Eagle Bancorp Montana, Inc.
Form 8-K
February 05, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **January 31, 2018**

Eagle Bancorp Montana, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**1-34682**	**27-1449820**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1400 Prospect Ave.

Helena, MT
59601
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code:
(406)
442-3080

Check the appropriate box if the Form 8-K filing is intended to simultaneously satisfy the reporting obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.01 Completion of Acquisition or Disposition of Assets

Effective January 31, 2018, Eagle Bancorp Montana, Inc., a Delaware corporation ("Eagle"), completed its previously announced merger (the "Merger") with TwinCo, Inc. ("TwinCo"), pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), dated as of September 5, 2017, by and among Eagle, Eagle's wholly-owned subsidiary, Opportunity Bank of Montana, a Montana chartered commercial bank ("Opportunity Bank"), TwinCo and TwinCo's's wholly-owned subsidiary, Ruby Valley Bank, a Montana chartered commercial bank ("Ruby Valley"). At the effective time of the Merger (the "Effective Time"), TwinCo merged with and into Eagle, with Eagle continuing as the surviving corporation.

Pursuant to the Merger Agreement, holders of TwinCo common stock prior to the Effective Time have the right to receive, at the election of the holder thereof: (1) a combination of $247.16 in cash and 11.1540 shares of Eagle common stock (the "Mixed Election Consideration"); (2) $449.38 in cash (the "Cash Election Consideration"); or (3) 24.7866 shares of Eagle common stock (the "Stock Election Consideration," and together with the Cash Election Consideration and the Mixed Election Consideration, the "Merger Consideration"). The Merger Agreement contains customary proration procedures so that the aggregate amount of cash paid and shares of Eagle common stock issued in the Merger as a whole are equal to the total amount of cash and number of Eagle shares that would have been paid and issued if all TwinCo shareholders received the Mixed Election Consideration. Each outstanding share of Eagle common stock remains outstanding and is unaffected by the Merger.

Immediately following the Effective Time, Ruby Valley merged with and into Opportunity Bank, with Opportunity Bank surviving and continuing its corporate existence under the name "Opportunity Bank of Montana."

The foregoing description of the Merger and the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which is included as Exhibit 2.1 to this Current Report on Form 8-K and is incorporated herein by reference.

A copy of the press release issued by Eagle announcing the closing of the Merger is filed as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Pursuant to the Merger Agreement, which provided that on or prior to the Effective Time, the Board of Directors of Eagle (the "Eagle Board") would cause Kenneth M. Walsh, Chairman, Chief Executive Officer and President of TwinCo to be appointed to the Eagle Board, effective as of the Effective Time, the Eagle Board (1) increased the size

of the Eagle Board from 9 to 10 members and (2) appointed Kenneth M. Walsh to serve as a member of the Eagle Board. Mr. Walsh will serve in the class of directors whose current term will expire at Eagle's 2018 Annual Meeting of Stockholders when such class directors will next be elected by Eagle's stockholders. Since Mr. Walsh will be an employee of Opportunity Bank, he will not be entitled to receive additional compensation as a member of the Eagle Board. However, he will be entitled to a monthly travel allowance. Mr. Walsh has been appointed to serve on the Investment Committee and Asset & Liability Committee of the Eagle Board.

Other than the Merger Agreement, there are no arrangements or understandings between Mr. Walsh and any other person pursuant to which Mr. Walsh was selected as a director. Since the beginning of the last fiscal year there have been no related party transactions between Eagle and Mr. Walsh that would be reportable under Item 404(a) of Regulation S-K.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

(b) Pro forma financial information

UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma combined financial information and explanatory notes are presented to show the impact of the proposed merger with TwinCo on our company's historical financial positions and results of operations under the purchase method of accounting. Under this method of accounting, the assets and liabilities of the company not surviving the merger are, as of the effective date of the merger, recorded at their respective fair values and added to those of the surviving corporation. The unaudited pro forma condensed combined financial information combines the historical financial information of Eagle and TwinCo at and for the nine months ended September 30, 2017, and for the year ended December 31, 2016. The unaudited pro forma combined condensed balance sheet as of September 30, 2017 assumes the merger was consummated on that date. The unaudited pro forma combined consolidated condensed statements of income give effect to the merger as if the merger had been consummated at the beginning of each period presented.

The unaudited pro forma combined condensed financial information is presented for illustrative purposes only and is not necessarily indicative of the actual results that would have occurred if the merger had been consummated during the period or as of the date of which the pro forma data are presented, nor is it necessarily indicative of future results. The pro forma data do not reflect any potential benefits from potential cost savings or synergies expected to be achieved following the merger. The pro forma fair values for assets and liabilities are subject to change as result of final valuation analyses and include no adjustments for evaluation of credit risk, principally related to loans. In addition, the pro forma data assumes no changes to the combined capitalization, such as increases in long-term debt or the repurchase of shares issued in connection with the merger.

The unaudited pro forma combined condensed financial information is based on and should be read in conjunction with the historical consolidated financial statements and the related notes of Eagle, which are incorporated in this document by reference.

Eagle and TwinCo
Unaudited Pro Forma Combined Condensed Balance Sheet

September 30, 2017

The following unaudited pro forma combined condensed balance sheet combines the consolidated historical balance sheet of Eagle and TwinCo assuming the companies had been combined as of September 30, 2017 on a purchase accounting basis.

	Eagle Bancorp Montana, Inc.	TwinCo, Inc.	Pro Forma Adjustments	Pro Forma Combined
	(In Thousands)			
Cash and due from banks (a)	$7,371	$2,521	$ (1,413)	$8,479
Interest bearing deposits in banks	784	4,573		5,357
Securities available-for-sale	120,767	29,882		150,649
Federal Home Loan Bank stock	4,121	111		4,232
Federal Reserve Bank stock	871	-		871
Investment in Eagle Bancorp Statutory Trust I	155	-		155
Mortgage loans held-for-sale	9,606	-		9,606
Loans receivable (b)	510,184	56,269	(1,385)	565,068
Allowance for loan losses (c)	(5,500)	(1,385)	1,385	(5,500)
Net loans	504,684	54,884	-	559,568
Accrued interest and dividends receivable	2,269	1,091		3,360
Mortgage servicing rights, net	6,398			6,398
Premises and equipment, net (d)	20,860	1,123		21,983
Cash surrender value of life insurance	14,385	180		14,565
Real estate and other repossessed assets acquired in settlement of loans, net	527	135		662
Goodwill (e)	7,034	422	4,297	11,753
Core deposit intangible, net (f)	300	-	926	1,226
Deferred tax asset, net	1,349	-		1,349
Other assets	1,089	68		1,157
Total assets	$702,570	$94,990	$ 3,810	$801,370
Deposit accounts:				
Noninterest bearing	$104,866	$21,572		$126,438
Interest bearing	420,301	58,694		478,995
Total deposits	525,167	80,266	-	605,433
Accrued expenses and other liabilities (g)	5,426	91	278	5,795
Federal Home Loan Bank advances and other borrowings (h)	83,836	-	9,900	93,736
Other long-term debt less unamortized debt issuance costs	24,795	-		24,795
Total liabilities	639,224	80,357	10,178	729,759

Preferred stock	-	-		-
Common stock (i)	41	76	(72)	45
Additional paid-in capital (i)(j)	22,477	1,560	6,701	30,738
Unallocated common stock held by Employee Stock Ownership Plan	(684)	-		(684)
Treasury stock, at cost	(2,971)	(1,197)	1,197	(2,971)
Retained earnings (j)	43,837	14,468	(14,468)	43,837
Net accumulated other comprehensive income (loss) (k)	646	(274)	274	646
Total shareholders' equity	63,346	14,633	(6,368)	71,611
Total liabilities and shareholders' equity	$702,570	$94,990	$ 3,810	$801,370

See notes to the unaudited pro forma combined financial information.

