our compensation committee will meet at
the end of the year to talk about our compensation. And that is not a driver for what
we're doing today. It has nothing to do with where we are.

BACKGROUND

23 23. Genoptix is a specialized laboratory service provider that focuses on delivering
24 diagnostic services in the United States. Its services include its COMPASS service offering, in
25 which the Company's hematopathologists determine the appropriate diagnostic tests to be
26 performed, and then the service integrates patient history and previous and current test results into a
27 comprehensive diagnostic report; and its CHART service offering, in which the hematologists and
28 oncologists receive detailed assessments of their patients' disease progression over time. The

1 Company also offers various diagnostic services, including professional interpretation by its
2 hematopathologists. The Company focuses on marketing its specialized diagnostic services to
3 community-based hematologists and oncologists treating malignancies of the blood and bone
4 marrow and other forms of cancer. Genoptix was founded in 1999.

5 **DEFENDANTS' FALSE AND MISLEADING STATEMENTS**
6 **ISSUED DURING THE CLASS PERIOD**

7 24. On July 30, 2009, after the market closed, Genoptix issued a press release announcing
8 its second quarter 2009 financial results. The Company reported net income of \$7.9 million, or
9 \$0.44 diluted EPS, and revenue of \$45.3 million for the quarter ending June 30, 2009. The release
10 stated in part:

11 "This has been another season of continued growth and record operating
12 performance as we managed more than 14,200 patient cases in the second quarter, an
13 increase of 52.3% from the number of cases managed during the same period in
14 2008," said Tina S. Nova, Ph.D., President and CEO of Genoptix. ***"Our unique
15 physician-directed approach to testing and diagnosis is driving increased demand
16 for our services as we continue to expand our customer base.*** By the end of June,
17 we were servicing approximately 1,250 community physicians across the country."

18 * * *

19 ***"Our performance in the second quarter was the product of exceptional
20 execution, as we balanced the use of organizational resources with our
21 commitment to providing the highest level of service to our customers,"*** said Sam
22 Riccitelli, Genoptix EVP and COO. "We effectively managed our operational and
23 financial growth throughout the quarter while maintaining a constant level of sales
24 representatives and Cartesian hematopathologists. We ended the second quarter with
25 26 hematopathologists on staff, later adding four more and increasing the current size
26 of the Cartesian Medical Group to 30 physicians, keeping us on track toward our
27 goal of housing approximately 37 physicians by year-end. Additionally, we will add
28 new sales representatives in the coming quarters, bringing us closer to our goal of
approximately 85 representatives by the end of 2009."

29 25. After releasing its second quarter 2009 results on July 30, 2009, Genoptix hosted a
30 conference call with investors, media representatives and analysts, during which defendants
31 represented the following:

32 [NOVA:] ***Our distinctive physician-directed approach to testing and
33 diagnosis continued to drive increasing demand for our services*** in the second
34 quarter as we further expanded our customer base, which grew to a record 1,250
35 physician customers, up from 1,200 in the first quarter and 850 just one year ago.

36 * * *

1 *things that might get to the more definitive answer right away, rather than waiting*
2 *for the patient to come back and draw a new sample.*

3 *In my mind, and I'm trained as an engineer, to me that just logically will*
4 *make sense in light of us getting to an answer before anyone else will.*

5 28. On September 22, 2009, defendant Riccitelli attended UBS's Global Life Sciences
6 Conference call, during which he stated:

7 The sample that's required in order to arrive at an accurate diagnosis for these
8 diseases is a bone marrow sample, an extremely precious sample, unpleasant
9 somewhat for the patient to provide and actually painful in parts of the procedure,
10 something very precious to us that we never want to lose track of, obviously. We
11 want to get as much information out of that as possible. *That requires extremely*
12 *sophisticated testing in order to arrive at the right answer. We believe a holistic*
13 *approach is what is called for [and] [t]he majority of the industry isn't organized*
14 *properly to deliver on this value proposition.*

15 * * *

16 We believe we are doing around 7% of the bone marrows in the United States today.
17 *It is our view that we can grow this business. We have the legs to grow this*
18 *business to achieve a share of between 15% and 20%, so doubling to tripling the*
19 *size of our company in the next three to five years.*

20 This chart represents the competition along two key dimensions that are
21 important to our clients, the first being technology leadership. Does your lab have the
22 technical chops in order to really get up the right answer for these patients? Because
23 these things are difficult to do, and difficult to do right. So that's one thing they count
24 on.