Eagle and TwinCo
Unaudited Pro Forma Combined Condensed Statement of Income

Nine Months Ended September 30, 2017

The following unaudited pro forma combined condensed statement of income combines the consolidated historical statement of income of Eagle and TwinCo assuming the companies had been combined as of January 1, 2017 on a purchase accounting basis.

Eagle Bancorp	Pro Forma	

Other Key Management Team Members

Lyssa Friedman joined OncoCyte as a consultant in April 2014 and was named Vice President of Clinical and Regulatory Affairs in September 2015. Ms. Friedman started her career as a registered nurse specializing in oncology, and has led clinical research operations teams for more than 15 years. Ms. Friedman was a founding team member at Veracyte, Inc. and worked there from 2008 to 2014, where she executed a 49-site, 4000-subject clinical validation study that resulted in the launch of the *Afirma*® Gene Expression Classifier. She later oversaw clinical utility studies that contributed to positive coverage decision from the Centers for Medicare and Medicaid Services and major U.S private insurers. Ms. Friedman is an author of about a dozen peer-reviewed publications and is a frequent speaker on diagnostic development, clinical and regulatory affairs, and reimbursement. Ms. Friedman received her masters in Public Administration from the University of San Francisco.

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Lyndal Hesterberg began providing consulting services to OncoCyte in 2015 and was named Vice President of Development in February of 2016. Dr. Hesterberg is an industry consultant to medical and biotech companies providing counsel on clinical trial design, product development and corporate strategy. Until 2012, Dr. Hesterberg was the Chief Technology Officer of Crescendo Biosciences where he was responsible for clinical trial, laboratory operations, manufacturing and quality systems and helped bring to market Vectra DA. Previously, he was the president and Chief Executive Officer of Barofold, Inc., where he led the company from product conception through its clinical stage, and recruited a senior leadership team that developed a pipeline of proprietary drug candidates. Dr. Hesterberg received his Ph.D. in biochemistry from the University of St. Louis and a Bachelor of Sciences from the University of Illinois.

William K. Seltzer began providing consulting services to OncoCyte in September 2014 and has since been appointed Vice President of Clinical Services. Dr. Seltzer provides consulting services to companies in the diagnostic industry and is a board certified clinical molecular geneticist with 30 years commercial and academic experience in clinical diagnostic services, clinical diagnostic products development and commercialization, quality assurance and regulatory compliance. As an Associate Professor of Pediatrics at Colorado, he founded and directed the University s DNA Diagnostic Laboratory. Later, as a member of the executive management team at Athena Diagnostics, Inc. and as senior Laboratory Director, Dr. Seltzer was responsible for the successful launch and oversight of clinical services for over 100 laboratory diagnostic tests in the fields of neurology, endocrinology and nephrology.

Dr. Seltzer established the clinical diagnostic laboratory at Veracyte, Inc. which developed and launched the first molecular cytology test in the country and later served as laboratory director and site director at Counsyl, Inc. a health technology company. He has published more than 50 articles in peer-reviewed scientific journals and is co-inventor on patents for molecular diagnostics and methods.

Dr. Seltzer received his Ph.D. in Pharmacology and Nutrition from the University of Southern California and completed a clinical fellowship in molecular genetics at the University of Colorado School of Medicine.

DIRECTOR COMPENSATION

Directors and members of committees of the Board of Directors who are salaried employees of OncoCyte or BioTime are entitled to receive compensation as employees but are not compensated for serving as directors or attending meetings of the Board or committees of the Board. All directors are entitled to reimbursements for their out-of-pocket expenses incurred in attending meetings of the Board or committees of the Board.

Non-employee directors, other than the Chairman of the Board of Directors, received an annual fee of $15,000 in cash during 2015, and will receive an annual cash fee of $20,000 for 2016, plus $1,000 for each regular or special meeting of the Board of Directors attended or $500 for each meeting attended by telephone conference call. In addition to cash fees, non-employee directors received options to purchase 10,000

shares of common stock under our 2010 Stock Option Plan (the Plan) during 2015, and will receive options to purchase 20,000 shares of common stock during 2016. For 2016, our Chairman will receive an annual cash fee of $50,000, plus $1,000 for each regular or special meeting of the Board of Directors attended or $500 for each meeting attended by telephone conference call, and an annual award of options to purchase 20,000 shares of OncoCyte common stock.

The annual fee of cash will be paid, and the stock options granted will vest and become exercisable, in four equal quarterly installments, provided that the non-employee director remains a director on the last day of the applicable quarter. The options will expire if not exercised five years from the date of grant.

Directors who serve on the Audit Committee or the Compensation Committee shall receive, in addition to other fees payable to them as directors, the following annual fees:

- Audit Committee Chairman: $10,000
- Audit Committee Member other than Chairman: $7,000
- Compensation Committee Chairman: $7,500
- Compensation Committee Member other than Chairman: $5,000

Members of Audit Committee and Compensation Committee will also receive $1,000 for each committee meeting attended in person, and $500 for each committee meeting attended by telephone.

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Compensation for service on the Nominating/Corporate Governance Committee during 2016 has not yet been determined by the Board.

The following table summarizes certain information concerning the compensation paid during the past fiscal year to each of the persons who served as directors during the year ended December 31, 2015 and who were not our employees on the date the compensation was earned.

Name	Fees Earned Or Paid in Cash	Option Awards[1]	Total
William Annett	9,000	$ 13,262 (2)	$ 22,262
Andrew Arno	21,000	$ 12,988 (3)	$ 33,988
Alfred D. Kingsley	14,000 (4)	$ 197,333 (5)	$ 211,333
Andrew J. Last	5,500	$ 21,244 (6)	$ 26,744
Cavan Redmond	19,250	$ 18,508 (7)	$ 37,758
Michael D. West	—	$ 328,843 (8)	$ 328,843

(1) Options granted will vest and become exercisable in equal quarterly installments over a one-year period or other vesting periods, but must be reported here at the aggregate grant date fair value, as if all options were fully vested and exercisable at the date of grant. Values are computed in accordance with FASB Accounting Standards Codification (ASC) Topic 718. We used the Black-Sholes-Merton Pricing Model to compute option fair values based on applicable exercise and stock prices, an expected option term, volatility assumptions, and bond equivalent yield discount rates.

(2) Mr. Annett received 10,000 stock options for serving as a director of which 5,000 stock options vested prior to his resignation from the board upon being appointed as OncoCyte's President and Chief Executive Officer. We used the following variables to compute the value of the options: stock price and exercise price of $2.20, expected term of 5.30 years, volatility of 71.13%, and bond equivalent yield discount rate of 1.45%. For compensation information as OncoCyte's President and Chief Executive Officer, refer to the summary of executive compensation table on page 15.

(3) Mr. Arno received 10,000 stock options. We used the following variables to compute the value of the options: stock price and exercise price of $2.20, expected option term of 5.30 years, volatility of 68.87%, and bond equivalent yield discount rate of 1.63%.

(4) The amount shown reflects cash paid to Mr. Kingsley as a non-employee director after November 15, 2015. Information concerning Mr. Kingsley's compensation for services as Executive Chairman prior to that date is shown in the EXECUTIVE COMPENSATION section of this proxy statement.

(5) Mr. Kingsley received 75,000 stock options. The options will vest and become exercisable in 48 equal monthly installments. We used the following variables to compute the value of the options: stock price of $3.16, exercise price of $2.20, expected option term of 9.15 years, volatility of 80.34%, and bond equivalent yield discount rate of 2.13%. The value of these options is also included in the Summary Compensation Table in the EXECUTIVE COMPENSATION section

of this Proxy Statement.

(6) Mr. Last received 10,000 stock options. We used the following variables to compute the value of the options: stock price and exercise price of $3.60, expected option term of 5.30 years, volatility of 68.69%, and bond equivalent yield discount rate of 1.71%.

(7) Mr. Redmond received 10,000 stock options. We used the following variables to compute the value of the options: stock price and exercise price of $3.16, expected option term of 5.30 years, volatility of 68.32%, and bond equivalent yield discount rate of 1.53%.

(8) Dr. West received 125,000 stock options. The options will vest and become exercisable in 48 equal monthly installments. We used the following variables to compute the value of the options: stock price of $3.16, exercise price of $2.20, expected option term of 9.15 years, volatility of 80.32%, and bond equivalent yield discount rate of 2.13%.

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EXECUTIVE COMPENSATION

Emerging Growth Company

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable, in general, to public companies that are not emerging growth companies. Accordingly, this Proxy Statement includes reduced disclosure about our executive compensation arrangements and does not include a non-binding shareholder advisory vote on executive compensation.

Compensation Committee Interlocks and Insider Participation in Compensation Decisions

We created a Compensation Committee in September 2015.The members of our Compensation Committee are Andrew Arno, Andrew Last, and Cavan Redmond, each of whom qualify as independent in accordance with Section 803(A) and Section 805(c) of the NYSE MKT Company Guide. Mr. Arno, Mr. Last and Mr. Redmond are not current or former officers or employees of OncoCyte or BioTime or any of BioTime s other subsidiaries, nor did any of them have any relationship with OncoCyte, BioTime or any of BioTime s other subsidiaries requiring disclosure in this Report under Item 404 of SEC Regulation S-K.

Prior to the formation of our Compensation Committee, executive compensation was determined by our Board of Directors, subject to approval by the Board of Directors or Compensation Committee of BioTime in the case of any OncoCyte officer or director who was also an officer or director of BioTime.

During last fiscal year, none of our executive officers served as (a) a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Compensation Committee, (b) a director of another entity, one of whose executive officers served on our Compensation Committee, or (c) a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on our Board of Directors, except that Mr. Arno serves as a director and member of the Compensation Committee of Asterias Biotherapeutics, Inc. (Asterias), a subsidiary of BioTime, and Michael D. West served as a Vice President of Asterias until December 2015. Robert W. Peabody, our former Chief Financial Officer, served as Chief Financial Officer of Asterias until November 2015.

Except for grants of stock options, our executive officers who were also executive officers of BioTime did not receive any direct compensation from us during 2015 and 2014. Instead, those executive officers and directors were compensated by BioTime in their respective capacities. BioTime allocated to us as an expense a portion of the compensation paid to our executive officers.

Executive Employment Agreements and Change of Control Provisions

We have entered into Employment Agreements with our Chief Executive Officer William Annett, our Vice President of Marketing Kristine Mechem, and our Vice President of Research Karen Chapman. Mr. Skibsted has an Employment Agreement with BioTime, and BioTime allocates a portion of his compensation to us as an allocated cost under the Shared Facilities Agreement.

Pursuant to his Employment Agreement, Mr. Annett was entitled to receive a base annual salary of $320,000 during 2015, which was prorated based on his commencement of employment during June 2015. For 2016, Mr. Annett s base salary has been increased to $380,000. He is eligible to receive annual cash incentive bonus awards determined by the Board of Directors, with a target bonus of not less than 35% of his base salary, based on his achievement of specific, objectively determinable, performance goals at target levels for the year. If the specified performance goals are achieved at maximum levels, the amount of the annual bonus will be up to 150% of Mr. Annett s base salary as determined by the Board of Directors in its sole discretion. During January 2016, Mr. Annett was awarded a discretionary bonus in the amount of $93,333 for his performance during 2015. In addition to cash compensation, Mr. Annett s Employment Agreement entitled him to receive a grant of 605,000 stock options exercisable at a price of $2.20 per share under the Plan.

Mr. Annett s employment agreement contains provisions entitling him to severance benefits under certain circumstances. If we terminate Mr. Annett s employment without cause or if he resigns for good reason as those terms are defined in his employment agreement, he will be entitled to receive as a severance benefit six

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months base salary, a pro rates portion of the target bonus for the year, payable on the date that annual bonuses would otherwise be payable to executives, and any unvested stock options that would have vested during the six months following termination of his employment (the Severance Period) will vest, and the period during which his vested options may be exercised will be extended to earlier of the date twelve months after termination of his employment or the expiration date of the option. If Mr. Annett s employment is terminated without cause or if he resigns for good reason within twelve months following a Change of Control, he will be entitled to twelve months base salary and the Severance Period will be twelve months rather than six months. In addition, if Mr. Annett elects continued health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA) we will reimburse him for or we will directly pay the premiums for that coverage until the earlier of the end of the Severance Period or the date on which he receives equivalent health care insurance in connection with new employment. In order to receive the severance benefits, Mr. Annett must execute a general release of all claims against us and must return all our property in his possession.