25 The second thing they count on is, because this is so complicated, how easy
26 are you to interact with? I am going to have questions. I want to make sure your
27 pathologist knows some of the subtleties that I have experienced in dealing with this
28 patient, because that may sway their decision on one of the differential potential
diagnoses that could be at play. So I want to be able to reach out and have a lengthy
conversation with that person, which is what makes the local pathologists very
attractive to them, because that's someone they typically already have an intimate
relationship with.

29 However, *we believe Genoptix is the only company, the only organization,*
30 *that is able to occupy the quadrant that shows that we do have the technical chops*
31 *to get the job done, but we are also readily available for that lengthy clinical*
32 *discussion.*

33 * * *

34 *Our growth strategy is, in many ways, relatively simple. To state, it's keep*
35 *doing what we're doing. As we said, we think we have the legs to double to triple*
36 *the size of our market share here in the next three to five years.* We will do that by
37 continuing to add capacity, starting with hematopathologists, and then adding
38 demand, and then adding more capacity and then adding more demand in the form of
hiring more sales representatives – so deepening our geographic footprint in the
marketplace.

1 29. On November 5, 2009, Genoptix issued a press release announcing its third quarter
2 2009 financial results. The Company reported net income of \$9.5 million, or \$0.53 diluted EPS, and
3 revenue of \$50.8 million for the quarter ending September 30, 2009. Additionally, the Company
4 reported revenue guidance of \$235 million for the full-year 2010. The release stated in part:

5 ***“Our performance in the third quarter was the product of exceptional***
6 ***execution, reflected by the increase in sales and new customer acquisitions,*** even
7 during what is typically the slower summer vacation season,” said Tina S. Nova,
8 Ph.D., President and CEO of Genoptix. “By the end of September we were servicing
approximately 1,300 community physicians across the country and managing more
than 14,700 patient cases, an increase of approximately 45% from the number of
cases managed during the same period in 2008.”

9 30. After releasing its third quarter 2009 results on November 5, 2009, Genoptix hosted a
10 conference call for analysts, media representatives and investors, during which defendant Nova
11 represented the following:

12 It was another period of record growth as we continued to expand our
13 customer base, growing to 1,300 active physician customers, up from 1,250 in the
14 second quarter of this year and 950 in the third quarter of 2008. We also managed
15 approximately 14,700 patient cases during the third quarter, a 45% increase year over
16 year, despite the seasonality typically associated with physician summer vacation
schedules. That [t]akes our total case count for the first nine months of 2009 to more
than 41,800, an increase of 53% from the approximately 27,300 patient cases
managed during the same period in 2008.

17 Our success in the field translated to the top line growth, making this our first
18 quarter with revenues of over \$50 million, up by approximately 58% from the third
19 quarter of 2008, and increasing approximately 65% for the first nine months as
20 compared to the same period last year. Average revenues per case were also up,
gaining 8% over the second quarter of this year and 9% over the third quarter of
2008, an increase due in part to our successful collection of revenues from services
provided in past quarters.

21 These positive adjustments notwithstanding, we experienced very solid
22 organic revenue, margin and bottom line growth in the quarter. We’ve seen amazing
23 case growth over the past year, and increased productivity on the part of our front-
24 line teams in the field. ***Our sales organization continues to expand, and our field***
representatives have done a great job managing their accounts and representing
the Company to our customers. Their ability to maintain high-quality service levels
while bringing in new business provides greater flexibility in the timing of our
hiring initiatives, as seen in the first half of this year.