Change of Control means (A) the acquisition of our voting securities by a person or an Affiliated Group entitling the holder to elect a majority of our directors; provided, that an increase in the amount of voting securities held by a person or Affiliated Group who on the date of the Employment Agreement beneficially owned (as defined in Section 13(d) of the Exchange Act, and the regulations thereunder) more than 10% of our voting securities shall not constitute a Change of Control; and provided, further, that an acquisition of voting securities by one or more persons acting as an underwriter in connection with a sale or distribution of voting securities shall not constitute a Change of Control, (B) the sale of all or substantially all of our assets; or (C) a merger or consolidation in which we merge or consolidate into another corporation or entity in which our shareholders immediately before the merger or consolidation do not own, in the aggregate, voting securities of the surviving corporation or entity (or the ultimate parent of the surviving corporation or entity) entitling them, in the aggregate (and without regard to whether they constitute an Affiliated Group) to elect a majority of the directors or persons holding similar powers of the surviving corporation or entity (or the ultimate parent of the surviving corporation or entity). A Change of Control shall not be deemed to have occurred if all of the persons acquiring our voting securities or assets, or merging or consolidating with us, are one or more of our direct or indirect subsidiaries or parent corporations.
Affiliated Group means (A) a person and one or more other persons in control of, controlled by, or under common control with, such person; and (B) two or more persons who, by written agreement among them, act in concert to acquire voting securities entitling them to elect a majority of our directors. Person includes both people and entities.

Mr. Annett s Employment Agreement also provides that if any of the payments to him would constitute parachute payments under applicable provisions of the Internal Revenue Code and would be subject to excise tax, we will use our best efforts to obtain shareholder approval of the payment, or Mr. Annett may elect to accept a reduced amount that would not be subject to the excise tax on parachute payments.

Pursuant to her Employment Agreement, Kristine Mechem was entitled to receive a base annual salary of $200,000 for 2015, which was prorated based on her commencement of employment during August 2015. For 2016, Ms. Mechem s base salary has been increased to $210,000. She is eligible to receive annual cash incentive bonus awards determined by the Board of Directors, with a target bonus of not less than 30% of her base salary, based on her achievement of objectively determinable performance goals for the year. During January 2016, Ms. Mechem was awarded a discretionary bonus in the amount of $25,000 for her performance during 2015. In addition to cash compensation, Ms. Mechem s Employment Agreement entitled her to receive a grant of 100,000 stock options exercisable at a price of $3.16 per share under the Plan.

If we terminate Ms. Mechem s employment without cause as defined in her Employment Agreement, she will be entitled to receive, as a severance benefit, payment of three months base salary if she has been employed by us for one year or less, or six months base salary, if she has been employed by us for more than one year. The severance compensation may be paid in a lump sum or, at our election, in installments consistent with the payment of her salary while employed by us. In order to receive the severance benefits, Ms. Mechem must execute a general release of all claims against us and must return all our property in her possession.

Pursuant to her Employment Agreement, Karen Chapman s base annual salary was set by the Board of Directors at $200,000 for 2015. Dr. Chapman also received a grant of 100,000 stock options exercisable at a price of $2.20 per share under the Plan. For 2016, Dr. Chapman s base salary has been increased to $230,000.

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She is eligible to receive annual bonus awards as may be approved by the Board of Directors in its discretion, based on her achievement of goals or milestones set by the Board of Directors. During January 2016, Dr. Chapman was awarded a discretionary bonus in the amount of $55,000 for her performance during 2015.

If we terminate Ms. Chapman s employment without cause as defined in her Employment Agreement, she will be entitled to receive, as a severance benefit, payment of three months base salary. The severance compensation may be paid in a lump sum or, at our election, in installments consistent with the payment of her salary while employed by us. In order to receive the severance benefits, Ms. Chapman must execute a general release of all claims against us and must return all our property in her possession.

The following tables show certain information relating to the compensation of our current and former Chief Executive Officers and the two highest paid individuals who were serving as executive officers at year end, and two other individuals who served as executive officers but were no longer serving at year end, in each case if their total compensation exceeded $100,000 during 2015. We refer to such executive officers referred to as our Named Executive Officers. Joseph P. Wagner served as our Chief Executive Officer through May 29, 2015, and William Annett became our current Chief Executive Officer during June 2015. Alfred D. Kingsley served as Executive Chairman until October 2015. Robert W. Peabody served as our Chief Financial Officer until November 18, 2015.

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary	Bonus	Option Awards[1]	All other Compensation[2]	Total
William Annett President and Chief Executive Officer	2015	$ 173,333	$ 93,333	$ 852,206 [3]	$ 21,262 [4]	$ 1,140,134
Joseph P. Wagner Former President and Chief Executive Officer	2015	$ 147,411	—	$ 112,704 [5]	$ 6,255	$ 266,370
	2014	$ 267,800	$ 75,000	$ —	$ 12,614	$ 355,414
Karen Chapman	2015	$ 186,732	$ 55,000	$ 145,424 [6]	$ 8,642	$ 395,798
	2014	$ 149,565	$ 25,000	$ —	$ 6,727	$ 181,292

VP of Research							
Kristine Mechem	2015	$ 83,333	$ 25,000	$ 201,633 (7)	$ 3,333		$ 313,300
VP of Marketing							
Alfred D. Kingsley[8]	2015	$ 79,167	$ 100,000	$ 197,333 (9)	$ 3,958	(9)	$ 380,458
Former Executive Chairman	2014	$ 100,000	$ —	$ —	$ 4,333		$ 104,333
Robert W. Peabody[10]	2015	$ 57,454	$ 6,750	$ 197,356 (11)	$ 34,460	(12)	$ 296,020
Former Chief Financial Officer	2014	$ 40,001	$ 13,485	$ —	$ 1,209		$ 54,695

(1) Option awards were granted under the Plan and are valued at the aggregate grant date fair value, as if all options were fully vested and exercisable at the date of grant. Except as otherwise indicated below, one quarter of the options will vest upon completion of 12 full months of continuous employment measured from the grant date, and the balance of the options shall vest in 36 equal monthly installments commencing on the first anniversary of the date of grant, based upon the completion of each month of continuous employment. Values are computed in accordance with FASB Accounting Standards Codification (ASC) Topic 718. Except as otherwise indicated below, we used the Black-Sholes-Merton Pricing Model to compute option fair values based on applicable exercise and stock prices, an expected option term of six to nine years, volatility ranging from 68.43% to 80.34%, and bond equivalent yield discount rates ranging from 1.45% to 2.16% depending on the date of grant and expected term.

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(2) Except as otherwise indicated below, other compensation consists entirely of employer contributions to employee accounts under BioTime's 401(k) plan in which employees of BioTime subsidiaries, including OncoCyte, are entitled to participate.

(3) Mr. Annett was appointed as our Chief Executive Officer on June 16, 2015. Mr. Annett was granted 605,000 options exercisable at an exercise price of $2.20 per share of which 5,000 options vested on the date of grant.

(4) Other compensation also includes 10,000 stock options, with a fair market value of $13,262, granted as partial compensation for serving on the Board of Directors of which 5,000 stock options were forfeited before Mr. Annett was appointed President and Chief Executive Officer.

(5) Dr. Wagner served as our Chief Executive Officer until May 29, 2015. Dr. Wagner was granted 75,000 stock options that were forfeited as a result of his resignation.

(6) Dr. Chapman was granted 100,000 stock options. The options are exercisable at an exercise price of $2.20 per share.

(7) Dr. Mechem was granted 100,000 stock options. The options are exercisable at an exercise price of $3.16 per share.

(8) Mr. Kingsley was paid a salary as Executive Chairman through November 15, 2015. He was compensated by BioTime but we reimbursed BioTime for a portion of that compensation allocable to his services to us, which is shown in the table.