25 31. On January 25, 2010, defendant Schuling attended Jefferies’ Global Healthcare
26 Services Conference call for analysts, media representatives and investors, during which he stated:

27 Our growth profile has been very, very strong. As you can see, third quarter
28 2008 versus third quarter 2009, we were up 58% and have a very strong growth
trajectory, having had 21 consecutive quarters of significant revenue growth.

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[A] little bit about the market. It is growing. A couple of percentage [sic] a year. We estimate between 350,000 to 375,000 bone marrows are done each year in the United States. And currently, we have achieved about a 7% market share. We do about 7% of the total bone marrows.

Our goal long-term, . . . is to grow that market share to approximately 15% to 20% over the next three to five years, fundamentally doubling to tripling the size of the Company.

* * *

The growth strategy for the Company is actually relatively simple and straightforward. It's continuing to do what we've been doing. And overall, as I said, it's our intent to double or triple the size of the Company in the next three to five years. It's a strategy tied around investing and leveraging, investing and leveraging. And whether that be in physicians or a sales organization or facilities, in all areas, that's what we continue to do.

* * *

Our performance outlook, probably wouldn't be prudent to talk too much about 2009 since we are on the cusp of announcing our full-year earnings on February 25. But suffice it to say that we've been very, very pleased with our financial performance through the third quarter of 2009, and we look forward to sharing our total-year results with each of you on February 25, 2010.

We did give a little bit of indication on 2010 with some preliminary guidance of \$235 million.

And then a long-term growth, as we look at the Company, we like to be thought of as, first of all, growing to 15% to 20% market share over the three to five year time frame and growing our sales reps to about 120 reps within two to three years. And we look at gross margins in the mid-to high 50% and operating margins in the high teens to low 20th percentile. And again, we will, obviously, over time, see a shift in our payor relationships as we move to be more in network.

32. On February 25, 2010, Genoptix issued a press release announcing its fourth quarter and full-year 2009 financial results. The Company reported net income of \$7.4 million, or \$0.41 diluted EPS, and revenue of \$49.1 million for the fourth quarter of 2009. The Company further reported net income of \$30.6 million, or \$1.71 diluted EPS, and revenue of \$184.4 million for the full-year 2009. Additionally, Genoptix provided its guidance for 2010, forecasting revenue of between \$235 and \$240 million, up from its initial guidance of \$235 million and further forecasting net income of \$33 million and diluted EPS of between \$1.80 to \$1.85 per share. The release stated in part:

1 “We managed nearly 57,000 patient cases throughout the year, an increase of
2 approximately 48% from the number of cases managed in 2008, **a trend indicative of**
3 **the demand for personalized service on the part of the community physicians we**
4 **serve,”** said Tina S. Nova, Ph.D., President and CEO of Genoptix. “Our annual
5 growth and continued performance reflect a year of exceptional execution.”

6 * * *

7 “We ended the year with new customers, new employees, and new facilities,
8 all factors in our success in 2009. It is our goal to continue to expand our customer
9 reach throughout 2010, in part with the introduction of new solid tumor testing and
10 products like our NexCourse offering,” said Sam Riccitelli, Genoptix EVP and COO.
11 “We are also making great progress on our hiring initiatives, ending the year with 80
12 sales representatives in the field. We continue to grow operationally as well, with 35
13 hematopathologists currently on staff with Cartesian Medical Group and plans for
14 continued hiring as the year progresses.”

15 33. After releasing its fourth quarter and full-year 2009 results on February 25, 2010,
16 Genoptix hosted a conference call for analysts, media representatives and investors, during which
17 defendants represented the following:

18 [NOVA:] It was another exciting year of strong growth and solid operational
19 performance for us. We finished 2009 with growth in case volumes and revenues
20 while income from operations more than doubled. During the fourth quarter, we
21 managed more than 15,000 patient cases, up 34% from a year ago, despite the
22 seasonality typically associated with the extended year end holiday season.

23 That takes our case total count for all of 2009 to nearly 57,000, an increase of
24 48% from approximately 39,000 patient cases managed during the same period in
25 2008, a trend indicative of the demand for personalized service on the part of the
26 community physicians we serve. As a result of this increased volume, our annual
27 revenues were up 59% to \$184.4 million for 2009, beating our previous expectations
28 of approximately \$180 million for the year. **These revenues reflect the continued**
strong demand for our high-quality service as well as the successful collection of
revenues associated with services provided in past periods.

Though we are pleased with our collection efforts, **we had impressive**
organic growth beyond the contribution from these positive adjustments, growing by
57% on a year-over-year basis exclusive of out-of-period revenues.

* * *

In consideration of our growth initiatives and the relationships we are
building, we expect revenues for the full year 2010 of between \$235 million and
\$240 million, up from our initial guidance of approximately \$235 million.

* * *

[RICCITELLI:] Throughout 2009, we continued to add new customers and
increased our penetration in each physician office, ending with market share over
7%. **We are well on our way to achieving our goal of capturing between 15% and**
20% of the bone marrow testing market in the next 2 to 4 years, which is a central
focus of our growing business. Even as our hematopathology testing and diagnostic

1 services continue to grow, we are moving forward on strategies to add offerings
2 beyond our core hem business, to deepen our existing customer relationships.

3 * * *

4 Our sales team also continues to grow. During the fourth quarter, we hired
5 additional field sales representatives, bringing our total to 80 by the end of 2009.
6 This trend is expected to continue as we move through the year, particularly as we
7 add new services which may require us to deepen our coverage. Currently, it is our
8 goal to end 2010 with approximately 100 field sales representatives on staff.

9 *We continue to believe that an average of \$2.5 million in annual revenue is
10 an appropriate expectation for productivity per sales person and one that is
11 achievable on a regular basis.* Though there are some expectation of additional
12 opportunities for leverage as new members of our sales team mature in their position
13 and additional services are provided to each physician office, reducing the average
14 cost per sale.

15 Based on our revenue guidance of between \$235 million and \$240 million,
16 we expect net income of approximately \$33 million for 2010, assuming a tax rate of
17 approximately 44%. EPS for the year is expected to be in the range of \$1.80 to \$1.85
18 on approximately 18.3 million shares outstanding.

19 * * *

20 [ANALYST:] Okay and just the last question, the revenue-- the boost to
21 revenue guidance, I mean are we looking at Aetna as the primary driver of that or is
22 it just sales force expansion, everybody contributing a little bit more?

23 [SCHULING:] *It was really a matter getting closer to 2010. When we gave
24 the original guidance, that was several months ago and we gained clarity as we've
25 reached today and certainly felt good with our performance in the fourth quarter
26 despite the seasonality and a little bit of the weather issue that hampered I think
27 everyone in the fourth quarter. And so really was just having more clarity.* And we
28 do feel good about the sales organization and who we have in place there and the
coverage that we have.

34. On May 6, 2010, Genoptix issued a press release announcing its first quarter 2010
financial results. The Company reported net income of \$5.3 million, or \$0.29 diluted EPS, and
revenue of \$47.4 million for the quarter ending March 31, 2010. Additionally, the Company
reaffirmed its previous guidance. The release stated in part:

“Our quarterly revenues were up by 21% year-over-year as we managed
approximately 15,000 patient cases, an increase of 16% from the first quarter of
2009,” said Tina S. Nova, Ph.D., President and CEO of Genoptix. “We started the
year by executing on our growth management strategy, promoting talented sales
people to leadership positions in the first quarter of 2010 to support our growing
sales and marketing organization. As we repositioned our new managers and trained
new sales representatives, we were able to sustain our case volumes for the quarter,
even as we experienced some impact from the severe weather seen in much of the
country. *We are planning for long-term growth as we strengthen our ability to*

1 *manage increasing patient case volumes in coming quarters. We remain confident*
2 *that we will meet our performance expectations for 2010.”*

3 * * *

4 “We plan to continue expanding our customer reach, bringing on additional
5 sales representatives to achieve this goal,” said Sam Riccitelli, Genoptix EVP and
6 COO. “We are making progress on our staffing initiatives and currently have 82
7 sales representatives in the field, supported by a solid regional management structure.
8 We are also growing operationally, with 36 hematopathologists currently on staff
9 with Cartesian Medical Group and plans for continued hiring as the year progresses.”