(9) Mr. Kingsley was granted 75,000 stock options. The options are exercisable at an exercise price of $2.20 per share. The options will vest and become exercisable in 48 equal monthly installments. We used the Black-Sholes-Merton Pricing Model to compute option fair values based on applicable exercise and stock prices, an expected option term of 9.15 years, volatility of 80.34%, and bond equivalent yield discount rate of 2.13%.

(10) Mr. Peabody was paid a salary as Chief Financial Officer through November 18, 2015. Mr. Peabody was compensated by BioTime but we reimbursed BioTime for a portion of that compensation allocable to his services to us, which is shown in the table.

(11) Mr. Peabody was granted 75,000 stock options. The options are exercisable at an exercise price of $2.20 per share. The options will vest and become exercisable in 48 equal monthly installments. We used the Black-Sholes-Merton Pricing Model to compute option fair values based on applicable exercise and stock prices, an expected option term of 9.15 years, volatility of 80.32%, and bond equivalent yield discount rate of 2.16%.

(12) Other compensation also includes $33,228 of severance payments to Mr. Peabody allocated from BioTime in connection with the termination of his employment as Chief Financial Officer. The amount shown in the table is the portion of the total severance payments from BioTime allocated to us with respect to Mr. Peabody's service as our Chief Financial Officer.

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Stock Options Outstanding at Year End

The following table summarizes certain information concerning stock options granted by us under the Plan, and held as of December 31, 2015 by our Named Executive Officers:

OUTSTANDING EQUITY AWARDS AT YEAR-END

	Option Awards			
Name	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable[1]**	**Option Exercise Price**	**Option Expiration Date**
William Annett	5,000	—	$2.20	January 8, 2025
	5,000		$2.20	June 15, 2025
		600,000[2]	$2.20	June 15, 2025
Karen Chapman	200,000	—	$1.50	March 31, 2021
		100,000[3]	$2.20	January 8, 2025
Alfred D. Kingsley	125,000	—	$1.34	December 28, 2020
		75,000[4]	$2.20	January 8, 2025
Kristine Mechem	—	100,000[5]	$3.16	August 3, 2025
Robert W. Peabody	125,000	—	$1.34	December 28, 2020
		75,000[4]	$2.20	January 8, 2025

(1) Except as otherwise indicated below, one quarter of the options shall vest upon completion of 12 full months of continuous employment measured from the date of grant, and the balance of the options will vest in 36 equal monthly installments commencing on the first anniversary of the date of grant, based upon the completion of each month of continuous employment.

(2) The date of grant was June 15, 2015.

(3) The date of grant was January 9, 2015.

(4)

The date of the grant was January 9, 2015. One quarter of the option shall vest 12 months from the date of grant, and the balance of the options will vest in 36 equal monthly installments commencing on the first anniversary of the date of the grant.

(5) The date of grant was August 8, 2015.

Stock Option Plan

We have adopted the Plan pursuant to which we may grant options to purchase, or we may sell as restricted stock, up to a total of 4,000,000 shares of common stock. The following summary of the Plan is qualified in all respects by reference to the full text of the Plan, a copy of which has been filed as an exhibit to our registration statement on Form 10.

Administration of the Plan

The Plan is administered by our Board of Directors, which recommends to the Board of Directors which of our officers, directors, employees, consultants, and independent contractors should be awarded options or restricted stock, the number of shares subject to the options granted or shares of restricted stock to be sold, the exercise price of the options or purchase price of restricted stock, and certain other terms and conditions of the options and restricted stock. As permitted by the Plan, the Board of Directors has delegated administration of the Plan to the Compensation Committee.

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No options may be granted under the Plan more than ten years after the date the Plan was adopted by the Board of Directors, and no options granted under the Plan may be exercised after the expiration of ten years from the date of grant.

Terms of the Options

Options granted under the Plan may be either incentive stock options within the meaning of Section 422(b) of the Internal Revenue Code of 1986, as amended (the Code), or non-qualified stock options. Incentive stock options may be granted only to our employees and employees any parent or subsidiary company. The exercise price of incentive stock options granted under the Plan must be equal to not less than 85% of the fair market of our common stock on the date the option is granted. In the case of an optionee who, at the time of grant, owns more than 10% of the combined voting power of all classes of our capital stock, the exercise price of any incentive stock option must be at least 110% of the fair market value of the common stock on the grant date, and the term of the option may be no longer than five years. The aggregate fair market value of the common stock (determined as of the grant date of the option) with respect to which incentive stock options become exercisable for the first time by an optionee in any calendar year may not exceed $100,000.

The options exercise price may be payable in cash or in shares of common stock having a fair market value equal to the exercise price, or in a combination of cash and common stock.

Options granted under the Plan are nontransferable (except by will or the laws of descent and distribution) and may vest upon the satisfaction of reasonable conditions determined by the Board of Directors or Compensation Committee. Incentive stock options may be exercised only during employment or within three months after termination of employment, subject to certain exceptions in the event of the death or disability of the optionee, provided, that the Board of Directors or Compensation Committee may waive this provision.

Certain Adjustments to Number of Shares and Exercise Price

The number of shares of common stock covered by the Plan, and the number of shares of common stock and the exercise price per share of each outstanding option, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of common stock resulting from a subdivision or consolidation of shares or the payment of a stock dividend, or any other increase or decrease in the number of issued and outstanding shares of common stock effected without receipt of consideration by us.

Corporate Reorganization or Liquidation

In the event of the dissolution or liquidation of OncoCyte, or in the event of a reorganization, merger, or consolidation of OncoCyte as a result of which OncoCyte common stock is changed into or exchanged for cash or property or securities not issued by us, or upon a sale of substantially all of our property to, or the acquisition of stock representing more than eighty percent 80% of the voting power of our capital

stock then outstanding by, another corporation or person, the Plan and all options granted under the Plan shall terminate, unless provision can be made in writing in connection with such transaction for either the continuance of the Plan and/or for the assumption of options granted under the Plan, or the substitution for such options by options covering the stock of a successor corporation, or a parent or a subsidiary of a successor corporation, with appropriate adjustments as to the number and kind of shares and prices.

Restricted Stock Sales

In lieu of granting options, we may enter into restricted stock purchase agreements with employees under which they may purchase common stock subject to certain vesting and repurchase restrictions. We have the right to repurchase unvested shares at the shareholder s cost upon the occurrence of specified events, such as termination of employment. The price at which shares may be sold under restricted stock purchase agreements will be not less than 85% of fair market value, or 100% of fair market value in the case of stock sold to a person who owns capital stock representing more than 10% of the combined voting power of all classes of our capital stock. We may permit employees or consultants, but not executive officers or directors, who purchase stock under restricted stock purchase agreements to pay for their shares by delivering a promissory note that is secured by a pledge of their shares.

Other Compensation Plans

We do not have any pension plans, defined benefit plans, or non-qualified deferred compensation plans. We do make contributions to 401(k) plans for participating executive officers and other employees.