10 35. After releasing its first quarter 2010 results on May 6, 2010, Genoptix hosted a
11 conference call for analysts, media representatives and investors, during which defendants
12 represented the following:

13 [NOVA:] In addition to the many reps that were hired at the end of 2009,
14 we recently promoted a number of talented salespeople to leadership positions in the
15 first quarter of 2010 to support our ongoing expansion. As part of this process, we
16 have also been actively recruiting additional sales representatives to backfill the
17 positions left open by promotions and the repositioning of reps in key territories.

18 As they join us, these new reps go through a period of concentrated training,
19 followed by a relationship-development process. Initially, their primary goal is to
20 secure relationships with current customers, a period when they have limited time in
21 the field to focus on recruiting new accounts. After gaining familiarity with their
22 territories, they can then begin to recruit new customers, which has historically been
23 our primary driver for our growth.

24 We are proud of the fact that while we’ve dedicated resources to
25 repositioning our new managers and train[ing] new sales representatives in the first
26 quarter, we were able to sustain our case volumes and core physician customers,
27 even as we experienced some additional impact from the severe weather seen in
28 much of the country.

* * *

29 [RICCITELLI:] We must expand operationally to meet the requirements of
30 the growing demand for our core offerings, as well as any additional testing
31 modalities we may add. As we become a larger enterprise, we will continue efforts to
32 strengthen our organizational structure through planned investment, particularly in
33 hiring key midlevel management personnel in the areas of lab operations, sales,
34 marketing, business development, customer service and administration.

35 Success in this industry depends on the consistent quality of our service, and
36 development of high-touch relationships. Our efforts this year include filling gaps in
37 our sales coverage, which is why a key part of our expansion plan is the growth of
38 our sales and marketing organization. This continued investment will enable us to
39 visit more Hem/Oncs more frequently, to educate and inform them about our service
40 offerings while strengthening our competitive presence; all while deepening our
41 existing relationships and maintaining our high standards of customer service.

1 We reported in February that 2009 ended with increased sales hiring, adding
2 13 new reps in the last quarter of that year, which was the largest quarterly addition
3 of salespeople in our history. *With the increasing number of sales reps, it was*
4 *necessary for us to reconfigure our sales team in the first quarter of 2010, in*
5 *preparation for the next phase of our expansion.* This process had the net effect of
6 reducing the number of field sales reps in the quarter from the 80 we started with to
7 the 77 reported at the end of the first quarter.

8 Now, due to subsequent hiring, we are currently at a headcount of 82 sales
9 reps, now supported by a solid regional management structure, with plans to continue
10 with our hiring strategy to reach approximately 100 reps by the end of 2010.

11 The associated costs of this process come ahead of revenues. However, the
12 increased number of sales reps means a great deal of productivity is still ahead of us.
13 *We continue to believe that approximately \$2.5 million in annual revenue is an*
14 *appropriate expectation for average productivity per salesperson, and one that is*
15 *achievable on a regular basis,* though there is some expectation of additional
16 opportunity for leverage as new members of our sales team mature in their positions
17 and additional services are provided to each physician office, reducing the average
18 cost per sale.

19 * * *

20 *We are confident in our strategy* and will continue to move forward on our
21 plan through the coming quarters. *We are reaffirming our revenue guidance for*
22 *2010* of between \$235 million and \$240 million and our net income expectation of
23 approximately \$33 million, assuming a tax rate of approximately 44%. EPS for the
24 year is expected to be in the range of \$1.80 to \$1.85 on approximately 18.3 million
25 shares outstanding.

26 * * *

27 [ANALYST:] [I]f you can maybe talk a little bit about just kind of the competitive
28 environment? There's been some news flow, just kind of about private equity groups
-- or, I'm sorry, pathology groups raising private equity. Is there any kind of change
that you guys have seen over the last kind of six months, in terms of the competitive
environment, and maybe more folks kind of calling upon these docs?