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Risk Considerations and Recoupment Policies

The Compensation Committee considers, in establishing and reviewing the executive compensation program, whether the program encourages unnecessary or excessive risk taking. Our executive compensation arrangements include a fixed salary that provides a steady income so that executives do not feel pressured to focus exclusively on stock price performance or short term financial targets to the detriment of our long-term operational and strategic objectives. We supplement fixed salaries with discretionary bonus awards based on the executive s performance as well as the performance of OncoCyte. Most of the stock options that we have granted to our executive officers under our Employee Stock Option Plan vest over four years, assuring that the executives take a long-term perspective in viewing their equity ownership.

Because we have adopted compensation plans, or made incentive awards, based on quantified financial performance measures, we have not adopted specific policies regarding the adjustment or recovery of awards or payments if the relevant performance measures are restated or otherwise adjusted in a manner that would reduce the size of an award or payment. We may adopt such policies, however, if we adopt incentive compensation plans or grant incentive bonuses based on financial performance measures or if we are required to do by the rules of any national securities exchange or interdealer quotation system on which our common stock or other equity securities are listed.

Tax Considerations

Section 162(m) of the Internal Revenue Code places a $1 million limit on the amount of compensation that a company can deduct in any one year for compensation paid to its chief executive officer and the three most highly-compensated executive officers employed by the company at the end of the year, other than the company's chief financial officer. The $1 million deduction limit does not apply to compensation that is performance-based and provided under a shareholder-approved plan. The Compensation Committee has never awarded cash compensation, in the form of salary and bonuses, in excess of the $1 million limit. Our stock option awards are designed to qualify for tax deductibility. Notwithstanding the foregoing, we may elect to pay compensation to executive officers that may not be fully deductible if we believe that is necessary to attract, retain and reward high-performing executives.

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PRINCIPAL SHAREHOLDERS

The following table sets forth information as of April 20, 2016 concerning beneficial ownership of our common stock by each shareholder known by us to be the beneficial owner of 5% or more of our outstanding shares of common stock.

Security Ownership of Certain Beneficial Owners

Shareholder	Number of Shares	Percent of Total
BioTime, Inc. 1010 Atlantic Avenue, Suite 102 Alameda, California 94501	14,866,888(1)	58.5 %
George Karfunkel 126 East 56th Street/15th Floor New York, New York 10022	3,659,860	14.4 %
Bernard Karfunkel c/o The Sabr Group 126 East 56th Street/15th Floor New York, New York 10022	2,536,666	9.9 %

(1) Includes 192,644 shares issuable to BioTime's subsidiary Asterias Biotherapeutics, Inc.

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The following table sets forth information as of April 20, 2016 concerning beneficial ownership of our common stock by each member of the Board of Directors, all Named Executive Officers, and all executive officers and directors as a group.

	Number of Shares	Percent of Total
William Annett[1]	160,000	*
Karen B. Chapman[2]	573,485	2.2 %
Kristine C. Mechem[3]	—	*
Russell L. Skibsted	—	*
Michael D. West[4]	573,485	2.2 %
Alfred D. Kingsley[5]	603,515	2.4 %
Andrew Arno[6]	15,000	*
Cavan Redmond[6]	15,000	*
Andrew J. Last[6]	15,000	*
Aditya Mohanty	—	*
Joseph P. Wagner	3,000	*
Robert W. Peabody[7]	167,350	*
All executive officers and directors as a group (12 persons)[8]	1,552,350	5.9 %

*Less than 1%

(1) Includes 10,000 shares that may be acquired through the exercise of stock options that are presently exercisable and 150,000 shares that may be acquired upon the exercise of certain stock options that may become exercisable within 60 days. Excludes 700,000 shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(2) Includes 289,063 shares that may be acquired by Dr. West and 231,250 shares that may be acquired by Dr. Chapman through the exercise of stock options that are presently exercisable, and 5,208 shares that may be acquired by Dr. West and

4,167 shares that may be acquired by Dr. Chapman upon the exercise of certain stock options that may become exercisable within 60 days. Excludes 80,729 shares that may be acquired upon the exercise of certain stock options held by Dr. West and 124,583 shares that may be acquired upon the exercise of certain stock options held by Dr. Chapman that are not presently exercisable and that will not become exercisable within 60 days. Dr. West and Dr. Chapman are husband and wife.

(3) Excludes 160,000 shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days

(4) Includes 231,250 shares that may be acquired by Dr. Chapman and 289,063 shares that may be acquired by Michael D. West through the exercise of stock options that are presently exercisable, and 4,167 shares that may be acquired by Dr. Chapman and 5,208 shares that may be acquired by Dr. West upon the exercise of

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certain stock options that may become exercisable within 60 days. Excludes 124,583 shares that may be acquired by Dr. Chapman and 80,729 shares that may be acquired by Dr. West, upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days. Dr. West and Dr. Chapman are husband and wife.

(5) Includes 212,500 shares that may be acquired through the exercise of stock options that are presently exercisable. Excludes 37,500 shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(6) Includes 15,000 shares that may be acquired through the sale of options that are presently exercisable. Excludes 15,000 shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(7) Includes 148,437 shares that may be acquired through the sale of options that are presently exercisable and 3,125 shares that may be acquired upon the exercise of certain stock options that may become exercisable within 60 days. Excludes 48,438 shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

(8) Includes 1,098,748 shares that may be acquired upon the exercise of certain stock options that are presently exercisable or that may become exercisable within 60 days. Excludes 1,196,252 shares that may be acquired upon the exercise of certain stock options that are not presently exercisable and that will not become exercisable within 60 days.

Certain Relationships and Related Transactions

In May 2015, we entered into Subscription Agreements with George Karfunkel and Bernard Karfunkel (the Investors) and BioTime (the Subscription Agreements). Under the Subscription Agreements, we sold 1,500,000 shares of our common stock for $3.3 million in cash, including 500,000 shares sold to George Karfunkel, and 1,000,000 shares sold to Bernard Karfunkel. Concurrently, BioTime purchased 1,500,000 shares of our stock in exchange for the cancelation of $3.3 million of our indebtedness owed to BioTime, and we delivered to BioTime a convertible promissory note (the Note) with regard to an additional $3.3 million of our outstanding indebtedness to BioTime. The Note bore interest at the rate of 1% per annum and was payable on November 30, 2016. Originally, BioTime had the right to convert the principal amount of the Note plus accrued interest into shares of our common stock at a conversion price of $2.20 per share commencing on a future date. On November 19, 2015, the Note was amended to permit BioTime to convert the Note into shares of our common stock at any time prior to payment in full of the principal balance and accrued interest and on November 20, 2015 BioTime converted the Note into 1,508,095 shares of our common stock.

In June 2015, after the sale of stock under the Subscription Agreements was completed, we entered into a second agreement with the Investors. Under the second agreement, the Investors agreed that if on or before June 30, 2016 we conduct another rights offering to our shareholders at a pre-offer valuation of at least $40.0 million, the Investors will purchase shares in that offering with an aggregate purchase price equal to the lesser of (a) a percentage of total amount of capital which we then seek to raise

in the rights offer and in any concurrent offering to third parties equal to the Investors aggregate pro rata share of outstanding OncoCyte common stock on the record date for the rights offering, determined on a fully diluted basis, and (b) $3.0 million, or such lesser amount requested by us.

The Investors also agreed that, for a period of one year from the date of the second agreement, neither of them shall invest or engage, directly or indirectly, whether as a partner, equity holder, lender, principal, agent, affiliate, consultant or otherwise, in any business anywhere in the world that develops products for the diagnosis and treatment of cancer or otherwise competes with us in any way; provided, however, that the passive ownership of less than 5% of the outstanding stock of any publicly-traded corporation will not be deemed, solely by reason thereof, to be in violation of that agreement.

Under the second agreement, we agreed that if shares of our common stock were not publicly traded on any stock exchange or over the counter market by January 15, 2016, we would issue to the Investors, warrants to purchase, in the aggregate, 1,500,000 shares of common stock at an exercise price of $0.02 per share. OncoCyte common stock began trading on the NYSE MKT on a when issued basis on December 30, 2015 in connection with BioTime s distribution of a portion of its OncoCyte shares to BioTime shareholders, extinguishing the contingent obligation to issue the warrants.

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During September 2015, we entered into Subscription Agreement with BioTime pursuant to which BioTime purchased 2,710,857 shares of our common stock for $8.3 million in cash.

We have entered into a Registration Rights Agreement, as amended, pursuant to which we have agreed to register for sale under the Securities Act, at our expense, shares of common stock sold to the Investors and BioTime. We have agreed to file a registration statement following a written request for registration from any holder or group of holders of not less than 25% of the shares covered by the Registration Rights Agreement, but not earlier than one year after we completes an initial public offering of our common stock registered under the Securities Act (an IPO). If, after we complete an IPO, we propose to register any of our securities for sale under the Securities Act, other than with respect to a subscription rights offer to our shareholders or registration statements on Form S-8, the holders of registration rights may include their shares in our registration statement, to the extent that their shares are not eligible for sale under SEC Rule 144 and subject to certain other limitations. We and the holders of the registration rights have agreed to indemnify each other from certain liabilities in connection the registration, offer, and sale of securities under a registration statement, including liabilities arising under the Securities Act.

Shared Facilities Agreement and Relationship with BioTime

Since inception, BioTime has provided us with the use of office and laboratory facilities, laboratory and office equipment and supplies, utilities, insurance, and the services of its employees and contractors, for which we have reimbursed BioTime, either through cash payments, shares of our common stock, or delivering convertible promissory notes.

We have entered into a Shared Facilities Agreement with BioTime through which BioTime will continue to provide us with the use of its facilities, equipment and supplies, utilities, and personnel at its cost plus 5%. However, to date BioTime has not charged us the 5% markup. As of December 31, 2015, we owed BioTime approximately $807,000 under the Shared Facilities Agreement.

BioTime is not required to hire any additional personnel or to acquire any additional equipment or supplies for our use. We expect to hire our own personnel and to acquire our own equipment and supplies for our own exclusive use as the need arises.

The Shared Facilities Agreement will remain in effect from year to year, unless either party gives the other party written notice stating that this agreement shall terminate on December 31 of that year, or unless the agreement is otherwise terminated under another provision of the agreement.

Either party may terminate the Shared Facilities Agreement immediately upon the occurrence of a default by the other party. A default will be deemed to have occurred if a party (i) fails to pay any sum due under the Shared Facilities Agreement, or fails to perform any other obligation under the agreement, and the failure continues for a period of 5 days after written notice from the party seeking to terminate the agreement; (ii) becomes the subject of any order for relief in a proceeding under any

Debtor Relief Law; (iii) becomes unable to pay, or admits in writing the party s inability to pay, its debts as they mature; (iv) makes an assignment for the benefit of creditors; (v) applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitation, or similar officer for the party or for all or any part of the party s property or assets, or any such officer is appointed for such party or any part of its assets without the party s consent and such appointment is not dismissed or discharged within 60 calendar days; (vi) institutes or consents to any proceeding under any Debtor Relief Law with respect to the party or all or any part of the party s property or assets, (vii) becomes subject to any proceeding under any Debtor Relief Law without the consent of the party if such case or proceeding continues undismissed or unstayed for 60 calendar days; or (viii) dissolves or liquidates or takes any action to dissolve or liquidate. As used in the Shared Facilities Agreement, the term Debtor Relief Law means the Bankruptcy Code of the United States of America, as amended, or any other similar debtor relief law affecting the rights of creditors generally.

Under the Shared Facilities Agreement, we have agreed to defend, indemnify, and hold harmless BioTime, BioTime s shareholders, directors, officers, employees, and agents against and from any and all claims arising from our use of BioTime s office and laboratory facilities, and from any of our work or other activities there, including all activities, work, and services performed by BioTime employees, contractors, and agents for us. The scope of our indemnification obligations also includes any and all claims arising from any breach or default on our part in the performance of any of our obligations under the terms of the Shared Facilities Agreement, or

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arising from any act or omission (including, but not limited to negligent acts or omissions) of us or any of our officers, agents, employees, contractors, guests, or invitees acting in that capacity. We are also assuming all risk of damage to property or injury to persons in, upon, or about the BioTime s office and laboratory facilities, from any cause other than BioTime s willful malfeasance or sole gross negligence. BioTime will not be liable to us for any loss or damages of any kind caused by, arising from, or in connection with (i) the performance of services by BioTime personnel for us, or the failure of any BioTime employee, contractor, or agent to perform any services for us, or (ii) any delay, error, or omission by any BioTime employee, contractor, or agent in the performance of services for us, except to the extent the loss or damage is the result of fraud, gross negligence or willful misconduct by a BioTime employee, contractor, or agent.

Approval by the Board of Directors

All of the transactions described above were reviewed directly by the Board of Directors, and the Board of Directors determined whether to approve or withhold approval of each transaction. The Board of Directors applied such criteria as it determined to be appropriate in connection with its evaluation of each proposed transaction on a transaction by transaction basis, and did not have any written guidelines governing the Board of Directors exercise of its discretion. The directors considered such factors as they deemed relevant to the particular transaction.

Related Person Transaction Policy

We have adopted a Related Person Transaction Policy that applies to transactions exceeding $120,000 in which any of our officers, directors, beneficial owners of more than 5% of our outstanding shares of common stock, or any member of their immediate family, has a direct or indirect material interest, determined in accordance with the policy (a Related Person Transaction). A Related Person Transaction must be reported to our outside legal counsel, our Chief Operating Officer, and our Chief Financial Officer, and will be subject to review and approval by our Audit Committee prior to effectiveness or consummation, to the extent practical. In addition, any Related Person Transaction that is ongoing in nature will be reviewed by the Audit Committee annually to ensure that the transaction has been conducted in accordance with any previous approval and that all required disclosures regarding the transaction are made.