[NOVA:] Yes. There's no question that there are more companies out
there, Scott, doing what we do, and mimicking what we do – interesting way of
trying to mimic what we do. I guess we should look at that as flattery.

But there are more companies out calling on our doctors than there were in
the beginning, and trying to go after the same sale that we have. But their
approach is very different. They don't have the same infrastructure, they don't
have the exact same business model. And we feel very strongly about what we're
doing and what we'll continue to be doing. And as I've said many, many times, this
has always been a very competitive market overall.

* * *

[RICCITELLI:] I think the most important point to draw out of all that,
Scott, is that no other laboratory has the cadre of hematopathology expertise that
Genoptix has. No other laboratory comes even close to the lab operational

1 performance that we're able to do, the level of customer service that we're really able
2 to provide.

3 *It's a matter of us getting our feet out on the streets, to battle back on all of*
4 *these copycats out there that are really pseudo-copycats. It's not the real deal.*

5 36. On this news, Genoptix's stock collapsed \$8.37 per share to close at \$27.89 per share
6 on May 7, 2010, a one-day decline of over 23% on high volume.

7 37. Nonetheless, the stock continued to trade at artificially inflated levels due to
8 defendants' denials and continued misrepresentations.

9 38. On June 16, 2010, Genoptix issued a press release providing a first look at its second
10 quarter 2010 performance and updating its guidance for the full-year 2010. The Company reduced
11 its revenue guidance to \$210 million and its diluted EPS guidance to \$1.20 per share. The release
12 stated in part:

13 "Demand for our personalized diagnostic services continues to expand, even
14 as we face the challenges of the changing healthcare environment," said President
15 and CEO Tina S. Nova, Ph.D. "To meet this growing demand we remain focused on
16 strengthening our nationwide sales organization, growing from 77 to 89 sales
17 representatives so far in the second quarter. We will also complete our previously
18 announced laboratory expansion by this July and our new customer service facility
19 later in the year. We expect to realize economies of scale as we continue to grow
20 toward our goal of a 15-20% share of the bone marrow market in the U.S. by 2015."

21 "However, *physician practices are under intense economic pressure, which*
22 *when combined with increased competitive presence in the market, is reducing our*
23 *field sales productivity.* We are answering these challenges by supporting our
24 physician customers with new service offerings, by increasing market presence and
25 investing in new technologies," said Dr. Nova. "Growth is expected to slow as the
26 market moves through the current transition. Over the long term, we remain
27 confident in our ability to take advantage of the market's preference for our high-
28 quality diagnostic offerings, our exceptional team of hematopathologists and our
adaptability to a changing environment."

39. On June 16, 2010, Genoptix was a participant at a William Blair Growth Stock
Conference, during which defendants represented the following:

[NOVA:] I'd now like to give you an update on the Genoptix business
model. We expect continued growth in volume and revenue in this changing,
evolving market that we're experiencing. Genoptix's bone marrow market share
increased to 8% in the first half of 2010. We expect 6% revenue growth from the first
quarter to the second quarter of this year with full line 2010 top line growth rate to be
expected to be around 14%.

* * *

1 The growth trends reflect a new and rapidly changing dynamics out in the
2 marketplace with the community hem/oncs market. We've seen a change in patient
3 activity and patient profile in our particular sector. We've seen emerging trends in
4 physician practices gaining momentum. We've seen competitive activity leading to
market saturation and therefore a slowing rate of new customer acquisitions, and
recent managed care tactics have been impacting some key accounts. And it's been
challenging to pinpoint these trends in a rapidly evolving environment.

5 *Therefore, the sales force productivity ramp has been slower than we had*
6 *originally forecasted and as you know in this morning's press release we have*
changed our guidance for 2010 due to this current environment.

7 * * *

8 The one thing we have seen a tremendous amount of in the last few months
9 specifically is a group of companies, small companies that want to be Genoptix's
10 wannabes and have really filled the offices. And in fact we hear our doctors saying to
11 us, 10 other labs want our bone marrow business that's not something we saw last
12 year. And you're the third rep this week and it's only Tuesday that's been in the
13 office looking for those bone marrow samples. So again, a big change in the
14 marketplace with a lot of these small competitors over the last few months
15 specifically.

16 * * *

17 [RICCITELLI:] *As we eliminate our position out of network, we eliminate*
18 *one major competitive weapon that's being used against us.* Our competitors that
19 are contracted are partnering up with some managed care organizations to try to limit
20 our growth in certain offices. Legally they really don't have much leg to stand on
21 because the physician has absolute right to select a player like Genoptix that they
22 believe . . . provides better care for their patient and that's what we are doing more
often than not. But it creates noise and it affects our sales force effectiveness. We
want to eliminate that.

23 * * *

24 We have 89 sales reps, so we have significantly increased our feet on the
25 street. We need more soldiers to fight the war of these wannabes that are out there,
26 that are saying that they are Genoptix when they are nowhere near the quality of
27 Genoptix or the capability of Genoptix. We've got to stamp out that again and we
28 need soldiers to fight that war and we're doing a good job bringing them in. We're
on track to have 100 sales reps by year-end.

This is the full year outlook. We've broken it down by half, so historical
trends on half year metrics. You can see the volume growth that we're projecting still
for this year. *So despite the pressures that are going on in the marketplace, despite*
the entrance of all these new competitors, we are still gaining share for this year.
And you can see the impact on our revenues, see the growth, it's half compared to
the first half. And again, I want to mention, we are forecasting and have baked into
these numbers \$750,000 in changes in estimates per quarter.

So our full year guidance results as the following slide states. Obviously,
different than we had been saying earlier on in the year but now we think this is more
realistic and more reflective of what's happening in the marketplace, given the work
we've been doing here in the last several weeks. So top line \$210 million, around

1 \$22 million in net income approximately and approximately \$1.20 of EPS at an
2 annualized tax rate of about 46%.

3 * * *

4 And we think for the betterment of patients, in fact we're very confident of that. The
5 bad news though is folks are trying to copy that. Although no one has really been
6 able to do it, and we don't believe anyone will really be able to do it in the long run
7 and as long as we continue to innovate and stay ahead of them that will never be the
8 case. But we do acknowledge the validation of our techniques and we think that's for
9 the betterment of patients.

10 The early transformation occurring in the community oncologist market that
11 we need to acknowledge, there's a tremendous economic squeeze on these people.
12 They're not making income like they did in the past and it looks to be shrinking, and
13 things like 21% cut overhang are not helping these folks, and that's impacting how
14 they choose labs.

15 *There is a myriad of new oncology service and business models that they're*
16 *attempting to experiment with. They're trying new ways to generate revenue,*
17 *including vertically integrating into some of the things that we do. We don't think*
18 *that's prudent. We don't think that's wise for patients. We don't really show how*
19 *they can pull it off, given the complexity that we encompass everyday in*
20 *performing these workouts, but nevertheless because we're so desperate to looking*
21 *[sic] at these things. We believe we have the feet on the street and the investment*
22 *we're making in the sales organization to improve that, feet on the street resource*
23 *to fight back these pressures that they're experiencing.*

24 40. On this news, Genoptix's stock dropped \$5.69 per share to close at \$17.19 per share
25 on June 16, 2010, a one-day decline of 25% on high volume.

26 41. The true facts, which were known by the defendants but concealed from the investing
27 public during the Class Period, were as follows:

28 (a) The Company failed to disclose that its business model was unsustainable.

(b) The Company failed to disclose known trends and uncertainties as required by
SEC regulations concerning industry trends. Due to continuing challenges it was facing in the
industry, including increased competition, increased managed care pressures, decreased sales force
effectiveness and changing trends at the physician level, the Company's past results could not and
would not continue, as Genoptix would not only be unable to grow its operations but would have
difficulty maintaining its current client base.