As appropriate for the circumstances, the Audit Committee will review and consider:

- the interest of the officer, director, beneficial owner of more than 5% of our common stock, or any member of their immediate family (Related Person) in the Related Person Transaction;
- the approximate dollar value of the amount involved in the Related Person Transaction;
- the approximate dollar value of the amount of the Related Person’s interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of our business;

- whether the transaction with the Related Person is proposed to be, or was, entered into on terms no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to the transaction to us; and
- any other information regarding the Related Person Transaction or the Related Person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The Audit Committee will review all relevant information available to it about a Related Person Transaction. The Audit Committee may approve or ratify the Related Person Transaction only if the Audit Committee determines that, under all of the circumstances, the transaction is in, or is not in conflict with, our best interests. The Audit Committee may, in its sole discretion, impose such conditions as it deems appropriate on us or the Related Person in connection with approval of the Related Person Transaction.

A copy of our Related Person Transaction Policy can be found on our website at *www.oncocyte.com*.

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**COMPLIANCE WITH SECTION 16(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Section 16(a) of Exchange Act, requires our directors and executive officers and persons who own more than ten percent (10%) 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 OncoCyte equity securities. Officers, directors and greater than ten percent beneficial owners are required by SEC regulations to furnish us with copies of all reports they file under Section 16(a).

To our knowledge, based solely on our review of the copies of such reports furnished to us, all Section 16(a) filing requirements applicable to our officers, directors, and greater than ten percent beneficial owners were complied with during the fiscal year ended December 31, 2015, except that Forms 3 were filed late by Andrew Arno, BioTime, Inc., Karen Chapman, Alfred D. Kingsley, Aditya Mohanty, Cavan Redmond, Judith Segall, Russell Skibsted, and Michael D. West.

**RATIFICATION OF THE SELECTION OF OUR INDEPENDENT REGISTERED
PUBLIC ACCOUNTANTS**

The Board has selected OUM & Co., LLP (OUM) as our independent registered public accountants. The Board proposes and recommends that the shareholders ratify the selection of the firm of OUM to serve as our independent registered public accountants for the fiscal year ending December 31, 2016. Approval of the selection of OUM to serve as our independent registered public accountants requires the affirmative vote of a majority of the shares of common stock present and voting on the matter at the Meeting, provided that the affirmative vote cast constitutes a majority of a quorum. Unless otherwise directed by the shareholders, proxies will be voted **FOR** approval of the selection of OUM to audit our consolidated financial statements.

We expect that a representative of OUM will be present at the Meeting, in person or by conference telephone, and will have an opportunity to make a statement if he or she so desires and may respond to appropriate questions from shareholders.

The Board of Directors Recommends a Vote FOR Ratification of the Selection of OUM as Our Independent Registered Public Accountants

OUM served as our independent registered public accountants and audited our annual financial statements for the fiscal years ended December 31, 2015 and 2014.

Audit Fees, Audit Related Fees, Tax Fees and Other Fees

The following table sets forth the aggregate fees billed to us during the fiscal years ended December 31, 2015 and 2014 by OUM:

	2015[1]	**2014[1]**
Audit Fees[2]	$ 318,500	$ —

Audit Related Fees[3]	64,063	—
Tax Fees[4]	—	—
Total Fees	$ 382,563	$ —

(1) OUM was engaged as OncoCyte's independent registered public accountants during the fourth quarter of 2015 and audited OncoCyte's financial statements for the years ended December 31, 2014 and 2013 at that time in connection with OncoCyte's Registration Statement on Form 10. Accordingly, 2015 fees paid to OUM include fees for the audit of OncoCyte's financial statements for the years ended December 31, 2015, 2014 and 2013 and for the review of OncoCyte's interim consolidated financial statements included in OncoCyte's Registration Statement on Form 10.

(2) Audit Fees consist of fees billed for professional services rendered for the audit of OncoCyte's consolidated annual financial statements included in our Registration Statement on Form 10 and in our Annual Report on Form 10-K, and review of the interim consolidated financial statements included in our Registration Statement on Form 10, and services that are normally provided by our independent registered public accountants in connection with statutory and regulatory filings or engagements.

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(3) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees. This category includes fees related to non-routine SEC filings.

(4) Tax Fees were billed for services including assistance with tax compliance and the preparation of tax returns, tax consultation services, assistance in connection with tax audits and tax advice related to mergers, acquisitions and dispositions.

Pre-Approval of Audit and Permissible Non-Audit Services

Our Audit Committee requires pre-approval of all audit and non-audit services. Other than *de minimis* services incidental to audit services, non-audit services shall generally be limited to tax services such as advice and planning and financial due diligence services. All fees for such non-audit services must be approved by the Audit Committee, except to the extent otherwise permitted by applicable SEC regulations. The Committee may delegate to one or more designated members of the Committee the authority to grant pre-approvals, provided such approvals are presented to the Committee at a subsequent meeting. During 2015, 100% of the fees paid to OUM were approved by the Audit Committee or by our Board of Directors prior to the appointment of our Audit Committee.

PROPOSALS OF SHAREHOLDERS

Shareholders who intend to present a proposal for action at our 2017 Annual Meeting of Shareholders must notify our management of such intention by notice received at our principal executive offices not later than February 6, 2017 for such proposal to be included in our proxy statement and form of proxy relating to such meeting.

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ANNUAL REPORT

Our Annual Report on Form 10-K filed with the SEC for the fiscal year ended December 31, 2015, without exhibits, may be obtained by a shareholder without charge, upon written request to the Secretary of OncoCyte.

We may deliver only one annual report and Proxy Statement to multiple shareholders sharing an address, unless we receive notice from the instructions to the contrary from those shareholders. We will deliver separate copies of the Proxy Statement and annual report to each shareholder sharing a common address if they notify us that they wish to receive separate copies. If you wish to receive a separate copy of the Proxy Statement or annual report, you may contact us by telephone at (510) 775-0515, or by mail at 1010 Atlantic Avenue, Suite 102, Alameda, California 94501. You may also contact us at the above phone number or address if you are presently receiving multiple copies of the Proxy Statement and annual report but would prefer to receive a single copy instead.

By Order of the Board of Directors,

Judith Segall
Secretary

April 29, 2016

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HOW TO ATTEND THE ANNUAL MEETING

If you are a shareholder of record (meaning that you have a stock certificate registered in your own name), your name will appear on our shareholder list. You will be admitted to the Meeting upon showing your proxy card, driver s license, or other identification.

If you are a street name shareholder (meaning that your shares are held in an account at a broker-dealer firm) your name will not appear on our shareholder list. If you plan to attend the Meeting, you should ask your broker for a legal proxy. You will be admitted to the Meeting by showing your legal proxy. You probably received a proxy form from your broker along with your Proxy Statement, but that form can only be used by your broker to vote your shares, and it is not a legal proxy that will permit you to vote your shares directly at the Meeting. If you cannot obtain a legal proxy in time, you will be admitted to the Meeting if you bring a copy of your most recent brokerage account statement showing that you own OncoCyte shares. However, if you do not obtain a legal proxy, you can only vote your shares by returning to your broker, before the Meeting, the proxy form that accompanied your Proxy Statement.

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