(c) The Company failed to disclose that the reason for the Company's slowdown
in its revenue growth was not temporary nor was it primarily due to the Company's reconfiguration
of its sales department.

1 (d) Given the increased competitive pressures and the changing landscape in the
2 industry, the Company had no reasonable basis to make projections about its revenue growth or its
3 ability to gain or even maintain its market share.

4 42. As a result of defendants' false statements, Genoptix's stock traded at inflated levels
5 during the Class Period. However, after the above revelations seeped into the market, the
6 Company's shares were hammered by massive sales, sending them down over 55% from their Class
7 Period high.

8 **LOSS CAUSATION**

9 43. During the Class Period, as detailed herein, the defendants made false and misleading
10 statements and engaged in a scheme to deceive the market and a course of conduct that artificially
11 inflated the price of Genoptix common stock and operated as a fraud or deceit on Class Period
12 purchasers of Genoptix common stock by misrepresenting the Company's business and prospects.
13 Later, when the defendants' prior misrepresentations and fraudulent conduct became apparent to the
14 market, the price of Genoptix common stock fell precipitously, as the prior artificial inflation came
15 out of the price over time. As a result of their purchases of Genoptix common stock during the Class
16 Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the
17 federal securities laws.

18 **NO SAFE HARBOR**

19 44. Genoptix's verbal "Safe Harbor" warnings accompanying its oral forward-looking
20 statements ("FLS") issued during the Class Period were ineffective to shield those statements from
21 liability.

22 45. The defendants are also liable for any false or misleading FLS pleaded because, at the
23 time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was
24 authorized and/or approved by an executive officer of Genoptix who knew that the FLS was false.
25 None of the historic or present tense statements made by defendants were assumptions underlying or
26 relating to any plan, projection or statement of future economic performance, as they were not stated
27 to be such assumptions underlying or relating to any projection or statement of future economic
28

1 performance when made, nor were any of the projections or forecasts made by defendants expressly
2 related to or stated to be dependent on those historic or present tense statements when made.

3 **CLASS ACTION ALLEGATIONS**

4 46. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules
5 of Civil Procedure on behalf of all persons who purchased or otherwise acquired Genoptix common
6 stock during the Class Period (the "Class"). Excluded from the Class are defendants and their
7 families, the officers and directors of the Company, at all relevant times, members of their
8 immediate families and their legal representatives, heirs, successors or assigns and any entity in
9 which defendants have or had a controlling interest.

10 47. The members of the Class are so numerous that joinder of all members is
11 impracticable. The disposition of their claims in a class action will provide substantial benefits to
12 the parties and the Court. Genoptix has nearly 17.6 million shares of stock outstanding, owned by
13 hundreds if not thousands of persons.

14 48. There is a well-defined community of interest in the questions of law and fact
15 involved in this case. Questions of law and fact common to the members of the Class which
16 predominate over questions which may affect individual Class members include:

- 17 (a) whether the 1934 Act was violated by defendants;
18 (b) whether defendants omitted and/or misrepresented material facts;
19 (c) whether defendants' statements omitted material facts necessary to make the
20 statements made, in light of the circumstances under which they were made, not misleading;
21 (d) whether defendants knew or deliberately disregarded that their statements
22 were false and misleading;
23 (e) whether the price of Genoptix common stock was artificially inflated; and
24 (f) the extent of damage sustained by Class members and the appropriate measure
25 of damages.

26 49. Plaintiff's claims are typical of those of the Class because plaintiff and the Class
27 sustained damages from defendants' wrongful conduct.

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COUNT II

**For Violation of §20(a) of the 1934 Act
Against All Defendants**

56. Plaintiff incorporates ¶¶1-55 by reference.

57. The Individual Defendants acted as controlling persons of Genoptix within the meaning of §20(a) of the 1934 Act. By virtue of their positions with the Company, and ownership of Genoptix stock, the Individual Defendants had the power and authority to cause Genoptix to engage in the wrongful conduct complained of herein. Genoptix controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages, including interest;
- C. Awarding plaintiff reasonable costs and attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and

proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: December 6, 2010